

**THE CENTRAL BANK OF  
THE REPUBLIC OF TURKEY**

**FINANCIAL STATEMENTS AS OF AND FOR  
THE YEAR ENDED 31 DECEMBER 2020  
TOGETHER WITH INDEPENDENT  
AUDITOR'S REPORT**

## Independent Auditor's Report

To the Board of the Central Bank of the Republic of Turkey

### Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the Central Bank of the Republic of Turkey ("the Bank"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We declare that we are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Matter

The financial statements of the Bank as at 31 December 2019 were audited by another audit firm, which expressed an unqualified opinion in their reports issued on 27 February 2020.

As mentioned in Note 3.a, US Dollar amounts presented in the accompanying financial statements are translated from TL at the official US Dollar bid rates announced by the Bank at 31 December 2020 and 2019 for the statement of financial position; and the average of daily official US Dollar bid rates announced by the Bank for the years ended 31 December 2020 and 2019 for the statement of profit or loss, and they do not form part of these financial statements.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

The Bank management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless General Assembly either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

## **Auditors' Responsibilities for the Audit of Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
*A member firm of Ernst & Young Global Limited*



Yaşar Bivas, SMMM  
Partner

19 February 2021  
Istanbul, Turkey

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

CONTENT	PAGE
STATEMENT OF FINANCIAL POSITION .....	1
STATEMENT OF PROFIT OR LOSS .....	2
STATEMENT OF OTHER COMPREHENSIVE INCOME.....	3
STATEMENT OF CHANGES IN EQUITY.....	4
STATEMENT OF CASH FLOWS .....	5
NOTES TO THE FINANCIAL STATEMENTS.....	6-56
NOTE 1 GENERAL INFORMATION .....	6
NOTE 2 BASIS OF PRESENTATION .....	6-13
NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	13-24
NOTE 4 FINANCIAL RISK MANAGEMENT .....	25-43
NOTE 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES .....	43
NOTE 6 DUE FROM BANKS .....	43
NOTE 7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS .....	44
NOTE 8 LOANS AND ADVANCES TO CUSTOMERS .....	44-45
NOTE 9 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME.....	45
NOTE 10 GOLD RESERVES .....	46
NOTE 11 PROPERTY AND EQUIPMENT.....	47
NOTE 12 INTANGIBLE ASSETS .....	47
NOTE 13 OTHER ASSETS.....	48
NOTE 14 CURRENCY IN CIRCULATION.....	48
NOTE 15 DUE TO BANKS .....	48
NOTE 16 OTHER DEPOSITS.....	49
NOTE 17 DUE TO INTERNATIONAL ORGANIZATIONS .....	49
NOTE 18 OTHER BORROWED FUNDS .....	49
NOTE 19 OTHER LIABILITIES .....	49
NOTE 20 TAXATION.....	50-51
NOTE 21 RETIREMENT BENEFIT OBLIGATIONS .....	52
NOTE 22 NET INTEREST INCOME .....	53
NOTE 23 NET FEE AND COMMISSION INCOME .....	53
NOTE 24 DIVIDEND INCOME .....	54
NOTE 25 PROFIT/(LOSS) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS.....	54
NOTE 26 FOREIGN EXCHANGE GAINS/ LOSSES, NET .....	54
NOTE 27 OTHER OPERATING EXPENSES .....	54
NOTE 28 COMMITMENTS AND CONTINGENT LIABILITIES .....	54
NOTE 29 SHARE CAPITAL.....	55
NOTE 30 RETAINED EARNINGS AND LEGAL RESERVES .....	55
NOTE 31 CASH AND CASH EQUIVALENTS .....	56
NOTE 32 RELATED PARTY BALANCES AND TRANSACTIONS.....	56
NOTE 33 SUBSEQUENT EVENTS .....	56

