

## 3.4. Explanations

### 3.4.1. Basis of Presentation of the Financial Statements

The CBRT prepares its books of account in accordance with the Tax Legislation and the Law on the CBRT No. 1211 and prepares its statutory financial statements in accordance with the Turkish Commercial Code (TCC) and the Law on the CBRT No. 1211.

Periodicity, full disclosure, prudence, social responsibility, economic entity, going concern, monetary unit, historic cost, neutrality and documentation, consistency, substance over form, and materiality principles, which are the underlying assumptions of accounting, constitute the basis of the CBRT's accounting practices.

Foreign currency transactions of the CBRT are converted to Turkish lira at the exchange rates prevailing on transaction dates. During the preparation of financial statements, foreign currency denominated assets and liabilities are converted to Turkish lira using the FX and foreign currency buying rates of the CBRT applicable on the balance sheet date.

Pursuant to Article 61 of the CBRT Law No.1211, the unrealized gains and losses arising from the revaluation of gold and foreign currency due to changes in the value of the Turkish currency against foreign currencies are monitored in the "Revaluation Account" item in the assets and liabilities of the CBRT balance sheet. In the event of realization, gains or losses are reflected on the profit and loss statement.

The financial statements are presented in Turkish lira.

#### 3.4.1.1. Gold Reserves

The CBRT's gold reserves consist of international and non-international standard gold held at CBRT vaults, foreign banks and BIST. Gold in foreign banks is held as free deposits as part of reserve management. Gold deposited by banks for reserve requirements is also held at foreign banks and BIST.

Gold is initially recognized at prices prevailing on recognition date, and measured at fair value in the following periods. Fair value is calculated as the average of the gold prices quoted at 10:30 and 15:00 in the London Bullion Market on the last day of month and using 1 ounce of gold = 31.1035 grams, and is reported on the balance sheet as translated daily to Turkish lira from their month-end revalued amounts. Fair value differences arising from both price and exchange rate difference are recognized as unrealized gains and losses in the "Revaluation Account" as per Article 61 of the CBRT Law No. 1211.

### 3.4.1.2 Financial Assets and Liabilities

#### a) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are financial assets held for trading.

Pursuant to Article 52 of the CBRT Law No. 1211, regarding open market operations, securities purchased by the CBRT on its own account in order to regulate money supply and the liquidity in the economy, and foreign securities are classified in this group. After initial recognition, held-for-trading financial assets are revalued at their fair values at month ends, and gains and losses arising from revaluation are transferred to profit and loss accounts. The differences between acquisition costs and fair values of held-for-trading financial assets are reflected on the items "3. Foreign Correspondents" and "5. Securities Portfolio" in the balance sheet.

Fair value is calculated based on the weighted average prices that occur in BIST for transactions with the same value date. In absence of these prices, the prices of related securities published in the Official Gazette by the CBRT on a daily basis are used for fair value calculation. Foreign currency securities are valued at their fair value using the closing prices in related international markets at month ends.

Interest earned during the holding period of the held-for-trading financial assets is shown in interest income.

#### b) Loans

Loans extended by the CBRT are recognized when cash is advanced to borrowers. Loans are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial asset, or, where appropriate, through a shorter period, exactly to the net present value of the financial asset.

#### c) Available-for-Sale Financial Assets

Available-for-sale assets are initially recognized at acquisition cost. Subsequent to the initial recognition, fair values of available-for-sale financial assets are determined based on market prices or other valuation techniques. Unrealized gains and losses arising from changes in the fair value of available-for-sale financial assets are monitored in "12. Other Liabilities".

The CBRT's participation shares in the BIS, Society for Worldwide Interbank Financial Telecommunication (SWIFT) and International Islamic Liquidity Management Corporation (IILM) are classified as available-for-sale financial assets.

Gains and losses arising from changes in fair value of the participation shares are monitored in "12. Other Liabilities". When participation shares are derecognized the amount of gains or losses monitored in "12. Other Liabilities" is reflected on the profit and loss statement.

Dividends related to participation shares are reflected on the profit and loss statement in the period when the right to receive dividends is established.

#### d) Repurchase Transactions

Repurchase transactions of Turkish lira securities are undertaken within the scope of the open market operations of the CBRT.

Repurchase transactions are recognized as collateralized loans. While the cash receivables are shown in "6. Lending Related to Monetary Policy Operations / 6.1 Open Market Operations" item on the asset side in the amount lent on the transaction date, securities received as collateral are monitored in off-balance sheet accounts. Interest, received from banks, is accrued at month-ends using the effective interest method. On the maturity date, the interest income arising from the transaction is reflected on the profit and loss statement.

**e) Impairment of Financial Assets**

Financial assets or financial asset groups, other than those at fair value through profit or loss, are assessed for the existence of impairment indicators at the end of each reporting period. Impairment loss is incurred when there is an objective indicator related to the impairment of the financial asset as a result of one or more events that occur after initial recognition of financial assets and that have a negative impact on the estimated future cash flows of financial assets or the groups of financial assets. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's book value and the present value of estimated future cash flows, discounted at the original effective interest rate.

The book value of the financial asset is reduced by the impairment loss. When a trade receivable becomes uncollectible, a provision is set aside in the amount of the receivable. Changes in the provision account are reflected on the profit and loss statement.

**f) Derecognition of the Financial Assets**

The CBRT derecognizes an asset when the rights arising from the contract on the cash flow of the financial asset expire or when all risks and rewards arising from the acquisition of this asset are transferred to another party.

