

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. Periodic intervals in the average cost system are set according to the Bank's decision and applied prospectively.

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 Borsa Istanbul (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 reserve requirements 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 or 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 foreign currency held for the purpose of liquidity management and reserve management.

Pursuant to Articles 52 (on open market operations) 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 open market operations 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 open market operations. 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

i. Foreign Exchange Deposits against Turkish Lira Deposits Transactions

Foreign exchange deposits given are monitored in "7. Domestic Banks" on the assets side, and TRY 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 TRY 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.

ii. 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 TRY deposits given are monitored in "6. Lending Related to Monetary Policy Operations / 6.3 Other" on the assets side. Interest amounts collected from TRY 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) TRY-Settled Forward Foreign Exchange Sales

At value date, TRY 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 "14. Other Assets /14.4 Other" / "12. Other Liabilities / 12.4 Other" on the balance sheet, and TRY payments/collections due to the exchange rate difference arising from transactions on the maturity date are reflected in the profit and loss statement. Regarding TRY-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

i. Bilateral Currency Swap Agreements with Central Banks

FX payables and TRY 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 received/paid for the usages within swap agreement is accrued at month-ends using the effective interest method. Interest received/paid on maturity is reflected in the profit and loss statement.

ii. Currency Swap Transactions with Banks

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 "14. Other Assets / 14.4 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 "14. Other Assets / 14.4 Other" / "12. 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.

m) Conversion Transactions 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, to be transferred to the related accounts 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 "14. Other Assets / 14.4 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 TRY-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 foreign currency, 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 foreign currency. 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 "14. 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 “14. Other Assets / 14.4 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.

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 Statements Items

3.4.2.1. Gold

Gold holdings are composed of 786,813,979 net grams of gold of international standards equivalent to TRY 857,249,027,684 and 2,832,327 net grams of gold in non-international standards equivalent to TRY 3,085,875,430. 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

	2022		2021	
	Net Gram	TRY	Net Gram	TRY
Gold of international standards	786,813,979	857,249,027,684	657,726,642	499,485,009,671
Owned by CBRT	562,985,627	613,383,714,216	460,878,828	349,996,565,741
At BoE	160,540,787	174,912,288,115	78,123,482	59,327,850,822
At CBRT	34,015,936	37,061,019,618	34,015,936	25,832,084,643
At BIST	368,428,904	401,410,406,482	348,739,410	264,836,630,277
Reserve requirements of banks	157,466,518	171,562,813,043	140,986,092	107,066,423,975
At BoE	54,016,306	58,851,808,892	38,950,131	29,579,167,339
At BIST	103,450,212	112,711,004,151	102,035,961	77,487,256,637
Lent as collateral	-	-	3,731,250	2,833,553,219
At BIST	-	-	3,731,250	2,833,553,219
Free gold deposits of banks	16,251,501	17,706,324,744	7,803,857	5,926,336,813
At BIST	16,251,501	17,706,324,744	7,803,857	5,926,336,813
Owned by Treasury	50,110,333	54,596,175,681	44,326,615	33,662,129,923
At BIST	50,110,333	54,596,175,681	44,326,615	33,662,129,923
Gold of non-international standards	2,832,327	3,085,875,430	2,832,327	2,150,901,301
Owned by CBRT	2,832,218	3,085,756,149	2,832,218	2,150,818,160
Collection (Owned by CBRT)	109	119,281	109	83,140

NOTE: Gold holdings are valued based on 1 ounce of gold = 31.1035 grams using the price 1,812.35 USD/Ounce (31 December 2021: 1,820.10) and USD buying rate of TRY 18.6983 as of 31 December 2022 (31 December 2021: TRY 12.9775). Accordingly, the price of 1 net gram of gold is $(1,812.35 \times 18.6983) / 31.1035 = \text{TRY } 1,089.52$.

Gold holdings of international standards are held by the CBRT as part of foreign currency reserves and they account for 35.56% (31 December 2021: 34.66%) of total foreign currency reserves.