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

			<i>Restated (*)</i>	<i>Restated (*)</i>	
		31 December	31 December	31 December	31 December
		2020	2019	2020	2019
		TL	TL	Million	Million
	Notes			US Dollar	US Dollar
				(**)	(**)
<b>ASSETS</b>					
Cash (foreign currency and coin)		21,639,766	22,458,738	2,948	3,781
Due from banks	6	568,874,459	257,118,662	77,498	43,285
Financial assets at fair value through profit or loss	7	154,680,527	220,331,967	21,072	37,092
Loans and advances to customers	8	138,453,364	102,612,213	18,862	17,274
Financial assets at fair value through other comprehensive income	9	2,587,397	1,760,394	352	296
Gold reserves	10	320,967,126	161,728,401	43,726	27,226
Property and equipment	11	1,882,600	1,691,205	256	285
Intangible assets	12	17,263	38,387	2	6
Other assets	13	17,418,267	491,075	2,373	83
<b>Total assets</b>		<b>1,226,520,769</b>	<b>768,231,042</b>	<b>167,090</b>	<b>129,328</b>
<b>LIABILITIES</b>					
Currency in circulation	14	188,369,447	153,362,376	25,662	25,818
Due to banks	15	765,047,694	424,500,681	104,223	71,462
Other deposits	16	141,621,661	75,990,492	19,293	12,793
Financial liabilities at fair value through profit or loss	7	-	223,182	-	38
Due to international organizations	17	155,467	149,552	21	25
Other borrowed funds	18	13,007,785	4,768,788	1,772	803
Other liabilities	19	2,120,765	1,359,082	289	229
Tax liabilities	20	3,667,126	4,898,615	500	825
Deferred tax liability	20	13,938,752	11,180,208	1,899	1,882
Retirement benefit obligations	21	186,463	209,545	25	35
<b>Total liabilities</b>		<b>1,128,115,160</b>	<b>676,642,521</b>	<b>153,684</b>	<b>113,910</b>
<b>EQUITY</b>					
Paid-in share capital	29	47,464	47,464	6	8
Retained earnings		38,780,743	61,358,669	5,283	7,320
Reserves		59,577,402	30,182,388	8,116	8,090
<b>Total equity</b>		<b>98,405,609</b>	<b>91,588,521</b>	<b>13,405</b>	<b>15,418</b>
<b>TOTAL LIABILITIES AND EQUITY</b>					
		<b>1,226,520,769</b>	<b>768,231,042</b>	<b>167,090</b>	<b>129,328</b>

(\*) See Note 2.c.

(\*\*) US dollar amounts presented above are translated from TL for convenience purposes only, at the official US Dollar bid rates announced by the Bank at 31 December 2020 and 2019, and they do not form part of these financial statements (Note 3.a.).

*The notes on pages 6 to 56 are integral part of these financial statements.*

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

			<i>Restated (*)</i>	<i>Restated (*)</i>	
		2020	2019	2020	2019
	Notes	TL	TL	Million US Dollar (*)	Million US Dollar (*)
Interest income	22	46,189,979	30,964,836	6,595	5,460
Interest expense	22	(7,669,230)	(11,996,211)	(1,095)	(2,115)
<b>Net interest income</b>	<b>22</b>	<b>38,520,749</b>	<b>18,968,625</b>	<b>5,500</b>	<b>3,345</b>
Fee and commission income	23	4,303,932	827,391	615	146
Fee and commission expense	23	(75,126)	(55,031)	(11)	(10)
<b>Net fee and commission income</b>	<b>23</b>	<b>4,228,806</b>	<b>772,360</b>	<b>604</b>	<b>136</b>
Dividend income	24	-	14,429	-	3
Profit/(loss) from financial assets at fair value through profit or loss	25	(2,351,256)	24,024,566	(336)	4,236
Foreign exchange gain/(loss), net	26	(9,821,894)	22,803,196	(1,402)	4,021
Other operating income		13,876	23,477	2	4
Impairment losses on loans	8	(2,256,947)	(1,108,292)	(322)	(195)
Other operating expenses	27	(2,010,151)	(1,598,396)	(287)	(282)
<b>Profit before income tax</b>		<b>26,323,183</b>	<b>63,899,965</b>	<b>3,759</b>	<b>11,268</b>
Income tax expense	20	(4,191,081)	(12,926,764)	(598)	(2,279)
<b>Net profit for the year</b>		<b>22,132,102</b>	<b>50,973,201</b>	<b>3,161</b>	<b>8,989</b>

(\*) See Note 2.c.

(\*\*) US dollar amounts presented above are translated from TL for convenience purposes only, at the average of daily official US Dollar bid rates announced by the Bank for the years ended 31 December 2020 and 2019, and they do not form part of these financial statements (Note 3.a.).

