

3.4 Explanations

3.4.1. Basis of Preparation of the Financial Statements

The CBRT prepares its books of account in accordance with the tax legislation and the CBRT Law No. 1211, and prepares its statutory financial statements in accordance with the Turkish Commercial Code (TCC) No. 6102 and the CBRT Law No. 1211.

Periodicity, full disclosure, prudence, social responsibility, economic entity, going concern, monetary unit, historical 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, FX-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, 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 as well as in international gold prices are monitored in the "Revaluation Account" item in the assets and liabilities of the CBRT's balance sheet. The realized amounts of these valuation differences calculated according to the average cost method are reflected in 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 the BIST.

With regard to gold reserve management, the CBRT can execute transactions such as direct purchases and sales, gold custody accounts, term gold deposit transactions, FX swaps against gold and gold swaps against FX, swaps with domestic banks against gold, location swaps, physical transportation of gold, etc.

Gold deposited by banks for the maintenance of RRs is monitored at banks abroad and the BIST.

Gold is initially recognized at prices prevailing on the recognition date, and measured at fair value in the following periods. Fair value is calculated on the last business day of the respective week and month based on the last available gold price quoted at 10.30 a.m. in the London Bullion Market, with one ounce of gold equaling 31.1035 grams, and is reported on the balance sheet after being converted daily to Turkish lira from these revalued amounts. Fair value differences arising from both price and exchange rate differences 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 securities in Turkish lira and FX held for the purpose of liquidity management and reserve management.

Pursuant to Articles 52 (on OMO) and 53 (on operations in gold and foreign exchange) of the CBRT Law No. 1211, securities purchased by the CBRT on its own account are classified in this group. After initial recognition, financial assets at fair value through profit or loss are revalued at their fair values at the end of each month, and gains and losses arising from revaluation are transferred to profit and loss accounts. The differences between acquisition costs and fair values of these financial assets are reflected in the "3. Foreign Correspondents" and "5. Securities Portfolio" items on the balance sheet.

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

Interest earned during the holding period of financial assets at fair value through profit or loss is recorded within 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) Participation shares

These are initially recognized at their acquisition costs. Subsequent to the initial recognition, fair values are determined based on market prices or other valuation techniques. Unrealized gains and losses arising from changes in the fair value are monitored in "12. Other Liabilities". Dividends related to participation shares are reflected in 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 OMO of the CBRT. Repurchase transactions are recognized as collateralized loans. While the cash receivables are shown in item "6. Lending Related to Monetary Policy Operations / 6.1 Open Market Operations" on the asset side in the amount lent on the transaction date, securities received as collateral are monitored in regulating 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 in the profit and loss statement.

e) Impairment of Financial Assets

For financial assets other than those at fair value through profit or loss, the expected credit impairment model is used. Calculation of the expected credit loss is based on the transition matrix data published each year by CRAs. The rate of loss given default is taken as 45% as suggested by Basel regulations. The expected credit impairment is calculated by using the amount in default, the probability of default and the rate of loss given default.

f) Derecognition of 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

This group includes the liquidity bills issued by the CBRT pursuant to Article 52 of the CBRT Law No. 1211 with an aim to effectively regulate money supply and liquidity in the economy within the framework of monetary policy targets, that have maturities no longer than 91 days and are tradable in the secondary markets on CBRT's own account and behalf within the scope of OMO. 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 month ends. As of the balance sheet date, there are no liquidity bills issued by the CBRT.

h) Other Financial Liabilities

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

i) Reverse Repurchase Transactions

Reverse repurchase transactions are recognized as collateralized deposits. While the securities lent as collateral are shown in "5. Securities Portfolio" 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.

j) Deposit Transactions

▪ Foreign Exchange Deposits against Turkish lira Deposits Transactions

Foreign exchange deposits given are monitored in "7. Domestic Banks" on the assets side, and Turkish lira deposits received are monitored in "2. Liabilities Related to Monetary Policy Operations / 2.4 Other" on the liabilities side. Interest amounts collected from foreign exchange deposits and paid to Turkish lira deposits are accrued at month ends using the effective interest method. The interest income and interest expense arising from these transactions on the maturity date are recorded in the profit and loss statement.

▪ Reciprocal Deposit Transactions

Foreign exchange deposits received are monitored in "3. Deposits/ 3.2 Banking Sector/ 3.2.1 Domestic Banks/ 3.2.1.1 Cash" on the liabilities side, and Turkish lira deposits given are monitored in "6. Lending Related to Monetary Policy Operations / 6.3 Other" on the assets side. Interest amounts collected from Turkish lira deposits are accrued at month ends using the effective interest method. The interest income arising from the transaction on the maturity date is reflected in the profit and loss statement.

k) Turkish Lira-Settled Forward Foreign Exchange Sales

At value date, Turkish lira receivables and foreign exchange commitments are recognized under regulating accounts. At the end of each month, gains and losses at fair value are monitored under "13. Other Assets / 13.4 Other" / "12.4 Other Liabilities / 12.4 Other" on the balance sheet, and Turkish lira payments/collections due to the exchange rate difference arising from transactions on the maturity date are reflected in the profit and loss statement. Regarding Turkish lira-settled forward foreign exchange transactions at the BIST Derivatives Market (VIOP), gains and losses are reflected in the profit and loss statement on a daily basis.