Gold deposited by banks for reserve requirements, which amounts to 157,466,518 net grams equivalent to TRY 171,562,813,043; gold deposited as free gold deposits, which amounts to 16,251,501 net grams equivalent to TRY 17,706,324,744; and 50,110,333 net grams of Treasury gold equivalent to TRY 54,596,175,681 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 "14. Other Assets".

3.4.2.2. Foreign Banknotes

As of 31 December 2022, the TRY equivalent of foreign banknotes in the vaults of the CBRT was TRY 179,560,203,956.

Table 3.4.2.2.1: Foreign Banknotes

	2022	2021
Foreign Banknotes	179,560,203,956	51,758,696,791

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)

	2022		2021	
	TRY	USD Equivalent	TRY	USD Equivalent
FX Securities	120,149,710,311	6,425,702,353	106,493,636,135	8,206,020,893
Deposits	164,704,488,211	8,808,527,418	119,977,654,818	9,245,051,421
Other	1,086,280,046,680	58,095,123,443	661,424,518,231	50,967,021,247
Demand deposits	948,708,803,497	50,737,703,615	561,341,122,040	43,254,950,648
SDR holding account	137,571,031,947	7,357,408,532	100,080,245,220	7,711,827,796
Other	211,236	11,297	3,150,971	242,803
TOTAL	1,371,134,245,202	73,329,353,214	887,895,809,184	68,418,093,561

The balances of item “4. Foreign Banks” presented in the liabilities of the balance sheet as of 31 December 2022 and 31 December 2021 are shown below.

Table 3.4.2.3.2: Foreign Banks (Liabilities)

	2022		2021	
	TRY	USD Equivalent	TRY	USD Equivalent
Foreign banks	165,822,661,550	8,868,328,220	62,913,857,119	4,847,918,098

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

	2022		2021	
	TRY	SDR	TRY	SDR
Assets				
Reserve tranche position	2,816,499,238	112,775,000	2,049,054,085	112,775,000
Treasury liabilities due to SDR allocation	138,268,529,848	5,536,388,310	100,592,853,760	5,536,388,310
Liabilities				
Reserve tranche means	2,816,499,238	112,775,000	2,049,054,085	112,775,000
SDR allocation	138,268,529,848	5,536,388,310	100,592,853,760	5,536,388,310

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 2022, the fair value of securities was TRY 151,051,857,467.

Table 3.4.2.5.1: Securities

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Government bonds and Treasury bills issued by the Ministry of Treasury and Finance	118,678,543,187	150,709,204,277	69,040,301,300	73,535,177,082
Lease certificates issued by the Ministry of Treasury and Finance	310,742,200	342,653,190	550,303,540	573,930,580
TOTAL	118,989,285,387	151,051,857,467	69,590,604,840	74,109,107,662

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 190,308,403,210 as of 31 December 2022. The income accruals reflected in this item are: TRY 100,591,396 for repurchase agreements (31 December 2021: TRY 450,372,500), TRY 25,156,345 for Interbank Money Market operations (31 December 2021: TRY 141,102,775), and TRY 29,618,887 for reciprocal deposit transactions (31 December 2021: TRY 753,491,346).

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 15,809,981,782. The expense accruals reflected in this item were TRY 164,367 for reverse repurchase agreements (31 December 2021: Null), and TRY 6,417,415 for Interbank Money Market operations (31 December 2021: TRY 2,086,220).

Table 3.4.2.6.1: Lending/Liabilities Related to Monetary Policy Operations

	2022	2021
Assets		
Lending Related to Monetary Policy Operations	190,308,403,210	569,610,997,350
Open market operations	146,055,498,620	377,360,485,523
Interbank money market operations	37,713,248,703	119,230,982,281
Other	6,539,655,887	73,019,529,546
Liabilities		
Liabilities Related to Monetary Policy Operations	15,809,981,782	6,012,486,220
Open market operations	400,164,367	-
Interbank money market operations	15,409,817,415	6,012,486,220
Lending Related to Monetary Policy Operations (Net)	174,498,421,428	563,598,511,130

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 TRY deposits operations, and transactions for conversion to Turkish lira deposit and participation accounts, to be transferred to the related accounts at value date. The domestic banks item had a balance of TRY 3,802,185,901 as of 31 December 2022 (31 December 2021: TRY 599.767.072).