*The notes on pages 6 to 56 are integral part of these financial statements.*

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

		2020	Restated (*)
	Notes	TL	2019 TL
Net profit for the year		22,132,102	50,973,201
Other comprehensive income			
Items those will not be reclassified subsequently to profit or loss			
Increase/(decrease) of fair value of gold reserves		35,357,711	(2,756,338)
Deferred tax related to increase/ (decrease) on fair value of gold reserves	20	(7,071,542)	606,394
Changes in fair values of financial assets at fair value through other comprehensive income	9	736,460	291,569
Deferred tax on changes in fair values of financial assets at fair value through other comprehensive income	20	(26,828)	(15,166)
<b>Total comprehensive income for the year</b>		<b>51,127,903</b>	<b>49,099,660</b>

(\*) See Note 2.c.

*The notes on pages 6 to 56 are integral part of these financial statements.*



# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

	Share Capital			Reserves					
	Share capital	Adjustment to share capital	Total paid-in share capital	Items those will not be reclassified subsequently to profit or loss					
				Changes in Fair Values of Financial Assets At Fair Value Through Other Comprehensive Income	Increase of fair value of gold reserves	Actuarial gain / (loss)			
	Share capital	Adjustment to share capital	Total paid-in share capital				Other Reserves	Retained earnings	Total
Balance at 1 January 2019	25	47,439	47,464	1,358,493	25,183,796	2,490	27,555,927	66,649,652	120,797,822
Cash dividends paid	-	-	-	-	-	-	-	(37,539,259)	(37,539,259)
Total comprehensive income/(loss)	-	-	-	276,403	(2,149,944)	-	-	50,973,201	49,099,660
Net profit/(loss) for the year	-	-	-	-	-	-	-	50,973,201	50,973,201
Other comprehensive income/(loss)	-	-	-	276,403	(2,149,944)	-	-	-	(1,873,541)
Transfer	-	-	-	-	-	-	18,724,925	(18,724,925)	-
Paid to Treasury	-	-	-	-	-	-	(40,769,702)	-	(40,769,702)
Restated (*)									
Balance at 31 December 2019	25	47,439	47,464	1,634,896	23,033,852	2,490	5,511,150	61,358,669	91,588,521
Balance at 1 January 2020	25	47,439	47,464	1,634,896	23,033,852	2,490	5,511,150	61,358,669	91,588,521
Cash dividends paid	-	-	-	-	-	-	-	(39,133,833)	(39,133,833)
Total comprehensive income/(loss)	-	-	-	709,632	28,286,169	-	-	22,132,102	51,127,903
Net profit/(loss) for the year	-	-	-	-	-	-	-	22,132,102	22,132,102
Other comprehensive income/(loss)	-	-	-	709,632	28,286,169	-	-	-	28,995,801
Other (**)	-	-	-	-	-	-	172,996	-	172,996
Transfer	-	-	-	-	-	-	5,576,195	(5,576,195)	-
Paid to Treasury	-	-	-	-	-	-	(5,349,978)	-	(5,349,978)
Balance at 31 December 2020	25	47,439	47,464	2,344,528	51,320,021	2,490	5,910,363	38,780,743	98,405,609

(\*) See Note 2.c.

(\*\*) Refers to banknotes those have expired and been transferred to legal reserves in accordance with Article 59 of the CBRT law.

The notes on pages 6 to 56 are integral part of these financial statements.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