l) Currency Swaps

FX payables and Turkish lira receivables due to currency swap agreements are recognized under the regulating accounts at value date and monitored in "3. Foreign Correspondents / 3.3. Other" on the assets side and "3. Deposits / 3.2 Banking Sector / 3.2.2 Foreign Banks" on the liabilities side respectively. The interest collected/paid for the usages within swap agreement is accrued at month-ends using the effective interest method. Interest collected/paid on maturity is recorded in the profit and loss statement.

m) Transactions Regarding the Conversion to Turkish Lira Deposit and Participation Accounts

Assets (foreign exchange and gold) received through transactions for the conversion to Turkish lira deposit and participation accounts are recognized at value date under "7. Domestic Banks" on the balance sheet. At the end of each month, the fair values of the exchange rate difference to be paid in the scope of transactions for conversion to Turkish lira deposit and participation accounts are monitored reciprocally in "13. Other Assets / 13.4 Other" / "12. Other Liabilities/ 12.4 Other" on the balance sheet. The exchange rate difference expense arising from transactions on the maturity date is reflected in the profit and loss statement.

3.4.1.3. Income and Expenses

a) Interest Income/Expenses

As required by the periodicity principle, income and expenses 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 will occur in the subsequent period.

b) Fee and Commission Income/Expenses

The fee and commission income and expense, which the CBRT pays or receives as a result of the transactions with commercial banks, the Ministry of Treasury and Finance, public administrations within the scope of general budget, and 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 will occur in the subsequent period.

c) Non-interest Income/Expenses

The difference between acquisition costs of financial assets at fair value through profit/loss and their fair values, exchange rate difference-driven income and expenses regarding Turkish lira-settled forward foreign exchange sales, the exchange rate difference expense of transactions for the conversion to Turkish lira deposit and participation accounts, income and loss in purchase and sale of gold and FX, and general costs are recognized under this item. The average cost method is used in calculating income and loss in purchase and sale of gold and FX. Interest income and expenses stemming from usages under currency swap agreements, and interest income and expenses arising from currency swap transactions are included in the average cost. As per the periodicity principle, prepaid expenses are charged to the profit and loss statement on a monthly basis.

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. The land on the balance sheet of the CBRT is carried at acquisition cost, while buildings, furniture and fixtures, and software are carried at cost minus accumulated depreciation on 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 fixed assets, other than land, is calculated and reflected in financial statements in accordance with their useful life as specified in the Tax Procedure Law (TPL) 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 item "1. Currency Issued" on the balance sheet of the CBRT. 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 "13. Other Assets". Expenses associated with banknotes are initially capitalized and are charged to the profit and loss statement upon transfer of banknotes to the 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 amount of which shall be deemed appropriate by the Board, may be set aside from the gross annual profit of the Bank in order to cover certain risks that 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 to employees in case of retirement 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 obligations that are expected to arise due to the retirement of employees, and are reflected in financial statements.

3.4.1.8. Taxes

a) Current taxes

The CBRT, which is established as a “joint stock company” as per Article 1 of the CBRT Law No. 1211, is a corporate taxpayer. The Bank 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 for real property income, self-employment earnings, and other earnings specified as per Article 30 of the Corporate Income Tax Law No. 5520.

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

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.

Paid temporary taxes and taxes imposed on repo-reverse repo revenues and deducted from temporary taxes are monitored in item “13. Other Assets / 13.4 Other” on the balance sheet.

The corporate tax for the current period is reflected as expense in the profit and loss statement. Tax-related adjustments during the current reporting period are booked as of the date on which they are made.

b) Deferred Tax

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

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

Pursuant to Article 61 of the CBRT Law No. 1211, the calculation of deferred taxes is not done over the “Revaluation Account”, which is not subject to the corporate tax base.

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. For compatibility with the presentation of the current financial statements, when necessary, the comparative information is reclassified and any significant differences are explained.

Treasury gold of international standards, which used to be reported under the item “12. Other Liabilities”, is shown under “3.1 Public Sector (Deposits)” as of 2021. This reclassification has also been reflected on the financial statements dated 31 December 2020.

The CBRT prepares its books of account in accordance with the tax legislation and the CBRT Law No. 1211, and prepares its statutory financial statements in accordance with the TCC No. 6102 and the CBRT Law No. 1211. Changes in financial reporting principles are applied prospectively, and the financial statements for previous periods are not adjusted.

Financial reporting principles applied in the CBRT’s financial statements are the same as the principles applied in the financial statements as of the year ending on 31 December 2020.

The method used in the recognition of currency swap transactions has been amended to be applied prospectively, effective from 1 January 2021.

The recognition method used before was as follows:

Sales/purchases of assets (TRY, FX, gold) related to swap transactions carried out at the CBRT and BIST are conducted at value date. Payables/receivables are recognized under the regulating accounts at the value date. At month-ends, gains and losses at fair value are monitored in "13. Other Assets / 13.4 Other" / "12. Other Liabilities/ 12.4 Other" on the balance sheet and in the profit and loss statement. Amounts indicating gains/losses and interest income/expense arising from transactions on the maturity date are reflected in the profit and loss statement.