Table 3.4.2.7.1: Domestic Banks

	2022	2021
Transactions for conversion to Turkish lira deposit and participation accounts	3,802,185,901	599,767,072
TOTAL	3,802,185,901	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 1,746,638,000 (31 December 2021: USD 6,408,210,024), EUR 2,318,163,872 (31 December 2021: EUR 7,083,392,808), CNY 183,263,388 (31 December 2021: CNY 50,711,248), AED 15,614,926 (31 December 2021: Null), equivalent of TRY 79,441,835,810 (31 December 2021: TRY 188,249,932,661) as well as credits extended to banks against bills in Turkish lira at the amount of TRY 168,160,734,998 (31 December 2021: TRY 8,314,952,400), and advance loans against investment commitment at the amount of TRY 28,722,726,793 (31 December 2021: TRY 2,277,058,824). The year-end balance of domestic credits including rediscounts is TRY 263,252,471,497 (31 December 2021: TRY 198,162,918,413).

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 extended amount to USD 9,061,417 (31 December 2021: USD 9,061,417) equivalent to TRY 169,433,087 (31 December 2021: TRY 117,594,535).

Table 3.4.2.8.1: Credits and Non-Performing Loans

	2022	2021
Domestic credits	263,252,471,497	198,162,918,413
Foreign credits	169,433,087	117,594,535
Non-performing loans (net)		
Non-performing loans	29,711,062,730	20,514,868,462
Provisions for non-performing loans	-29,711,062,730	-20,514,868,462
TOTAL	263,421,904,584	198,280,512,948

NOTE: Interest accrued to the claims on the Central Bank of Iraq is USD 8,168,526 (31 December 2021: USD 8,123,936) equivalent to TRY 136,694,730 (31 December 2021: TRY 73,998,844).

The claims on the Central Bank of Iraq are USD 1,496,396,860 (31 December 2021: USD 1,488,228,334) equivalent to TRY 27,980,077,415 (31 December 2021: TRY 19,313,483,206). The total of claims arising from the credit extended against bills for the Iraq Bekhme Dam Project is USD 92,574,475 (31 December 2021: USD 92,574,475) equivalent to TRY 1,730,985,315 (31 December 2021: TRY 1,201,385,256). 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 29,711,062,730 (31 December 2021: TRY 20,514,868,462) was netted with the provisions, the non-performing loans item had no balance as of 31 December 2022.

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	Ownership (%)	2022		2021		Foreign Currency
			TRY	Foreign Currency	TRY	Foreign Currency	
BIS	Banking regulation services	1.41	5,611,273,957	SDR 10,000,000	1.41	4,145,291,084	SDR 10,000,000
SWIFT	Electronic fund transfer services	0.007	1,160,211	EUR 58,200	0.007	711,211	EUR 48,440
IILM	Liquidity management	13.33	186,983,000	USD 10,000,000	13.33	129,775,000	USD 10,000,000
BKM	Payment services	51.01	90,543,079	-	51.01	90,543,079	-
TOTAL			5,889,960,247			4,366,320,373	

Movements in share participations are shown below:

Table 3.4.2.9.2: Movements in Share Participations

	2022	2021
Balance on 1 January	4,366,320,373	2,587,397,224
Fair value changes	1,523,639,874	1,778,923,149
Balance	5,889,960,247	4,366,320,373

3.4.2.10. Fixed Assets (Net)

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	732,211,228	178,106,154	15,275,650	925,593,032
Additions	34,302,258	299,958,872	4,460,387	338,721,518
Disposals (net) ^(*)	-	-560,549	-	-560,549
Depreciation charge	-8,690,081	-105,844,965	-242,673	-114,777,719
Net book value	757,823,405	371,659,513	19,493,364	1,148,976,282

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

2022	Land and Buildings	Furniture and Fixtures	Software	Total
Book value	959,924,538	788,480,130	124,506,347	1,872,911,015
Accumulated depreciation	-202,101,133	-416,820,617	-105,012,983	-723,934,733
Net book value	757,823,405	371,659,513	19,493,364	1,148,976,282
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

3.4.2.11. Revaluation Account

Table 3.4.2.11.1: Revaluation

	2022	2021
Revaluation account (Assets)	328,537,596,340	-
Revaluation account (Liabilities)	-	53,610,920,462

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 328,537,596,340 by 31 December 2022.