		2020 TL	Restated (*) 2019 TL
	Notes		
<b>Cash flows (used in)/from operating activities</b>			
<b>Net profit for the year</b>		<b>22,132,102</b>	<b>50,973,201</b>
<b>Adjustment for:</b>			
Depreciation of property and equipment	11	58,454	54,626
Amortization of intangible assets	12	36,826	10,634
Provision for retirement benefit obligations	21	35,103	40,896
Net interest income	22	(38,520,749)	(18,968,625)
Dividend income	24	-	(14,429)
Net commission income	23	(4,228,806)	(772,360)
Tax expense	20	4,191,081	7,411,677
Unrealized foreign exchange gain, net		(9,821,894)	(22,201,582)
(Increase)/decrease in value of financial assets, net		(1,660,166)	5,129,709
(Gain)/loss on sale of property and equipment		15	(980)
<b>Cash flows from operating profits before changes in operating assets and liabilities</b>		<b>(27,778,034)</b>	<b>21,662,767</b>
<b>Changes in operating assets and liabilities:</b>			
Net change in gold reserves		(123,881,017)	(58,006,148)
Net change in financial assets at fair value through profit or loss		27,576,206	(61,486,829)
Net change in loans and advances to customers		(20,554,757)	(16,282,193)
Net change in other assets		16,927,192	7,142,256
Net change in currency in circulation		35,007,071	21,100,654
Net change in due to banks		186,526,478	5,044,885
Net change in other deposits		65,631,169	32,249,869
Net change in other liabilities		116,198,180	55,149
Used/ (Paid) bank loans, net		8,238,997	(8,806,746)
Taxes paid		(8,804,092)	(10,084,900)
Retirement benefits paid	21	(58,185)	(4,956)
Interest received		45,724,882	30,861,206
Interest paid		(7,689,746)	(11,374,852)
Commission received		4,303,932	827,391
Commission paid		(75,126)	(55,031)
<b>Net cash from operating activities</b>		<b>283,438,766</b>	<b>(47,157,478)</b>
<b>Cash flows related to investing activities</b>			
Purchase of property, equipment and intangible assets	11-12	(443,898)	(141,518)
Proceeds from sale of property, equipment and intangible assets		27,314	10,173
Dividends received	24	-	14,429
<b>Net cash used in investing activities</b>		<b>(416,584)</b>	<b>(116,916)</b>
<b>Cash flows related to financing activities</b>			
Dividends paid	29	(39,133,833)	(37,539,259)
Legal reserves paid to Treasury		(5,349,978)	(40,769,702)
<b>Cash flows from/(used) in financing activities</b>		<b>(44,483,811)</b>	<b>(78,308,961)</b>
<b>Effects of exchange-rate changes on cash and cash equivalents</b>		<b>72,006,322</b>	<b>36,957,385</b>
<b>Change in cash and cash equivalents</b>		<b>310,544,693</b>	<b>(88,625,970)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	31	<b>279,506,619</b>	<b>368,132,589</b>
<b>Cash and cash equivalents at the end of the year</b>	31	<b>590,051,312</b>	<b>279,506,619</b>

(\*) See Note 2.c.

*The notes on pages 6 to 56 are integral part of these financial statements*

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

---

### NOTE 1 - GENERAL INFORMATION

The Central Bank of the Republic of Turkey (the “Bank” or “CBRT”) was incorporated in Turkey in 1931. It was established as a joint stock company with the exclusive privilege of issuing banknotes in Turkey and is vested with the powers and duties set forth in the CBRT Law No. 1211 (the “CBRT Law”). The Head Office of the Bank is located in Ankara. The Bank’s registered head office is located at the following address: Hacıbayram District İstiklal Street 10 Ulus, 06050 Ankara, Turkey. The Bank now operates a nationwide network of 21 branches and has no branches abroad. As of 31 December 2020, the Bank employed 3,499 people (31 December 2019: 3,890).

The primary objective of the Bank is to achieve and maintain price stability. The Bank shall determine on its own discretion the monetary policy that it shall implement and the monetary policy instruments that it is going to use in order to achieve and maintain price stability.

The fundamental duties of the Bank are:

- a) to carry out open market operations,
- b) to take necessary measures in order to protect the domestic and international value of the Turkish Lira (“TL”) and to establish the exchange rate policy in determining the parity of TL against gold and foreign currencies jointly with the Government of the Republic of Turkey (“Turkish Government”); to execute transactions such as spot and forward purchases and sales of foreign currency and banknotes, foreign currency swaps and other derivatives transactions in order to determine the value of TL against other currencies,
- c) to determine the procedures and conditions of reserve requirements by taking into consideration the liabilities of banks and other financial institutions to be deemed appropriate by the Bank,
- d) to conduct rediscount and advance transactions,
- e) to manage the gold and foreign currency reserves of the country,
- f) to regulate the volume and circulation of the TL, to establish payment, securities transfer and settlement systems and to set forth regulations to ensure the uninterrupted operation and supervision of the existing or future systems, to determine the methods and instruments including electronic environment for payments,
- g) to take precautions for enhancing the stability in the financial system and to take regulatory measures with respect to money and foreign exchange markets,
- h) to monitor the financial markets,
- i) to determine the terms and types of deposits in banks and the terms of participation funds in special finance houses.