**g) Financial Liabilities at Fair Value through Profit or Loss**

The liquidity bills, which are issued by the CBRT pursuant to Article 52 of the CBRT Law No. 1211 with an aim to effectively regulate the money supply and liquidity in the economy within the framework of monetary policy targets, have maturities no longer than 91 days and are tradable in the secondary markets on the CBRT's own account and behalf within the scope of open market operations, are classified in this group. The CBRT recognizes liquidity bills at the issuing amount and revalues them at the end of each month, at their fair value according to the prices announced in the Official Gazette on a daily basis. The differences between the issuing amounts and the fair values are reflected in the profit and loss statement. As of the balance sheet date, there are no liquidity bills issued by the CBRT.

**h) Other Financial Liabilities**

Other financial liabilities are measured at amortized cost with interest expense recognized on an effective interest rate.

**i) Reverse Repurchase Transactions**

Reverse repurchase transactions are recognized as the collateralized deposits. While the securities lent as collateral are shown in "5. Securities" in the assets of the balance sheet, cash debts are monitored in "2. Liabilities Related to Monetary Policy Operations / 2.1 Open Market Operations" item in the liabilities as the amount received on the transaction date. The interest paid to the banks is accrued at month-ends using the effective interest method. The interest expense paid for the transaction on the maturity date is reflected in the profit and loss statement.

### 3.4.1.3. Income and Expense

#### a) Interest Income / Expense

As required by the periodicity principle, income and expense are accrued for the interest amounts of undue receivables and payables at month-ends and income and expense accruals are recognized for due receivables and payables whose collections or payments are going to occur in the next period.

#### b) Fee and Commission Income and Expense

The fee and commission income and expense which the CBRT pays or receives as a result of the transactions with commercial banks, the Undersecretariat of Treasury, public administrations within the scope of general budget, other individuals and institutions are recognized as income or expense in the period of payment or receipt. Income and expense accruals are recognized for payments or collections that are going to occur in the next period.

### 3.4.1.4. Fixed Assets

Fixed assets consist of land, buildings and additional expenses as a part of buildings' cost, furniture and fixtures and software products.

While the land in the CBRT's balance sheet is carried at acquisition cost; buildings, furniture and fixtures and software are carried at cost minus accumulated depreciation in the balance sheet.

The difference between the sale proceeds arising from the disposal of fixed assets and the net carrying value of the asset is recognized in the profit and loss statement.

Depreciation of the fixed assets, other than land, is calculated and reflected in financial statements in accordance with their useful life, specified in the Tax Procedure Law General Communiqués using the prorated depreciation method.

### 3.4.1.5. Currency Issued

According to the CBRT Law No. 1211, the CBRT has the exclusive privilege of issuing banknotes. The amount of banknotes issued is shown under "1. Currency Issued" item on the CBRT balance sheet. The CBRT can replace the banknotes in circulation with new ones when necessary. In financial statements, banknotes in circulation are presented with their nominal values.

Stocks of semi-finished banknotes printed at the CBRT's banknote printing plant are monitored at cost in "15. Other Assets". Expenses associated with banknotes are initially capitalized and are charged to the profit and loss statement upon transfer of banknotes to auxiliary storage of the CBRT. Costs of finished and semi-finished banknotes include direct costs, depreciation costs, staff costs, transportation costs and other printing costs.

### 3.4.1.6. Provisions

According to Article 59 of the CBRT Law No. 1211, provisions, the amounts to be deemed appropriate by the Board, may be set aside from the gross annual profit of the Bank in order to cover certain risks which may occur in the following years due to the operations exclusive to the Bank.

### 3.4.1.7. Employee Benefits

Retirement pay and employee termination benefits are paid on the retirement of employees or in case of layoffs. The amount to be paid is calculated based on the title and tenure of the employee and in accordance with related laws.

Retirement pay and employee termination benefits obligation are calculated according to the net present value of obligation that are expected to arise due to retirement of employees and reflected in financial statements.

### 3.4.1.8. Taxes

#### a) Current Taxes

The CBRT, established as a "joint stock company", as per Article 1 of the CBRT Law No. 1211, is a corporate taxpayer. The CBRT is responsible for withholding tax on wages, outsourcing payments, interest on deposits, etc. as per Article 94 of the Income Tax Law No. 193, and on the payments made to firms subject to limited tax liability except for commercial, agricultural and other earnings; and on payments made for the transfer or sale of intangible rights as per Article 30 of the Corporate Income Tax Law No. 5520.

The CBRT is a taxpayer of banking and insurance transactions tax.

Revaluation gains from assets and liabilities that are subject to Article 61 of the CBRT Law No. 1211 are not considered as a profit item for the year in which the revaluation is applied and also not taken as an income item in the calculation of corporate tax base. Revaluation losses from assets and liabilities are not considered as an expense for the year in which the revaluation is applied and also not taken as a loss item in the computation of corporate tax base.

The corporate tax for the current period is reflected as expense in the profit and loss statement.

#### b) Deferred Taxes

Deferred tax assets and liabilities arise from tax effect of the temporary differences between the amounts of assets and liabilities in the financial statements and their book values based on Tax Procedure Law. The deferred tax asset is reflected in the assets and deferred tax liability is reflected in the liabilities on the balance sheet.

Tax expense of current year includes related period's corporate tax and the change in deferred tax income.