3.4.2.12. Other Assets**Table 3.4.2.12.1: Other Assets**

	2022	2021
Gold of non-international standard	3,085,875,430	2,150,901,301
Coins	23,599,322	85,129,684
Income accruals	859,175,124	144,247,569
Charges and commissions due from the Treasury	109,501,867	63,719,930
EFT fees	115,948,726	71,341,746
Other	633,724,531	9,185,893
Other	77,904,653,489	104,162,494,413
Prepaid taxes to be deducted from corporate tax	15,676,635,264	1,570,275,188
Income tax withholding to be deducted from corporate tax	2,633,246,870	3,963,535,816
Depots	157,402,248	160,445,199
Prepaid expenses	37,016,761	25,385,342
Other	59,400,352,346	98,442,852,868
TOTAL	81,873,303,365	106,542,772,966

3.4.2.13. Currency Issued**Table 3.4.2.13.1: Currency Issued**

	2022	2021
Balance on 1 January	235,377,439,588	188,369,446,590
Banknotes put into circulation	147,428,371,595	102,731,430,460
Banknotes withdrawn, and banknotes destroyed	-41,007,168,005	-55,723,437,463
Expired banknotes	-	-
Balance	341,798,643,178	235,377,439,588

The total balance of banknotes in circulation by 31 December 2022 was TRY 341,798,643,178.

3.4.2.14. Deposits

Table 3.4.2.14.1: Deposits

	2022	2021
Public sector deposits	509,601,386,978	336,153,674,196
Treasury, general and special budget administrations	509,525,735,365	336,099,279,684
Cash	454,929,559,684	302,437,149,761
Gold	54,596,175,681	33,662,129,923
Other	75,651,613	54,394,512
Banking sector deposits	2,257,283,606,280	1,553,201,590,365
Domestic banks	881,579,556,407	638,975,015,109
Deposits of banks	257,417,807,763	39,695,498,317
Cash	102,041,735,622	2,798,301,206
Collaterals	137,667,783,800	30,969,608,819
Cash	137,667,783,800	28,136,055,600
Gold	-	2,833,553,219
Gold	17,708,288,342	5,927,588,293
Free required reserves	624,161,748,644	599,279,516,792
Foreign correspondents	432,625,774,926	225,735,441,851
Required reserves in blocked accounts	943,078,274,947	688,491,133,405
Cash	771,515,461,904	581,424,709,429
Gold	171,562,813,043	107,066,423,975
Other deposits	7,133,109,677	3,892,405,054
Deposits by citizens abroad	3,912,904,950	3,506,187,203
Deposits by international institutions	309,526,917	192,081,964
IMF	231,690,433	136,910,197
Other	77,836,485	55,171,767
Extrabudgetary funds	188,916,133	194,039,837
Other	2,721,761,677	96,050
Financing companies	2,721,605,120	19,158
Deposits by embassies	15,949	11,609
Other	140,608	65,283
TOTAL	2,774,018,102,935	1,893,247,669,615

3.4.2.15. 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 3.4.2.15.1: Taxes to be Paid

	2022	2021
Corporate tax	21,352,295,697	16,718,403,274
Other taxes	750,878,277	271,082,402
Obligations as a tax payer	229,563,544	84,086,407
Obligations as withholding tax collector	521,314,733	186,995,995
TOTAL	22,103,173,974	16,989,485,676

The advance tax rate was 23% for the first advance tax period of 2022, and 25% for the following periods of the year (2021: 25%). 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 25% (2021: 20%).