The new recognition method as of 1 January 2021 is as follows:

Sales/purchases of assets (TRY, FX, gold) related to swap transactions carried out at the CBRT and BIST are conducted at value date. Payables/receivables are recognized under the regulating accounts at the value date. At month-ends, fair value increases/decreases are monitored in "13. Other Assets / 13.4 Other" / "12. Other Liabilities / 12.4 Other" on the balance sheet and under interest income items in the profit and loss statement. The non-interest valuation effects of valuation increases/decreases in the fair value, together with the valuation effects of the unrealized gain or loss arising from the valuation of the underlying assets subject to swap transactions, are included in the balance sheet in "13. Other Assets / 13.4 Other" / "12. In the "Other Liabilities / 12.4 Other" items, the amounts related to the interest components of the increase/decrease in the fair value are followed in the profit/loss statement, and the amounts related to the interest income/expenses arising from the transaction at maturity are reflected in the profit/loss statement.

The effects of the change in recognition method on the balance sheet of 31 December 2020 and on the profit/loss statement for the 12-month accounting period ending on the same date are shown below:

	Before the change 31 December 2020	Effect of the change	After the change 31 December 2020
Revaluation Account	69,351,880,253	-43,153,312,742	26,198,567,511
Other Liabilities	30,658,475,967	11,121,343,841	41,779,819,808
Interest Income	46,189,978,935	4,359,806,603	50,549,785,538
Non-interest Income	142,179,285,548	-72,234,344,333	69,944,941,215
Non-interest Expense	-141,892,308,780	99,906,506,631	-41,985,802,149

3.4.1.10. Custody Operations

Custody assets held by the CBRT on behalf of individuals and financial institutions are monitored in regulating accounts.

3.4.2. Explanations Related to Financial Statement Items

3.4.2.1. Gold

Gold holdings are composed of 657,726,642 net grams of gold in international standards equivalent to TRY 499,485,009,671 and 2,832,327 net grams of gold in non-international standards equivalent to TRY 2,150,901,301. While some part of the gold of international standards belongs to the CBRT, the rest is placed with the CBRT by the Treasury and banks to satisfy their reserve requirements and as free deposit accounts. Gold holdings of international standards are stored in the vaults of the CBRT, held at the BIST and the Bank of England (BoE).

Table 3.4.2.1.1: Gold

	2021		2020	
	Net Gram	TRY	Net Gram	TRY
Gold of international standards	657,726,642	499,485,009,671	716,334,553	319,703,047,394
Owned by CBRT	460,878,828	349,996,565,741	458,189,589	204,491,891,608
at BoE	78,123,482	59,327,850,822	45,551,641	20,329,884,055
at CBRT	34,015,936	25,832,084,643	34,015,936	15,181,451,814
at BIST	348,739,410	264,836,630,277	378,622,011	168,980,555,738
Reserve requirements of banks	140,986,092	107,066,423,975	172,181,552	76,845,332,535
at BoE	38,950,131	29,579,167,339	53,914,217	24,062,135,995
at BIST	102,035,961	77,487,256,637	118,267,335	52,783,196,540
Lent as collateral	3,731,250	2,833,553,219	22,425,310	10,008,507,779
at BIST	3,731,250	2,833,553,219	22,425,310	10,008,507,779
Free gold deposits of banks	7,803,857	5,926,336,813	3,578,020	1,596,884,993
at BIST	7,803,857	5,926,336,813	3,578,020	1,596,884,993
Owned by Treasury	44,326,615	33,662,129,923	59,960,082	26,760,430,480
at BIST	44,326,615	33,662,129,923	59,960,082	26,760,430,480
Gold of non-international standards	2,832,327	2,150,901,301	2,832,327	1,264,079,338
Owned by CBRT	2,832,218	2,150,818,160	2,832,218	1,264,030,477
Collection (Owned by CBRT)	109	83,140	109	48,861

NOTE: Gold holdings are valued based on 1 ounce of gold = 31.1035 grams using the price 1,820.10 USD/Ounce (31 December 2020: 1,891.10) and USD buying rate of TRY 12.9775 as of 31 December 2021 (31 December 2020: TRY 7.3405). Accordingly, the price of 1 net gram of gold is $(1,820.10 \times 12.9775) / 31.1035 = \text{TRY } 759.41$.

Gold holdings of international standards are held by the CBRT as part of foreign currency reserves and they account for 34.66% (31 December 2020: 46.57%) of total foreign currency reserves.

Gold deposited by banks for reserve requirements, which amounts to 140,986,092 net grams equivalent to TRY 107,066,423,975; gold deposited as free gold deposits, which amounts to 7,803,857 net grams equivalent to TRY 5,926,336,813; gold lent as collateral, which amounts to 3,731,250 net grams equivalent to TRY 2,833,553,219; and 44,326,615 net grams of Treasury gold equivalent to TRY 33,662,129,923 are also followed under this item.

Gold holdings of non-international standards belong to the CBRT and all are stored in the vaults of the CBRT. These are recognized in the assets of the balance sheet under "13. Other Assets".