### NOTE 2 – BASIS OF PRESENTATION

#### (a) Turkish Lira Financial Statements

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), including the International Accounting Standards (“IAS”) and Interpretations issued by the International Accounting Standards Board (“IASB”). The Bank maintains its books of account and prepares its statutory financial statements in accordance with Turkish Commercial Practice and Tax Legislation and the CBRT Law. These financial statements have been prepared from those accounting records and adjusted as necessary in order to comply with IFRS issued by the IASB.

The financial statements are presented in TL, the national currency of the Republic of Turkey.

The accompanying financial statements of the Central Bank of the Republic of Turkey (“the Bank” or “CBRT”) as of 31 December 2020 have been approved by the Budget and Financial Reporting General Directorate and the Board and the General Assembly have the authority to modify the financial statements.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

### NOTE 2 – BASIS OF PRESENTATION (Continued)

#### (b) Changes in Accounting Policies

Significant changes in accounting policy are applied retrospectively and prior period financial statements are restated. There is no significant accounting change in accounting policy in current year other than the change indicated in section 2.d.

#### (c) Change in Accounting Estimates and Errors

If changes in accounting estimates are related to only one period, they are applied in the period when changes in estimates are made. If the changes are related to future periods, they are applied both in the period when changes in estimates are made and future periods prospectively. Principles applied in the preparation of the financial statements, which include evaluation and complexity, estimations and assumptions are explained in Note 5. There is no significant change in accounting estimates of Bank in current year.

Significant accounting errors are applied retrospectively, and prior period financial statements are restated.

The changes made by the Bank for the year-end of December 31, 2019 are as follows;

As a part of its gold reserve management, the Bank goes into transactions those are denominated with gold. Profit/(loss) amounts arising such these transactions were recognized as other accumulated comprehensive income that would not be reclassified to profit or loss. In the current period, the Bank has made classification regarding the profit/(loss) amounts arising from mentioned previous period gold transactions in accordance with the "IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors" Standard ("IAS 8"); in where amounts arising from related transactions are classified under the statement of profit or loss. The effects of these changes made by the Bank for the previous period on the financial statements are given below;

	<b>Previously Reported 31 December 2019</b>	<b>Corrections</b>	<b>Restated 31 December 2019</b>
Accumulated profit excluding current period profit	61,358,669	(19,553,495)	41,805,174
Profit before tax	38,831,383	25,068,582	63,899,965
Tax expense	(7,411,677)	(5,515,087)	(12,926,764)
Net income	31,419,706	19,553,495	50,973,201

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

---

### NOTE 2 – BASIS OF PRESENTATION (Continued)

#### (d) New and revised International Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2020 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2020. The effects of these standards and interpretations on the Bank financial position and performance have been disclosed in the related paragraphs.

#### i) The new standards, amendments and interpretations which are effective as at 1 January 2020 are as follow:

##### Definition of a Business (Amendments to IFRS 3)

In May 2019, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether an acquired set of activities assets is a business or not.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively.

The amendments are not applicable to the Bank and did not have an impact on the financial position or performance of the Bank.

##### Amendments to IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform

The amendments issued to IFRS 9 and IAS 39 which are effective for periods beginning on or after 1 January 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. in connection with interest rate benchmark reform.

Reliefs used as a result of amendments in IFRS 9 and IAS 39 is aimed to be disclosed in financial statements based on the amendments made in IFRS 7.

The amendments are not applicable to the Bank and did not have an impact on the financial position or performance of the Bank.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

---

### NOTE 2 – BASIS OF PRESENTATION (Continued)

#### Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020.

The amendments are not applicable to the Bank and did not have an impact on the financial position or performance of the Bank.

#### Amendments to IFRS 16 – Covid-19 Rent Related Concessions

In May 2020, the IASB issued amendments to IFRS 16 Leases to provide relief to lessees from applying IFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021
- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Early application of the amendments is permitted. The amendments did not have a significant impact on the financial position or performance of the Bank.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

---

### NOTE 2 – BASIS OF PRESENTATION (Continued)

#### ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Bank will make the necessary changes if not indicated otherwise, which will be affecting financial statements and disclosures, when the new standards and interpretations become effective.

#### **IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)**

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Bank will wait until the final amendment to assess the impacts of the changes.

#### **IFRS 17 - The new Standard for insurance contracts**

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.