The breakdown of temporary differences and the resulting deferred tax assets / liabilities as of 31 December 2022 is as follows:

Table 3.4.2.15.2: Temporary Differences and Deferred Tax Assets/Liabilities

	2022		2021	
	Total Temporary Differences	Deferred Tax Assets/Liabilities	Total Temporary Differences	Deferred Tax Assets/Liabilities
Total assets	481,659,900	120,414,975	239,674,168	47,934,834
Retirement pay and employment termination benefit obligations	474,687,813	118,671,953	231,643,379	46,328,676
Depreciation adjustment for fixed assets	6,972,087	1,743,022	8,030,789	1,606,158
Total liabilities	-5,361,528,957	-335,095,560	-3,963,597,084	-198,179,854
Fair value adjustment of the BIS participation share	-5,361,528,957	-335,095,560	-3,963,597,084	-198,179,854
Net Assets/Liabilities	-4,879,869,057	-214,680,585	-3,723,922,916	-150,245,021

Table 3.4.2.15.3: Deferred Tax Asset/ Liability Movements

	2022	2021
Balance on 1 January	-150,245,022	-76,452,431
Deferred tax related to profit and loss statement (net)	72,490,830	8,544,364
Deferred tax related to other liability accounts	-136,926,393	-82,336,954
Balance	-214,680,585	-150,245,021

3.4.2.16. Provisions

Table 3.4.2.16.1: Provisions

	2022	2021
Retirement pay and employment termination benefit provisions	474,687,813	231,643,379
Insurance provision for money in transit	243,056,337	243,056,337
TOTAL	717,744,150	474,699,716

The 2022 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 2022 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 15,371 (31 December 2021: TRY 8,285) that took effect as of 1 July 2022 was taken into account.

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

Table 3.4.2.16.2: Change in Retirement Pay and Employment Termination Benefit Liabilities

	2022	2021
Balance on 1 January	231,643,379	186,462,909
Provision set aside	255,259,177	47,054,719
Retirement pay and employment termination benefit paid	-12,214,743	-1,874,249
Balance	474,687,813	231,643,379

3.4.2.17. 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 3.4.2.17.1: Capital and Reserves

	2022	2021
Paid-in capital	25,000	25,000
Inflation adjustment for paid-in capital	46,208,524	46,208,524
Reserves	7,753,226,486	4,638,425,114
Reserves	7,419,057,907	4,304,256,535
Special reserves	334,168,579	334,168,579
TOTAL	7,799,460,010	4,684,658,638

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 was distributed along with the profit.

The shareholders of the CBRT by 31 December 2022 and 31 December 2021 are as follows:

Table 3.4.2.17.2: Shareholders of the CBRT

	2022		2021	
	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

3.4.2.18. Other Liabilities**Table 3.4.2.18.1: Other Liabilities**

	2022	2021
Letters of credit	87,996,814	191,921,411
Expense accruals	660,434,768	501,904,714
Other	32,922,896,500	61,936,139,575
Difference arising from accounting policy changes	5,029,196,379	3,768,019,884
Blocked accounts as per the decisions of tax offices, debt enforcement offices, and courts	19,672,440	16,549,415
Amounts to be debited to foreign correspondent accounts on next year's value date	1,828,664,538	703,638,569
Other	26,045,363,143	57,447,931,707
TOTAL	33,671,328,082	62,629,965,700

3.4.2.19 Regulating Accounts

Regulating accounts, which are expressed in terms of Turkish lira, FX and units, had a total balance of 6,273,813,384,783 as of 31 December 2022 (31 December 2021: 3,043,256,140,325).