3.4.2.2. Foreign Banknotes

As of 31 December 2021, the TRY equivalent of foreign banknotes in the vaults of the CBRT was TRY 51,758,696,791.

Table 3.4.2.2.1: Foreign Banknotes

	2021	2020
Foreign banknotes	51,758,696,791	21,578,916,170

3.4.2.3. Foreign Correspondents

Item “3. Foreign Correspondents”, which represents the main part of the FX reserves of the CBRT and is 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 3.4.2.3.1: Foreign Correspondents (Assets)

	2021		2020	
	TRY	USD Equivalent	TRY	USD Equivalent
FX securities	106,493,636,135	8,206,020,893	65,180,636,775	8,879,590,869
Deposits	119,977,654,818	9,245,051,421	56,344,226,388	7,675,802,246
Other	661,424,518,231	50,967,021,247	222,479,105,414	30,308,440,217
Demand deposits	561,341,122,040	43,254,950,648	212,105,599,715	28,895,252,328
SDR holding account	100,080,245,220	7,711,827,796	10,371,678,714	1,412,938,998
Other	3,150,971	242,803	1,826,985	248,891
TOTAL	887,895,809,184	68,418,093,561	344,003,968,577	46,863,833,332

The balances of item “4. Foreign Banks” presented in the liabilities of the balance sheet as of 31 December 2021 and 31 December 2020 are shown below.

Table 3.4.2.3.2: Foreign Banks (Liabilities)

	2021		2020	
	TRY	USD Equivalent	TRY	USD Equivalent
Foreign banks	62,913,857,119	4,847,918,098	26,183,011,006	3,566,924,733

3.4.2.4. Balances Arising from Türkiye’s Membership in the International Monetary Fund

Within the framework of the financial relations arising from Türkiye’s membership in the IMF, Türkiye’s quota paid in gold and foreign currency is represented on the balance sheet under “4. Reserve Tranche Position” in assets and “5. Reserve Tranche Means” in liabilities. SDR 37,750,000 part of this total SDR of 112,775,000 was paid in gold. Türkiye’s IMF quota reached SDR 4,658 million by 18 February 2016.

Table 3.4.2.4.1: Balances Arising from Türkiye’s Membership in the IMF

	2021		2020	
	TRY	SDR	TRY	SDR
Assets				
Reserve tranche position	2,049,054,085	112,775,000	1,197,129,180	112,775,000
Treasury liabilities due to SDR allocation	100,592,853,760	5,536,388,310	11,372,379,339	1,071,329,729
Liabilities				
Reserve tranche means	2,049,054,085	112,775,000	1,197,129,180	112,775,000
SDR allocation	100,592,853,760	5,536,388,310	11,372,379,339	1,071,329,729

SDR 112,307,000, which was allocated to Türkiye by the IMF and used by the Ministry of Treasury and Finance; the General and Special SDR Allocation in the amount of SDR 959,022,729; and the General SDR Allocation of 4,465,058,581 made in 2021 are monitored under “10. Treasury Liabilities due to SDR Allocations” in assets, and “6. SDR Allocation” in liabilities.

3.4.2.5. Securities

As of 31 December 2021, the fair value of securities was TRY 74,109,107,662.

Table 3.4.2.5.1: Securities

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Government bonds and Treasury bills issued by the Ministry of Treasury and Finance	69,040,301,300	73,535,177,082	85,479,611,174	88,515,588,842
Lease certificates issued by the Ministry of Treasury and Finance	550,303,540	573,930,580	954,750,540	984,301,470
TOTAL	69,590,604,840	74,109,107,662	86,434,361,714	89,499,890,312

3.4.2.6. Lending and Liabilities Related to Monetary Policy Operations

The "6. Lending Related to Monetary Policy Operations" item on the assets of the balance sheet, which represents cash receivables of the CBRT, had a balance of TRY 569,610,997,350 as of 31 December 2021. The income accruals reflected in this item are: TRY 450,372,500 for repurchase agreements (31 December 2020: TRY 138,004,548), TRY 141,102,775 for Interbank Money Market operations (31 December 2020: TRY 320,949,476), and TRY 753,491,346 for reciprocal deposit transactions (31 December 2020: Null).

The "2. Liabilities Related to Monetary Policy Operations" item on the liabilities of the balance sheet, which represents cash debts of the CBRT, had a balance of TRY 6,012,486,220. The expense accruals reflected in this item are: no balance for reverse repurchase agreements as of 31 December 2021 (31 December 2020: TRY 4,706), and TRY 2,086,220 for Interbank Money Market operations (31 December 2020: TRY 5,589,782).