Tax expense in financial statements includes related period's tax provision and the change in deferred tax income. CBRT has made classification change under "Non-Interest Income" and "Tax Expense" in previous year's financial statements.

"Deferred Tax Income" of 2015 previously reported in "Non-Interest Income" is now reported under "Tax Expense".

**Table 3. Non-Interest Income**

31 December 2015 value	12,734,764,147
Deferred Tax Income	-5,065,940
<b>Re-calculated value as of 31 December 2015</b>	<b>12,729,698,207</b>

**Table 4. Tax Expense**

31 December 2015 value	2,350,350,777
Deferred Tax Income	-5,065,940
<b>Re-calculated value as of 31 December 2015</b>	<b>2,345,284,837</b>

**3.4.1.9. Comparative Information and Adjustment of the Financial Statements of the Preceding Year**

The CBRT's financial statements for the current year and the previous year are presented together to allow comparison of the financial position. If necessary, the comparative information is reclassified and the significant differences are explained to be compatible with presentation of the current financial statements.

**3.4.1.10. Custody Operations**

Custody assets held by the CBRT on behalf of individuals and financial institutions are followed in off-balance sheet commitments.

**3.4.2. Explanations Related to Financial Statement Items**

**3.4.2.1 Gold**

The gold holdings are composed of 377,056,336.60 net grams of gold in international standards equivalent to TL 49,449,492,253 and 3,177,797.62 net grams of gold in non-international standards equivalent to TL 416,755,969. While some part of the gold in international standards belongs to the CBRT, rest is placed to the CBRT by banks and financing companies for satisfying their reserve requirements. Gold holdings in international standards are stored in the vaults of the CBRT, held with BIST and foreign correspondents.

Table 5. Gold	2016		2015	
	Net Gram	TL	Net Gram	TL
<b>International standards</b>	<b>377,056,337</b>	<b>49,449,492,253</b>	<b>515,519,994</b>	<b>51,191,475,986</b>
Owned by the CBRT	116,103,765	15,226,563,392	116,103,765	11,529,180,541
At BoE	53,743,706	7,048,280,928	53,743,706	5,336,785,539
At Fed	28,689,413	3,762,506,517	28,689,413	2,848,877,702
At the CBRT	33,670,645	4,415,775,948	33,670,645	3,343,517,301
Reserve requirements of the banks	259,397,566	34,018,995,737	397,644,082	39,486,320,109
At BoE	226,066,008	29,647,689,774	340,505,164	33,812,387,729
At BIST	33,331,558	4,371,305,963	57,138,919	5,673,932,380
Reserve requirements of the financing companies	1,555,006	203,933,123	1,772,147	175,975,335
At BoE	1,555,006	203,933,123	1,772,147	175,975,335
At BIST	-	-	-	-
<b>Non-international standards</b>	<b>3,177,798</b>	<b>416,755,969</b>	<b>3,177,798</b>	<b>315,557,403</b>
Owned by the CBRT	2,832,113	371,420,817	2,832,113	281,230,738
CBRT Collection (Owned by the CBRT)	109	14,358	109	10,871
Owned by Treasury	345,575	45,320,794	345,575	34,315,794

Note: Gold holdings are valued based on 1 ounce of gold = 31.1035 grams using the price 1,159.10 USD/Ounce (2015: 1,062.25) and USD buying rate of 3.5192 as of 31 December 2016 (2015: 2.9076). Accordingly, the price of 1 net gram of gold is TL (1,159.10 x 3.5192) / 31.1035 = TL 131.15.

Gold holdings in international standards are held by the CBRT as part of foreign currency reserves and they account for 13.22% (2015: 15.93%) of total foreign currency reserves. The gold deposited by banks and financing companies for required reserves, which amounts to 260,952,571.93 net grams equivalent to TL 34,222,928,860 is also followed under this item. 872,615.00 net grams of that gold equivalent to TL 114,440,110 consist of refined gold.

Some part of gold holdings in non-international standards belong to the CBRT and the rest of them belong to the Treasury. Gold holdings in non-international standards are stored in the vaults of the Head Office and recognized in the assets of the balance sheet under "15. Other Assets". 345,574.68 net grams of gold that belongs to the Treasury amounts to TL 45,320,794 and is reported in liabilities side of the balance sheet under "12. Other Liabilities/12.1 Treasury Gold".

### 3.4.2.2. Foreign Banknotes

As of the end of 2016, the Turkish lira equivalent of foreign banknotes kept in the vaults of the branches of the CBRT is TL 6,259,811,100.

Table 6. Foreign Banknotes	2016	2015
Foreign banknotes	6,259,811,100	4,183,398,575

### 3.4.2.3. Foreign Correspondents

"3. Foreign Correspondents", which represents the main part of the FX reserves of the CBRT and presented in the assets of the balance sheet, consists of FX securities carried at fair value, deposit accounts in foreign correspondents, and current accounts.

Table 7. Foreign Correspondents	2016		2015	
	TL	USD	TL	USD
FX Securities	286,470,939,177	81,402,290,059	241,664,149,226	83,114,647,553
Deposit	24,391,271,139	6,930,913,599	19,711,937,695	6,779,453,052
Other	6,847,046,179	1,945,625,761	4,165,756,541	1,432,713,076
Demand deposit	2,272,455,004	645,730,565	264,281,047	90,893,193
SDR holding account	4,573,610,865	1,299,616,636	3,900,212,068	1,341,385,358
Other	980,309	278,560	1,263,425	434,525
<b>TOTAL</b>	<b>317,709,256,495</b>	<b>90,278,829,420</b>	<b>265,541,843,462</b>	<b>91,326,813,682</b>

Balances of "4. Foreign Banks" in the liabilities of the balance sheet as of the end of 2016 and 2015 are presented below.