3.4.2.20. Profit/Loss Accounts

Table 3.4.2.20.1: Profit/Loss Statement

	2022	2021
NET INTEREST INCOME/EXPENSE	139,726,890,767	105,684,925,831
Interest Income	166,619,106,946	131,631,094,941
TRY and FX securities portfolio	31,372,141,294	10,201,824,123
Repo transactions	33,160,227,949	36,526,179,344
Interbank money market operations	11,684,350,063	18,872,821,597
Credits	9,423,941,069	1,052,379,806
Banks	80,978,446,571	64,977,890,071
Interest Expenses	-26,892,216,179	-25,946,169,110
FX deposits by citizens abroad	-186	-304
Reverse repo transactions	-12,585,183	-20,320,285
Interbank money market operations	-757,896,397	-665,761,437
Ministry of Treasury and Finance accounts	-15,186,327,204	-14,222,709,860
IMF general resource account charges	-1,513,494,396	-20,862,746
TRY required reserves	-3,013,667,981	-9,786,945,650
Banks	-6,408,244,832	-1,229,568,828
NET FEE AND COMMISSION INCOME/EXPENSES	18,453,429,021	1,659,477,547
Fee and Commission Income	18,615,352,189	1,758,296,393
EFT transaction fees and commissions	1,303,742,172	763,550,042
Commissions to be due from the Ministry of Treasury and Finance	1,209,279,283	616,441,154
Commission and maintenance fees due from banks	15,934,214,861	299,497,488
Other fund transfer fees	12,616,685	18,010,390
Fees charged to banks within the context of CMS	120,421,753	46,915,137
Other	35,077,435	13,882,182
Fee and commission expenses	-161,923,168	-98,818,846
Commission and maintenance fees paid to banks	-158,246,586	-97,367,089
Other	-3,676,582	-1,451,757
NET NON-INTEREST INCOME/EXPENSE	-64,878,626,928	-33,151,385,172
Non-Interest Income	61,810,163,251	35,151,292,055
Profit on purchase and sale of FX and gold	21,897,020,379	26,433,164,715
Securities portfolio trading income and increase in fair value	25,722,715,804	1,539,858,687
Dividend income	46,537,569	48,635,405
Other	14,143,889,499	7,129,633,248
Non-Interest Expenses	-126,688,790,179	-68,302,677,227
Loss on purchase and sale of FX and gold	-16,163,239,704	-46,805,974,203
Securities portfolio trading loss and decrease in fair value	-8,380,965,274	-1,920,995,594
Provision expenses for non-performing loans	-9,196,194,268	-8,970,619,190
Wages and salaries	-2,220,456,789	-1,289,768,330
Social security costs	-382,878,222	-148,202,477
Operating expenses	-740,372,514	-197,486,305
Banknote paper and ink expenses	-508,255,436	-264,724,230
Depreciation charges	-114,777,719	-83,325,083
Other	-88,981,650,253	-8,621,581,815
PROFIT BEFORE TAX	93,301,692,859	74,193,018,206
DEFERRED TAX INCOME/EXPENSE	72,490,830	8,544,364
REPORTED PROFIT OF THE PERIOD	93,374,183,689	74,201,562,570

3.4.2.21. Profit Distribution

Paragraph 5 of Article 64 of the TCC 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 2022 is TRY 93,300,805,172. Pursuant to Article 60 of the CBRT Law No. 1211, Article 523 of the TCC, and the provisions of Article 64 of the TCC 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)

	2022	2021
Reported profit of the period (TCC No. 6102)	93,374,183,689	74,201,562,570
Reporting adjustments	- 73,378,517	- 10,981,997
Profit to be distributed (TPL No. 213)	93,300,805,172	74,190,580,573
Tax provisions (-)	21,352,295,697	16,718,403,274
Corporate income tax	21,352,295,697	16,718,403,274
Profit after tax	71,948,509,475	57,472,177,299
Other distributions (-)	39,330,097,766	7,434,177,297
1-Reserves	39,330,080,367	7,419,057,907
Reserve funds (Article 60 of Law No. 1211)	9,330,080,367	7,419,057,907
Reserves (Article 523 of TCC Law No. 6102)	30,000,000,000	-
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) of Law No. 1211)	14,399	15,116,390
The amount to be transferred to the Ministry of Treasury and Finance	32,618,411,709	50,038,000,002

In line with the last paragraph of Article 60 of the CBRT Law No. 1211, the entirety of the reserve funds earmarked from the profit of 2021, totaling TRY 7,419,057,907.31 will be distributed along with the profit.