Table 3.4.2.6.1: Lending/Liabilities Related to Monetary Policy Operations

	2021	2020
Assets		
Lending Related to Monetary Policy Operations	569,610,997,350	290,045,953,786
Open market operations	377,360,485,523	99,343,997,937
Interbank money market operations	119,230,982,281	190,701,955,849
Other	73,019,529,546	-
Liabilities		
Liabilities Related to Monetary Policy Operations	6,012,486,220	13,007,784,488
Open market operations	-	11,094,706
Interbank money market operations	6,012,486,220	12,996,689,782
Lending Related to Monetary Policy Operations (Net)	563,598,511,130	277,038,169,298

3.4.2.7. Domestic Banks

The "7. Domestic Banks" item represents FX deposit operations with the CBRT as counterparty, FX deposit operations intermediated by the CBRT, foreign exchange deposits against Turkish lira deposits operations, and transactions for conversion to Turkish lira deposit and participation accounts. The domestic banks item had a balance of TRY 599,767,072 as of 31 December 2021 (31 December 2020: Null).

Table 3.4.2.7.1: Domestic Banks

	2021	2020
Transactions for conversion to Turkish lira deposit and participation accounts	599,767,072	-
TOTAL	599,767,072	-

3.4.2.8. Credits and Non-Performing Loans

Domestic credits, which are extended to banks against rediscounted bills in foreign currencies, consist of USD 6,408,210,024 (31 December 2020: USD 6,748,203,445), EUR 7,083,392,808 (31 December 2020: EUR 8,658,508,661), GBP 55,721,392 (31 December 2020: GBP 30,014,658), JPY 104,000,000 (31 December 2020: JPY 244,000,000), CNY 50,711,248 (31 December 2020: CNY 242,022,434) equivalent of TRY 188,249,932,661 (31 December 2020: TRY 128,116,563,721) as well as credits extended to banks against bills in Turkish lira at the amount of TRY 8,314,952,400 (31 December 2020: TRY 10,214,232,698), and advance loans against investment commitment at the amount of TRY 2,277,058,824 (31 December 2020: TRY 774,000,000). The year-end balance of domestic credits including rediscounts is TRY 198,162,918,413 (31 December 2020: TRY 138,421,441,129).

Foreign credits consist of credits 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 (31 December 2020: USD 9,061,417) equivalent to TRY 117,594,535 (31 December 2020: TRY 66,515,329).

Table 3.4.2.8.1: Credits and Non-Performing Loans (TRY)

	2021	2020
Domestic credits	198,162,918,413	138,421,441,129
Foreign credits	117,594,535	66,515,329
Non-performing loans (Net)		
Non-performing loans	20,514,868,462	11,544,249,272
Provisions for non-performing loans	-20,514,868,462	-11,544,249,272
TOTAL	198,280,512,948	138,487,956,458

NOTE: Interest accrued to the claims on the Central Bank of Iraq is USD 8,123,936 (31 December 2020: USD 8,101,660) equivalent to TRY 73,998,844 (31 December 2020: TRY 57,113,207).

The claims on the Central Bank of Iraq are USD 1,488,228,334 (31 December 2020: USD 1,480,104,398) equivalent to TRY 19,313,483,206 (31 December 2020: TRY 10,864,706,335). The total of claims arising from the credit extended against bills for the Iraq Bekhme Dam Project is USD 92,574,475 (31 December 2020: USD 92,574,475) equivalent to TRY 1,201,385,256 (31 December 2020: TRY 679,542,937). The principal of and the monthly interest accrued on the amount of the loan extended to the Central Bank of Iraq are valued on a daily basis and a provision is set aside for the resulting exchange rate difference as per Article 323 of the TPL No. 213 and Article 59 of the CBRT Law No. 1211. These provisions are monitored in profit-loss accounts. As the claim amounting to TRY 20,514,868,462 (31 December 2020: TRY 11,544,249,272) was netted with the provisions, the non-performing loans item had no balance as of 31 December 2021.

3.4.2.9. Share Participations

The CBRT has share participations in the BIS, the Society for Worldwide Interbank Financial Telecommunications (SWIFT), the IILM and the BKM.

The share participation in the BIS, which was acquired under the scope of central banking activities, is recognized at fair value calculated as 70% of the net asset value of the BIS.

Table 3.4.2.9.1: Share Participations

Participation	Nature of Business	2021			2020		
		Ownership (%)	TRY	Foreign Currency	Ownership (%)	TRY	Foreign Currency
BIS	Banking regulation services	1.41	4,145,291,084	10,000,000	1.41	2,423,038,024	SDR 10,000,000
SWIFT	Electronic fund transfer services	0.007	711,211	48,440	0.007	411,121	EUR 45,640
IILM	Liquidity management	13.33	129,775,000	10,000,000	13.33	73,405,000	USD 10,000,000
BKM	Payment services	51.01	90,543,079	-	51.01	90,543,079	-
TOTAL			4,366,320,373			2,587,397,224	

Movements in share participations are shown below:

Table 3.4.2.9.2: Movements in Share Participations

	2021	2020
Balance on 1 January	2,587,397,224	1,760,394,282
Fair value changes	1,778,923,149	736,459,863
BKM participation	-	90,543,079
Balance	4,366,320,373	2,587,397,224

3.4.2.10. Fixed Assets (Net)

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

Table 3.4.2.10.1: Movements in Fixed Assets

	Land and Buildings	Furniture and Fixtures	Software	Total
Net book value on 1 January	732,617,192	192,643,219	17,262,869	942,523,280
Additions	8,991,511	41,695,055	15,569,333	66,255,899
Disposals (net) ^(*)	-	-461,023	-	-461,023
Depreciation charge	-9,397,475	-55,771,096	-17,556,552	-82,725,123
Net book value	732,211,228	178,106,154	15,275,650	925,593,033