Table 8. Foreign Banks (Liabilities)	2016		2015	
	TL	USD	TL	USD
Nostro accounts	1,318,337	374,613	1,088,105	374,228

### 3.4.2.4. Balances Arising from Turkey's Membership in the International Monetary Fund

Within the framework of the financial relations arising from Turkey's membership in the IMF, that part of Turkey's IMF quota paid as gold and foreign currency is represented under "4. Reserve Tranche Position" in the assets of the balance sheet and "5. Reserve Tranche Means" in the liabilities of the balance sheet. SDR 37,750,000 of the amount SDR 112,775,000 was paid as gold. Turkey's quota increased from SDR 1,455.8 million to SDR 4,658.6 million on 18 February 2016.

Table 9. Balances Arising from Membership in the IMF	2016		2015	
	TL	SDR	TL	SDR
<b>Assets</b>				
Reserve tranche position	533,910,683	112,775,000	455,272,675	112,775,000
Treasury liabilities due to SDR allocation	5,071,996,336	1,071,329,729	4,324,958,116	1,071,329,729
<b>Liabilities</b>				
Reserve tranche means	533,910,683	112,775,000	455,272,675	112,775,000
SDR allocation	5,071,996,336	1,071,329,729	4,324,958,116	1,071,329,729

SDR 112,307,000, which was allocated to Turkey by the IMF and used by the Treasury; and General and Special SDR Allocation in the amount of SDR 959,022,729 in 2009 are presented under "10. Treasury Liabilities Due to SDR Allocations" in the assets, and "6. SDR Allocation" in the liabilities.

### 3.4.2.5. Securities

As of the end of 2016, the fair value of securities is TL 13,889,107,720.

Table 10. Securities	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Government bonds and treasury bills issued by the Undersecretariat of Treasury	13,664,355,770	13,636,435,950	8,818,537,542	8,677,646,830
Lease Certificates issued by Undersecretariat of Treasury Asset Leasing Company	248,904,320	252,671,770	277,611,140	279,870,510
<b>TOTAL</b>	<b>13,913,260,090</b>	<b>13,889,107,720</b>	<b>9,096,148,682</b>	<b>8,957,517,340</b>

### 3.4.2.6. Lending and Liabilities Related to Monetary Policy Operations

"6. Lending Related to Monetary Policy Operations" in the assets of the balance sheet, which represents cash receivables of the CBRT, has a balance of TL 95,555,846,625 as of the end of 2016. The income accruals reflected in this item are TL 48,625,623 for repurchase agreements (2015: TL 64,797,798); and TL 11,421,141 for Interbank Money Market operations (2015: TL 1,771,613).

"2. Liabilities Related to Monetary Policy Operations" in the liabilities of the balance sheet, which represents cash debts of the CBRT, has a balance of TL 50,320,258. The expense accruals reflected in this item are TL 20,258 for Interbank Money Market operations (2015: TL 5,335).

Table 11. Lending/Liabilities Related to Monetary Policy Operations	2016	2015
<b>Assets</b>		
<b>Lending Related to Monetary Policy Operations</b>	<b>95,555,846,625</b>	<b>95,475,069,203</b>
Open market operations	71,355,625,484	89,537,797,590
Interbank money market operations	24,200,221,141	5,937,271,613
<b>Liabilities</b>		
<b>Liabilities Related to Monetary Policy Operations</b>	<b>50,320,258</b>	<b>26,505,335</b>
Open market operations	-	-
Interbank money market operations	50,320,258	26,505,335
<b>Lending Related to Monetary Policy Operations (net)</b>	<b>95,505,526,367</b>	<b>95,448,563,868</b>

### 3.4.2.7 Domestic Banks

"7. Domestic Banks" item represents FX deposits with the CBRT as counterparty and FX deposits intermediated by the CBRT. This item has no balance as of the end of 2016.

### 3.4.2.8. Credits and Claims under Legal Proceedings

Domestic credits, which are extended to banks against rediscounted bills, consist of USD 6,091,086,244 (2015: USD 5,301,646,555), EUR 4,364,282,011 (2015: EUR 2,302,355,384) and GBP 7,924,921 (2015: GBP 3,504,733), equivalent to TL 37,661,027,484 (2015: TL 22,746,104,797). The year-end balance of domestic credits including accruals is TL 37,590,464,519 (2015: TL 22,719,308,685).

Foreign credits consist of credit extended to the Central Bank of Sudan. In accordance with the Banking Agreement between the CBRT and the Central Bank of Sudan, foreign credits that were extended amount to USD 9,061,417 (2015: USD 9,061,417) equivalent to TL 31,888,938 (2015: TL 26,346,975). The credit extended due to the Banking Agreement between the CBRT and the Central Bank of Albania which was monitored in this account has ended with the payment of final installment on 01.04.2016. (2015: USD 256,359, TL 747,311).