The standard is not applicable for the Bank and will not have an impact on the financial position or performance of the Bank.

#### **Amendments to IAS 1- Classification of Liabilities as Current and Non-Current Liabilities**

23 January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments issued to IAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

The Bank is in the process of assessing the impact of the amendments on financial position or performance of the Bank.

#### **Amendments to IFRS 3 – Reference to the Conceptual Framework**

In May 2020, the IASB issued amendments to IFRS 3 Business combinations. The amendments are intended to replace a reference to a previous version of the IASB’s Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of IFRS 3. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to IFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied retrospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS standards (March 2018).

The Bank is in the process of assessing the impact of the amendments on financial position or performance of the Bank.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

---

### NOTE 2 – BASIS OF PRESENTATION (Continued)

#### ii) Standards issued but not yet effective and not early adopted (Continued)

##### Amendments to IAS 16 – Proceeds before intended use

In July 2020, the IASB issued amendments to IAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to IAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied prospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment. There is no transition relief for the first-time adopters.

The Bank is in the process of assessing the impact of the amendments on financial position or performance of the Bank.

##### Amendments to IAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to IAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

The Bank is in the process of assessing the impact of the amendments on financial position or performance of the Bank.

##### Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In December 2020, the IASB issued Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR), amending the followings:

##### *Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform*

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying IFRS 4 Insurance Contracts that are using the exemption from IFRS 9 Financial Instruments (and, therefore, apply IAS 39 Financial Instruments: Classification and Measurement) and for IFRS 16 Leases, to lease modifications required by IBOR reform.



# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

---

### NOTE 2 – BASIS OF PRESENTATION (Continued)

#### ii) Standards issued but not yet effective and not early adopted (Continued)

##### *Relief from discontinuing hedging relationships*

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the IAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

##### *Separately identifiable risk components*

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

##### *Additional disclosures*

Amendments need additional IFRS 7 Financial Instruments disclosures such as; how the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and if IBOR reform has given rise to changes in the entity’s risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

The Bank is in the process of assessing the impact of the amendments on financial position or performance of the Bank.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

### NOTE 2 – BASIS OF PRESENTATION (Continued)

#### iii) *Annual Improvements – 2018–2020 Cycle*

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020 Cycle, amending the followings:

- *IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter:* The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- *IFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities:* The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.
- *IAS 41 Agriculture – Taxation in fair value measurements:* The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of IAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

The Bank is in the process of assessing the impact of the amendments on financial position or performance of the Bank.

### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) **Foreign currency translation**

Items included in the financial statements are presented using the currency of the primary economic environment in which the Bank operates ("TL").

In preparing the financial statements of the Bank, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

#### **Exchange rates**

The following TL exchange rates for major currencies are used to convert foreign currency assets and liabilities to TL for reporting purposes.

	<b><u>31 December 2020</u></b>	<b><u>31 December 2019</u></b>
US Dollar ("USD")	7.3405	5.9402
Euro ("EUR")	9.0079	6.6506
Swiss Franc ("CHF")	8.2841	6.0932
Great Britain Pound ("GBP")	9.9438	7.7765
Japanese Yen ("JPY")	0.07093	0.0543
Special Drawing Rights ("SDR") (*)	10.6152	8.2216

(\*) The SDR is treated in terms of a basket of currencies. Its value is determined as the weighted sum of the exchange rates of the four major currencies (EUR, JPY, GBP, US\$). For accounting purposes, SDR is treated as a foreign currency.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

---

### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *US Dollar Amounts Presented in Financial Statements*

For US Dollar amounts in statement of financial position prepared according to IFRS, the Bank used official buying exchange rates at 31 December 2020 and 2019 which are 1 USD = 7.3405 and 1 USD = 5.9402 , respectively and for the USD amounts in statement of profit or loss the Bank used daily official buying exchange rates at 2020 and 2019 which are 7.0034 TL = 1 USD and 5.6708 TL = 1 USD on average, and they are not part of these financial tables.

#### **(b) Interest income and expense**

Interest income and expenses are recognized on an accrual basis, by using effective interest rate method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### **(c) Fee and commission income**

Fee and commission income and expenses and fees and commissions paid to the other financial institutions are recognized over the period of the related transaction or in the period they are paid or collected depending on their nature.