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

2021	Land and Buildings	Furniture and Fixtures	Software	Total
Book value	925,622,280	490,874,585	120,545,959	1,537,042,824
Accumulated depreciation	-193,411,052	-312,768,431	-105,270,309	-611,449,792
Net book value	732,211,228	178,106,154	15,275,650	925,593,033
2020	Land and Buildings	Furniture and Fixtures	Software	Total
Book value	916,630,769	456,095,093	104,976,626	1,477,702,488
Accumulated depreciation	-184,013,576	-263,451,873	-87,713,757	-535,179,207
Net book value	732,617,192	192,643,219	17,262,869	942,523,281

3.4.2.11. Other Assets**Table 3.4.2.11.1: Other Assets**

	2021	2020
Gold of non-international standard	2,150,901,301	1,264,079,338
Coins	85,129,684	60,849,990
Income accruals	144,247,569	102,740,321
Charges and commissions due from the Treasury	63,719,930	62,262,035
EFT fees	71,341,746	38,676,183
Other	9,185,893	1,802,104
Other	104,162,494,413	23,148,448,503
Prepaid taxes to be deducted from corporate tax	1,570,275,188	3,826,277,031
Income tax withholding to be deducted from corporate tax	3,963,535,816	1,037,504,097
Depots	160,445,199	127,389,425
Prepaid expenses	25,385,342	112,823
Other	98,442,852,868	18,157,165,127
TOTAL	106,542,772,966	24,576,118,151

3.4.2.12. Currency Issued**Table 3.4.2.12.1: Currency Issued**

	2021	2020
Balance on 1 January	188,369,446,590	153,362,376,187
Banknotes put into circulation	102,731,430,460	70,309,456,227
Banknotes withdrawn, and banknotes destroyed	-55,723,437,463	-35,129,388,809
Expired banknotes	-	-172,997,016
Balance	235,377,439,588	188,369,446,590

The total balance of banknotes in circulation by 31 December 2021 was TRY 235,377,439,588.

3.4.2.13. Deposits

Table 3.4.2.13.1: Deposits

	2021	2020
Public sector deposits	336,153,674,196	138,854,421,759
Treasury, general and special budget administrations	336,099,279,684	138,830,891,283
Cash	302,437,149,761	112,070,460,803
Gold	33,662,129,923	26,760,430,480
Other	54,394,512	23,530,477
Banking sector deposits	1,553,201,590,365	738,902,414,084
Domestic banks	638,975,015,109	283,836,190,187
Deposits of banks	39,695,498,317	37,431,511,579
Cash	2,798,301,206	698,866,111
Collaterals	30,969,608,819	35,132,882,679
Cash	28,136,055,600	25,124,374,900
Gold	2,833,553,219	10,008,507,779
Gold	5,927,588,293	1,599,762,789
Free required reserves	599,279,516,792	246,404,678,609
Foreign correspondents	225,735,441,851	135,931,611,723
Required reserves in blocked accounts	688,491,133,405	319,134,612,174
Cash	581,424,709,429	242,289,279,639
Gold	107,066,423,975	76,845,332,535
Other deposits	3,892,405,054	2,891,960,816
Deposits by citizens abroad	3,506,187,203	2,574,406,010
Deposits by international institutions	192,081,964	153,495,625
IMF	136,910,197	111,193,824
Other	55,171,767	42,301,801
Extrabudgetary funds	194,039,837	163,667,900
Other	96,050	391,283
Financing companies	19,158	285,000
Deposits by embassies	11,609	7,332
Other	65,283	98,950
TOTAL	1,893,247,669,615	880,648,796,660

3.4.2.14. Tax Liability

The amount of corporate tax to be charged on taxable corporate income is calculated over the tax base generated by adding non-deductible expenses to the profit and deducting non-taxable income and allowances.

Table 3.4.2.14.1: Taxes to be Paid

	2021	2020
Corporate tax	16,718,403,274	8,530,907,395
Other taxes	271,082,402	475,399,236
Obligations as a tax payer	84,086,407	343,754,229
Obligations as withholding tax collector	186,995,995	131,645,006
TOTAL	16,989,485,676	9,006,306,631

The advance tax rate was 20% for the first advance tax period of 2021, and 25% for the following periods of the year (2020: 22%). In Türkiye, the advance tax is calculated and accrued on a quarterly basis.

For temporary differences arising from the differences in the provisions of the TCC and the tax legislation, deferred tax asset or liability is calculated over 20% (2020: 20%).