<b>Table 12. Credits and Claims under Legal Proceedings</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Domestic Credits	37,590,464,519	22,719,308,685
Foreign Credits	31,888,938	27,094,286
Claims under Legal Proceedings (Net)	-	-
Claims under Legal Proceedings	5,423,981,380	4,458,844,569
Provisions for Claims under Legal Proceedings (-)	-5,423,981,380	-4,458,844,569
<b>TOTAL</b>	<b>37,622,353,457</b>	<b>22,746,402,971</b>

NOTE: Interest accrued to the claims on the Central Bank of Iraq is USD 7,740,340 (2015: USD 2,761,737) equivalent to TL 22,712,458 (2015: TL 7,269,040).

The claims on the Central Bank of Iraq are USD 1,448,679,611 (2015: USD 1,440,939,271) equivalent to TL 5,098,193,286 (2015: TL 4,189,675,024). The claims arising from the credit extended against bills for the Iraq Bekhme Dam Project are USD 92,574,475 (2015: USD 92,574,475) equivalent to TL 325,788,094 (2015: TL 269,169,545). Monthly interest is accrued on the credits extended to the Central Bank of Iraq. As per Article 323 of the Tax Procedure Law No.213, a provision has been made for the principal payment and the interest accrued. As a provision of TL 5,423,981,380 has been set for these claims as an offsetting item, this account has no balance as of the year-end.

### 3.4.2.9. Share Participations

The CBRT's share participations in the BIS, SWIFT and IILM are classified as available-for-sale financial assets.

Share participations in the BIS and SWIFT are valued at fair value, while the share participations in the IILM are recorded at historical cost since the fair value cannot be determined.

The share participation in the BIS, which is acquired under the scope of central banking activities and classified as available-for-sale financial asset, is recognized at fair value calculated as 70% of the net asset value of the BIS.

**Table 13. Share Participations**

	Nature of Business	Ownership (%)	2016		2015		
			TL	Foreign Currency	Ownership (%)	TL	Foreign Currency
<b>BIS</b>	Banking supervision services	1.43	882,635,924	SDR 10,000,000	1.43	723,923,685	SDR 10,000,000
<b>SWIFT</b>	Electronic fund transfer services	0.007	127,621	EUR 34,400	0.007	92,278	EUR 29,040
<b>IILM</b>	Liquidity management	13.33	35,192,000	USD 10,000,000	13.33	29,076,000	USD 10,000,000
<b>TOTAL</b>			<b>917,955,544</b>			<b>753,091,962</b>	

The movement in share participations is as follows:

**Table 14. Movement in Share Participations**

	2016	2015
<b>Balance on 1 January</b>	<b>753,091,962</b>	<b>628,430,193</b>
Fair value changes	164,863,582	124,661,769
<b>Balance on 31 December</b>	<b>917,955,544</b>	<b>753,091,962</b>

### 3.4.2.10. Fixed Assets (Net)

The CBRT's fixed assets consist of lands, buildings, furniture and fixtures and software products.

**Table 15. Movement in Fixed Assets**

	Land and Building	Furniture and Fixtures	Software	Total
<b>Net Book Value on 1 January</b>	<b>577,148,336</b>	<b>91,873,859</b>	<b>5,021,485</b>	<b>674,043,680</b>
Additions	6,460,677	13,156,115	1,364,604	20,981,396
Disposals (Net) <sup>(*)</sup>	-212,000	-52,384	-	-264,383
Depreciation charge	-6,041,327	-25,469,658	-2,624,855	-34,135,840
<b>Net Book Value on 31 December</b>	<b>577,355,686</b>	<b>79,507,932</b>	<b>3,761,234</b>	<b>660,624,852</b>

(\*) Disposals are shown net of accumulated depreciation.

2016	Land and Building	Furniture and Fixtures	Software	Total
Book Value	735,457,019	233,667,124	23,300,699	992,424,842
Accumulated Depreciation	-158,101,333	-154,159,192	-19,539,465	-331,799,990
<b>Net Book Value</b>	<b>577,355,686</b>	<b>79,507,932</b>	<b>3,761,234</b>	<b>660,624,852</b>

2015	Land and Building	Furniture and Fixtures	Software	Total
Book Value	729,296,814	221,942,529	23,133,730	974,373,073
Accumulated Depreciation	-152,148,478	-130,068,670	-18,112,245	-300,329,393
<b>Net Book Value</b>	<b>577,148,336</b>	<b>91,873,859</b>	<b>5,021,485</b>	<b>674,043,680</b>

### 3.4.2.11. Other Assets

<b>Table 16. Other Assets</b>	<b>2016</b>	<b>2015</b>
Gold in non-international standard	416,755,969	315,557,403
Coins	131,585,442	105,358,642
Income accruals	43,308,781	36,021,615
Charges and commissions due from the Treasury	25,908,999	21,606,552
EFT fees	15,600,590	14,045,233
Other	1,799,192	369,830
Other	1,852,463,150	2,084,324,270
Prepaid taxes to be deducted from corporate tax	1,447,972,489	1,623,927,851
Income tax withholding to be deducted from corporate tax	222,734,541	285,085,235
Depots	64,305,949	61,412,649
Prepaid expenses	1,501,720	1,540,384
Other	115,948,451	112,358,150
<b>TOTAL</b>	<b>2,444,113,341</b>	<b>2,541,261,930</b>

### 3.4.2.12. Currency Issued

<b>Table 17. Currency Issued</b>	<b>2016</b>	<b>2015</b>
<b>Balance on 1 January</b>	<b>103,042,636,169</b>	<b>85,118,221,700</b>
Banknotes put into circulation	55,309,941,347	45,739,890,124
Banknotes withdrawn from circulation	-35,245,518,985	-27,815,475,655
Banknotes expired	-147,145,733	-
<b>Balance on 31 December</b>	<b>122,959,912,798</b>	<b>103,042,636,169</b>

Banknotes in circulation amount to TL 122,959,912,798 as of the end of 31 December 2016.