The breakdown of temporary differences and the resulting deferred tax assets / liabilities as of 31 December 2021 is as follows:

Table 3.4.2.14.2: Temporary Differences and Deferred Tax Assets/Liabilities

	2021		2020	
	Total Temporary Differences	Deferred Tax Assets/Liabilities	Total Temporary Differences	Deferred Tax Assets/Liabilities
Total assets	239,674,168	47,934,834	196,959,356	39,391,871
Retirement pay and employment termination benefit obligations	231,643,379	46,328,676	186,462,909	37,292,582
Depreciation adjustment for fixed assets	8,030,789	1,606,158	10,496,447	2,099,289
Total liabilities	-3,963,597,084	-198,179,854	-2,316,886,024	-115,844,301
Fair value adjustment of the BIS participation share	-3,963,597,084	-198,179,854	-2,316,886,024	-115,844,301
Net Assets/Liabilities	-3,723,922,916	-150,245,021	-2,119,926,668	-76,452,430

Table 3.4.2.14.3: Deferred Tax Asset/Liability Movements

	2021	2020
Balance on 1 January	-76,452,431	-41,931,192
Deferred tax related to profit and loss statement (net)	8,544,364	-7,692,889
Deferred tax related to other liability accounts	-82,336,954	-26,828,349
Balance	-150,245,021	-76,452,431

3.4.2.15. Provisions

Table 3.4.2.15.1: Provisions

	2021	2020
Retirement pay and employment termination benefit provisions	231,643,379	186,462,909
Insurance provision for money in transit	243,056,337	243,056,337
TOTAL	474,699,716	429,519,246

The 2021 year-end balance of the insurance provision for the money in transit, which is set aside pursuant to Article 59 of the CBRT Law No. 1211, was TRY 243,056,337.

As per the Pension Fund Law No. 5434 and the Turkish Labor Law No. 1475, employers are obliged to pay retirement pay or employment termination benefits to their employees whose contracts have expired, and who are eligible to retire with a right to receive retirement and employment termination benefits.

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

The principal actuarial assumption is that the maximum liability for each year of service will increase in tandem with the inflation rate. Therefore, the discount rate applied represents the expected real rate adjusted for future inflation effects. For this reason, provisions in the financial statements as of 31 December 2021 have been calculated by estimating the present value of the prospective future liability arising from retiring employees.

The ceiling amount of termination benefit is revised every six months. While calculating the provision for the termination benefit liabilities of the CBRT's employees, the ceiling amount of TRY 8,285 (31 December 2020: TRY 7,117) that took effect as of 1 July 2021 was taken into account.

The change in the retirement pay and employment termination benefit liabilities is shown below:

Table 3.4.2.15.2: Change in Retirement Pay and Employment Termination Benefit Liabilities

	2021	2020
Balance on 1 January	186,462,909	209,545,034
Provision set aside	47,054,719	35,103,374
Retirement pay and employment termination benefit paid	-1,874,249	-58,185,499
Balance	231,643,379	186,462,909

3.4.2.16. Capital and Reserves

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

Table 3.4.2.16.1: Capital and Reserves

	2021	2020
Paid-in capital	25,000	25,000
Inflation adjustment for paid-in capital	46,208,524	46,208,524
Reserves	4,638,425,114	5,910,363,325
Reserves	4,304,256,535	5,576,194,746
Special reserves	334,168,579	334,168,579
TOTAL	4,684,658,638	5,956,596,849

In line with the decision taken at the CBRT Shareholders Ordinary General Assembly Meeting on 30 March 2021, the entirety of the reserve funds earmarked from the profit of 2019, totaling TRY 5,576,194,745.87 was distributed along with the profit.

In line with the decision taken at the CBRT Shareholders Extraordinary General Assembly Meeting on 3 February 2022, the entirety of the reserve funds earmarked from the profit of 2020, totaling TRY 4,304,256,535.04 was distributed along with the profit.

The shareholders of the CBRT by 31 December 2021 and 31 December 2020 are as follows:

Table 3.4.2.16.2: Shareholders of the CBRT

	2021		2020	
	Share (TRY)	Share (%)	Share (TRY)	Share (%)
Ministry of Treasury and Finance	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 A.Ş.	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
ING Bank	5	0.02	5	0.02
Türk Ekonomi Bankası	2	0.01	2	0.01
Other	3,500	13.99	3,500	13.99
Paid-in Capital	25,000	100.00	25,000	100.00

3.4.2.17. Revaluation Account

Table 3.4.2.17.1: Revaluation

	2021	2020
Revaluation account	53,610,920,462	69,351,880,253

This item, which shows the unrealized gains and losses, arising from the valuation of FX, banknotes, other assets and liabilities denominated in foreign currency and gold in the assets and liabilities of the CBRT due to changes in the value of the Turkish lira against the foreign currencies and changes in gold prices in international markets, had a balance of unrealized gain amounting to TRY 53,610,920,462 by 31 December 2021.

3.4.2.18. Other Liabilities

Table 3.4.2.18.1: Other Liabilities

	2021	2020
Letters of credit	191,921,411	177,112,964
Expense accruals	501,904,714	174,728,060
Other	61,936,139,575	3,546,204,463
Difference arising from accounting policy changes	3,768,019,884	2,203,617,754
Blocked accounts as per the decisions of tax offices, debt enforcement offices, and courts	16,549,415	6,903,895
Amounts to be debited to foreign correspondent accounts on next year's value date	703,638,569	1,188,177,580
Other	57,447,931,707	147,505,235
TOTAL	62,629,965,700	3,898,045,487

3.4.2.19 Regulating Accounts

Regulating accounts, which are expressed in terms of Turkish lira, FX and units, had a total balance of 3,043,256,140,325 as of 31 December 2021 (31 December 2020: 2,457,058,188,783).