## 3.4.2.13. Deposits

<b>Table 18. Deposits</b>	<b>2016</b>	<b>2015</b>
<b>Public sector deposits</b>	<b>25,030,296,253</b>	<b>28,633,962,809</b>
Treasury, general and special budget administrations	25,021,999,200	28,625,962,773
Other	8,297,053	8,000,036
<b>Banking sector deposits</b>	<b>285,089,598,754</b>	<b>249,463,370,343</b>
Domestic banks	99,621,924,919	41,743,731,442
Deposits of banks	26,543,942,646	2,406,560,187
Free required reserves	73,077,982,273	39,337,171,255
Foreign banks	560,942,646	10,639,374
Required reserves in blocked accounts	184,905,999,320	207,708,761,416
Cash	150,683,070,459	168,046,465,972
Gold	34,222,928,860	39,662,295,444
Other	731,869	238,111
<b>Other deposits</b>	<b>4,973,102,088</b>	<b>5,582,538,447</b>
Deposits by citizens abroad	2,929,285,613	3,900,911,450
Deposits by international institutions	51,540,198	13,720,624
IMF	46,524,098	13,663,920
Other	5,016,100	56,704
Extrabudgetary funds	215,073,960	210,832,859
Other	1,777,202,317	1,457,073,514
Financing companies	1,767,915,893	1,446,839,412
Deposits by embassies	1,184,065	1,452,052
Other	8,102,359	8,782,050
<b>TOTAL</b>	<b>315,092,997,096</b>	<b>283,679,871,599</b>

### 3.4.2.14. Tax Liability

The CBRT is subject to corporate tax. The amount of corporate tax to be applied on taxable corporate income is calculated over the profit by adding back non-deductible expenses and by deducting income and allowances that are exempt from taxes.

<b>Table 19. Taxes to be Paid</b>	<b>2016</b>	<b>2015</b>
Corporate tax	1,625,060,930	2,350,350,777
Other taxes	90,120,763	80,493,856
Obligations as taxpayer	20,145,018	12,772,786
Obligations as withholding tax collector	69,975,745	67,721,070
<b>TOTAL</b>	<b>1,715,181,693</b>	<b>2,430,844,633</b>

The effective corporate tax rate in 2016 is 20% (2015: 20%). In Turkey, advance tax is calculated and accrued on a quarterly basis. Advance corporate income tax rate applied in 2016 is 20% (2015: 20%).

For temporary differences arising from the differences in the provisions of the TCC and the tax legislation, deferred tax asset and liability are calculated over the effective corporate tax rate of 20% (2015: 20%).

The breakdown of temporary differences and the resulting deferred income tax assets/liabilities as of the end of 2016 is as follows:

<b>Table 20. Temporary Differences and Deferred Income Tax Assets/Liabilities</b>	<b>2016</b>		<b>2015</b>	
	<b>Total Temporary Differences</b>	<b>Deferred Tax Asset/Liability</b>	<b>Total Temporary Differences</b>	<b>Deferred Tax Asset/Liability</b>
Total assets	229,458,022	45,891,604	208,750,128	41,750,026
Retirement pay and employment termination benefit obligations	194,805,019	38,961,004	172,190,889	34,438,178
Fixed assets depreciation adjustment	34,653,002	6,930,600	36,559,240	7,311,848
Total liabilities	-835,292,924	-41,764,646	-683,553,685	-34,177,684
Fair value adjustment of the BIS participation share	-835,292,924	-41,764,646	-683,553,685	-34,177,684
<b>Net Asset/Liability</b>	<b>-605,834,902</b>	<b>4,126,958</b>	<b>-474,803,556</b>	<b>7,572,341</b>

The movement of deferred income tax asset is as follows:

<b>Table 21. Deferred Tax Asset Movement</b>	<b>2016</b>	<b>2015</b>
<b>Balance on 1 January</b>	<b>7,572,341</b>	<b>8,106,685</b>
Deferred tax related to profit and loss statement (Net)	4,142,437	5,065,940
Deferred tax related to other liability accounts	-7,587,821	-5,600,283
<b>Balance on 31 December</b>	<b>4,126,958</b>	<b>7,572,341</b>

### 3.4.2.15. Provisions

<b>Table 22. Provisions</b>	<b>2016</b>	<b>2015</b>
Retirement pay and employment termination benefit provisions	194,805,019	172,190,889
Other provisions		
Insurance provision for money in transit	243,056,337	243,056,337
<b>TOTAL</b>	<b>437,861,357</b>	<b>415,247,226</b>

The year-end balance of the insurance provision for valuables in transit, which is set in pursuant to Article 59 of the CBRT Law No. 1211, is TL 243,056,337.

Under the Turkish Labor Law No. 1475 and the Pension Fund Law No. 5434, employers are obliged to pay the retirement and employment termination benefits to the employees whose contracts have expired and who are entitled to leave the work by receiving termination and retirement benefits.

Provisions for retirement pay and employment termination benefits are calculated by estimating the present value of probable future obligation of the CBRT arising from the retirement of its employees. Accordingly, actuarial assumptions which are used to calculate total liabilities are presented below.