3.4.2.20. Profit/Loss Accounts

Table 3.4.2.20.1: Profit/Loss Statement

	2021	2020
NET INTEREST INCOME/EXPENSE	105,684,925,831	38,520,749,407
Interest Income	131,631,094,941	46,189,978,935
TL and FX securities portfolio	10,201,824,123	8,018,011,285
Repo transactions	36,526,179,344	9,799,612,886
Interbank money market operations	18,872,821,597	8,084,161,293
Credits	1,052,379,806	959,839,942
Banks	64,977,890,071	19,328,353,529
Interest Expenses	-25,946,169,110	-7,669,229,528
FX deposits by citizens abroad	-304	-21
Reverse repo transactions	-20,320,285	-10,195,479
Interbank money market operations	-665,761,437	-492,083,029
Ministry of Treasury and Finance accounts	-14,222,709,860	-5,278,071,322
IMF general resource account charges	-20,862,746	-13,634,687
TL required reserves	-9,786,945,650	-1,305,896,197
Banks	-1,229,568,828	-569,348,794
NET FEE AND COMMISSION INCOME/EXPENSES	1,659,477,547	4,228,805,821
Fee and Commission Income	1,758,296,393	4,303,931,821
EFT transaction fees and commissions	763,550,042	515,059,355
Commissions to be due from the Ministry of Treasury and Finance	616,441,154	570,255,829
Commission and maintenance fees due from banks	299,497,488	3,152,228,564
Other fund transfer fees	18,010,390	18,154,649
Fees charged to banks within the context of CMS	46,915,137	38,703,714
Other	13,882,182	9,529,711
Fee and commission expenses	-98,818,846	-75,126,000
Commission and maintenance fees paid to banks	-97,367,089	-73,838,601
Other	-1,451,757	-1,287,399
NET NON-INTEREST INCOME/EXPENSE	-33,151,385,172	286,976,768
Non-Interest Income	35,151,292,055	142,179,285,548
Profit on purchase and sale of FX and gold	26,433,164,715	81,832,778,519
Securities portfolio trading income and increase in fair value	1,539,858,687	1,180,991,895
Dividend income	48,635,405	-
Other	7,129,633,248	59,165,515,134
Non-Interest Expenses	-68,302,677,227	-141,892,308,780
Loss on purchase and sale of FX and gold	-46,805,974,203	-39,015,216,123
Securities portfolio trading loss and decrease in fair value	-1,920,995,594	-2,161,143,309
Provision expenses for non-performing loans	-8,970,619,190	-2,250,347,706
Wages and salaries	-1,289,768,330	-1,231,663,378
Social security costs	-148,202,477	-128,121,364
Operating expenses	-197,486,305	-296,407,610
Banknote paper and ink expenses	-264,724,230	-203,683,569
Depreciation charges	-83,325,083	-95,157,570
Other	-8,621,581,815	-96,510,568,152
PROFIT BEFORE TAX	74,193,018,206	43,036,531,996
DEFERRED TAX INCOME/EXPENSE	8,544,364	-7,692,889
REPORTED PROFIT OF THE PERIOD	74,201,562,570	43,028,839,107

3.4.2.21. Profit Distribution

Paragraph 5 of Article 64 of the TCC No. 6102 amended with Law No. 6335 stipulates that natural and legal persons, who are subject to the TCC, are also obliged to conform to the provisions of the TPL No. 213 concerning book keeping and recording time as well as the regulations made based on the powers given by Article 175 and the repeated 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 Law No. 213 and the related provisions of other tax laws, nor do they impede the determination of the tax base in compliance with tax laws and the preparation of related financial statements.

As stated in its accounting books kept according to the provisions of the TPL No. 213, the profit of the CBRT for 2021 is TRY 74,190,580,573. Pursuant to Article 60 of the CBRT Law No. 1211, and the provisions of Article 64 of the TCC No. 6102 amended with Law No. 6335, distribution of the profit shall be made as follows:

Table 3.4.2.21.1: Distribution of Profit (Article 60 of Law No. 1211)

	2021	2020
Reported profit of the period (TCC No. 6102)	74,201,562,570	43,028,839,107
Reporting adjustments	- 10,981,997	-13,727,743
Profit to be distributed (TPL No. 213)	74,190,580,573	43,042,566,850
Tax provisions (-)	16,718,403,274	8,530,907,395
Corporate income tax	16,718,403,274	8,530,907,395
Profit after tax	57,472,177,299	34,511,659,456
Other distributions (-)	7,434,177,297	4,317,708,905
1-Reserves	7,419,057,907	4,304,256,535
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)	15,116,390	13,449,370
The amount to be transferred to the Ministry of Treasury and Finance	50,038,000,002	30,193,950,551

In line with the decision taken at the Extraordinary General Assembly Meeting of the CBRT on 3 February 2022, the shareholders received advance dividends totaling TRY 45,044,409,165.56, which will be deducted in profit distribution.