The principal actuarial assumption is that the maximum liability for each year of service will increase in line with the inflation. Thus, the discount rate applied represents the expected real rate after the effects of future inflation are adjusted. Therefore, as of the year-end, provisions in the financial statements are calculated by estimating the present value of the probable future obligation arising from the retirement of the employees. The provisions on the respective balance sheet dates have been calculated based on the discount rate of 1.28% (2015: 1.28%), using the estimated annual inflation rate of 5.88% and interest rate of 7.23%.

As the ceiling amount of termination benefit is revised semi-annually, the maximum amount of TL 4,297 (2015: TL 3,828) effective from 1 July 2016 has been taken into consideration in calculating the provision for the termination benefit obligation of the CBRT's employees.

The movement in the retirement pay and employment termination benefit obligations is as follows:

<b>Table 23. Movement in Retirement Pay and Employment Termination Benefit Obligations</b>	<b>2016</b>	<b>2015</b>
<b>Provision as of 1 January</b>	<b>172,190,889</b>	<b>142,190,939</b>
Provision set aside	32,055,246	36,031,941
Retirement pay and employment termination benefits paid	-9,441,116	-6,031,991
<b>Provision as of 31 December</b>	<b>194,805,019</b>	<b>172,190,889</b>

### 3.4.2.16. Capital and Reserves

The CBRT's capital, of amount TL 25,000, is divided into 250,000 shares, each with a value of TL 0.10 and is registered.

<b>Table 24. Capital and Reserves</b>	<b>2016</b>	<b>2015</b>
Paid-in capital	25,000	25,000
Inflation adjustment for paid-in capital	46,208,524	46,208,524
Reserves	18,411,946,485	13,729,377,883
Ordinary reserves	12,188,860,830	8,949,272,959
Extraordinary reserves	6,061,914,092	4,766,079,094
Special reserves	161,171,564	14,025,831
<b>TOTAL</b>	<b>18,458,180,010</b>	<b>13,775,611,407</b>

The shareholders of the CBRT as of the end of 2016 and 2015 are listed below:

<b>Table 25. The Shareholders</b>	<b>2016</b>		<b>2015</b>	
	<b>TL</b>	<b>Share (%)</b>	<b>TL</b>	<b>Share (%)</b>
Undersecretariat of Treasury	13,780	55.12	13,780	55.12
T.C. Ziraat Bankası	4,806	19.22	4,806	19.22
Mervak İç ve Dış Ticaret	1,280	5.12	1,280	5.12
Türkiye Garanti Bankası	621	2.48	621	2.48
Türkiye İş Bankası	582	2.33	582	2.33
Türkiye Halk Bankası	277	1.11	277	1.11
Yapı ve Kredi Bankası	139	0.56	139	0.56
Akbank	8	0.03	8	0.03
Türkiye Ekonomi Bankası	2	0.01	2	0.01
ING Bank	5	0.02	5	0.02
Other	3,500	13.99	3,500	13.99
<b>Paid-in Capital</b>	<b>25,000</b>	<b>100.00</b>	<b>25,000</b>	<b>100.00</b>

### 3.4.2.17. Revaluation Account

<b>Table 26. Revaluation</b>	<b>2016</b>	<b>2015</b>
Revaluation account	53,408,965,849	32,651,756,835

This item, which shows the unrealized gains and losses, arising from the valuation of gold, FX and banknotes, other assets and obligations in terms of foreign currency in the asset and liabilities of the CBRT due to changes in the value of the Turkish currency against the foreign currencies and changes in gold prices in the international markets, has a balance of unrealized gain amounting to TL 53,408,965,849 at the year-end.

### 3.4.2.18. Other Liabilities

<b>Table 27. Other Liabilities</b>	<b>2016</b>	<b>2015</b>
Treasury gold	45,320,794	34,315,794
Letters of credit	1,493,912,359	1,093,229,408
Expense accruals	5,447,910	3,224,183
Other	1,287,322,547	1,060,025,564
Difference arising from accounting policy changes	796,043,399	651,874,806
Blocked accounts as per the decisions of tax offices and courts	29,920,579	25,956,919
Amounts to be debited to foreign correspondent accounts on next year's value date	396,025,665	341,028,826
Other	65,332,904	41,165,013
<b>TOTAL</b>	<b>2,832,003,610</b>	<b>2,190,794,949</b>

### 3.4.2.19 Regulating Accounts

Regulating accounts, which are expressed in terms of Turkish lira, FX and units, have a balance of 1,047,954,426,585 (2015: 945,492,131,807) as of the year-end. Nominal value of the securities received as collateral under repurchase agreements is TL 65,497,699,206 (2015: TL 84,610,480,565), the fair value of these securities is TL 72,870,843,032 (2015: TL 90,812,272,244) and they are monitored in regulating accounts with their nominal values. Within the scope of Currency Swap Agreement between The Republic of Turkey and People's Republic of China to promote foreign trade with national currencies, amounts of TL 1,000,000,000 receivable and CNY 2,006,859,867 payable are monitored in regulating accounts as well.

## 3.4.2.20. Profit/Loss Accounts

<b>Table 28. Profit/Loss Statement</b>	<b>2016</b>	<b>2015</b>
<b>NET INTEREST INCOME/EXPENSE</b>	<b>8,351,385,171</b>	<b>6,361,386,533</b>
<b>Interest Income</b>	<b>11,471,095,111</b>	<b>8,358,772,402</b>
TL and FX securities portfolio	2,744,354,667	2,238,650,148
Securities purchased under agreements to resell	7,131,918,208	5,841,937,647
Interbank money market operations	1,246,626,532	176,933,637
Credits	164,675,200	74,836,429
Banks	183,520,504	26,414,542
<b>Interest Expense</b>	<b>-3,119,709,940</b>	<b>-1,997,385,869</b>
FX deposits by citizens abroad	-2,654,723	-13,651,824
Securities sold under agreements to repurchase	-84,815	-199
Interbank money market operations	-2,661,495	-1,807,577
Treasury accounts	-1,405,169,801	-1,402,704,612
IMF general resource account (GRA) charges	-3,967,169	-2,097,857
TL required reserves	-955,425,656	-341,861,797
FX required reserves	-656,387,844	-209,256,823
Banks	-93,358,437	-26,005,180
<b>NET FEE AND COMMISSION INCOME/EXPENSE</b>	<b>485,127,912</b>	<b>462,757,587</b>
<b>Fee and commission income</b>	<b>502,301,417</b>	<b>477,292,315</b>
EFT transaction fees and commissions	250,809,362	228,087,911
Commissions due from the Treasury	154,092,609	136,098,370
Commission and maintenance fees due from banks	85,494,907	104,203,591
Other fund transfer fees	2,406,404	2,240,996
Fees charged to banks within the context of NYS	4,889,335	-
Other	4,608,799	6,661,447
<b>Fee and commission expense</b>	<b>-17,173,505</b>	<b>-14,534,728</b>
Commission and maintenance fees due to banks	-16,801,481	-14,341,505
Other	-372,024	-193,222
<b>NET NON-INTEREST INCOME/EXPENSE</b>	<b>2,340,352,747</b>	<b>9,378,461,908</b>
<b>Non-Interest Income</b>	<b>5,429,687,133</b>	<b>12,729,698,207</b>
Profit on purchase and sale of FX	5,364,039,664	12,710,303,150
Securities portfolio trading income and fair value increase	54,148,252	8,928,134
Dividend income	6,562,124	6,355,953
Other	4,937,094	4,110,971
<b>Non-Interest Expense</b>	<b>-3,089,334,386</b>	<b>-3,351,236,299</b>
Loss on purchase and sale of FX	-131,905,968	-237,909,101
Securities portfolio trading loss and fair value decrease	-986,983,690	-1,280,244,154
Provision expense for claims under legal proceedings	-965,136,811	-909,183,735
Wages and salaries	-687,092,544	-631,546,401
Social security costs	-85,590,465	-81,421,770
Operating expenses	-88,014,770	-84,894,150
Banknote paper and ink expenses	-107,456,680	-92,483,167
Depreciation charges	-32,825,232	-29,525,114
Other	-4,328,227	-4,028,705
<b>PROFIT BEFORE TAX</b>	<b>11,176,865,831</b>	<b>16,202,606,029</b>
<b>DEFERRED TAX INCOME</b>	<b>4,142,437</b>	<b>5,065,940</b>
<b>REPORTED PROFIT OF THE PERIOD</b>	<b>11,181,008,268</b>	<b>16,207,671,969</b>

### 3.4.2.21. Profit Distribution

Paragraph 5 of Article 64 of the Turkish Commercial Law No. 6102 amended with the Law No. 6335 stipulates that natural and legal persons, who are subject to the Turkish Commercial Law, are also obliged to conform to the regulations made based on the provisions of the Tax Procedure Law No. 213 concerning book keeping and recording as well as on the power entrusted with Article 175 and the repeating Article 257 of the same law. According to the aforementioned paragraph, provisions of the Law No. 6102 concerning book keeping, inventory, financial statement preparation, capitalization, provisions, accounts, valuation, maintenance and submission do not impede the implementation of the Law No. 213 and the related provisions of other tax laws, nor do they impede the determination of tax base in compliance with tax laws and the preparation of related financial statements.

The profit of the CBRT for the 2016 period is TL 11,174,976,769, which has been stated in its accounting books kept according to the provisions of the Tax Procedure Law No. 213. Taking into account Articles 56 and 60 of the CBRT Law No. 1211 and the provisions of Article 64 of the Turkish Commercial Law No. 6102 amended with the Law No. 6335, distribution of the profit is as follows:

<b>Table 29. Profit Distribution (Article 60 of the Law No. 1211)</b>	<b>2016</b>	<b>2015</b>
<b>Reported profit of the period (Turkish Commercial Law No, 6102)</b>	<b>11,181,008,268</b>	<b>16,207,671,969</b>
Reporting adjustments	6,031,499	9,732,613
<b>Profit to be distributed (Tax Procedure Law No,213)</b>	<b>11,174,976,769</b>	<b>16,197,939,356</b>
Tax provisions	1,625,060,930	2,350,350,777
Corporate income tax	1,625,060,930	2,350,350,777
Profit after tax	9,549,915,839	13,847,588,579
Other distributions	3,138,964,965	4,544,576,059
1- Reserves	3,128,993,345	4,535,422,870
Ordinary reserves	2,234,995,354	3,239,587,871
Extraordinary reserves	893,997,992	1,295,834,999
2- Shareholders	3,000	3,000
First dividends	1,500	1,500
Second dividends	1,500	1,500
3- Bonus to the personnel (Article 60/c)	9,968,620	9,150,189
<b>The amount to be transferred to the Treasury</b>	<b>6,410,950,873</b>	<b>9,303,012,520</b>