#### **(d) Income taxes**

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

#### *Deferred tax*

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases that is used in the computation of taxable profit by using enacted tax rates. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

---

### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Current and deferred tax for the period*

Current and deferred tax are recognized as an expense or income in the statement of profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination.

Due to the corporate tax being set again as 20% for the post-2020 periods, the 20% rate has also been used for the deferred tax calculation as of December 31, 2020.

#### **(e) Gold reserves**

##### *Gold bullion*

Gold bullion consists of the stocks of gold bars of international standard and non-international standard held at the Bank, at BIST and held with correspondents. Gold is held by the Bank as part of its foreign currency reserves and represents 46.57% (31 December 2019: 25.64%) of aggregate foreign currency reserves. Related to reserve management, Bank performs direct purchase and sales transactions, gold custody accounts, gold depot transactions with maturity, gold against TL and TL against gold swap transactions, gold against foreign exchange or foreign exchange against gold swap transactions, location swaps and physical transportation of gold.

Except for the gold held for required reserve establishment and gold kept on behalf of Treasury, gold is initially recognized at the prevailing prices on the purchase date and subsequently measured at fair value by using revaluation method according to IAS 16 Property, Plant and Equipment. Fair value, which is the sale price agreed upon by a willing buyer and seller, assuming both parties enter the transaction freely and knowledgeably, reached by translating the fixed price in terms of US Dollars determined by London Bullion Market, with nominal exchange rate of US Dollar. Profit or loss arising from changes in fair value of gold, is recognized in other comprehensive income that will not be reclassified to profit or loss.

Gold deposited for reserve requirement establishment by banks and finance companies are kept in foreign correspondents and BIST. Gold held for required reserve establishment and gold kept on behalf of Treasury, is recognized at gold accounts in assets and due to banks and other reserves account in liabilities. Since there is no clear IFRS standard about recognition of gold, the Bank carries gold at fair value and reflects to profit or loss according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The exchange rate of gold bullion to TL as of 31 December 2020 was full TL 13,882 per troy ounce (31 December 2019: full TL 9,047 per troy ounce).

##### *Gold coin*

Gold coins, which are no longer legal tender typically, have an artistic or collectors’ premium such that they are bought and sold at prices, which are higher than the intrinsic value of the metal from which they are formed. However, it is unlikely that such a premium could be realized if the Bank were to release a significant quantity of the coins it holds. Consequently, coins are valued at the market value of the gold content and included within gold bullion in the balance sheet. Gains and losses on gold coins are treated and reported in other comprehensive income, consistently with those for gold bullion.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (f) Financial Assets

##### *Initial recognition of financial instruments*

A financial asset or a financial liability is recognized in the statement of financial position only when it is a party to the contractual provisions of the financial instrument. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date.

##### *Initial measurement of financial instrument*

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of IFRS 15 Revenue from contracts with customers, at initial recognition, the Bank measures financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit/loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

##### *Classification of financial instruments*

On which category a financial instrument shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Thus, the Bank has classified all financial assets beginning from application of IFRS 9 on 1 January 2018 on the basis of the business model used for the management of these assets and the contractual cash flows.

In accordance with IFRS 9, financial asset is classified on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgment and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks, which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss. The Bank has tested the “Solely Payments of Principal and Interest” test for all financial assets within the scope of IFRS 9 transition and evaluated asset classifications within the business model.

The Bank’s business models are divided into three categories.

#### **A business model whose objective is to hold assets in order to collect contractual cash flows**

The business model which Bank aims to hold financial assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortised cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### **A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets**

The business model in which the Bank aims to hold financial assets both for the collection of contractual cash flows and for the sale of financial assets. Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Bank does not hold any securities, except for equity shares within this model as of 31 December 2020.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (f) Financial Assets (continued)

##### Other business model

Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

##### *Measurement categories of financial assets*

The Bank’s financial assets are classified as listed below:

- Financial assets measured at amortized cost
- Financial assets measured at fair value through other comprehensive income and
- Financial assets measured at fair value through profit/loss

##### **Financial Assets Measured at Fair Value through Profit/Loss**

Financial assets measured at fair value through profit/loss, are assets acquired for liquidity and reserve management. They reflect the changes in prices and other elements in the market. Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in profit /loss. Interest income and interest discounts are recorded in interest income while trading profit and fair value measurement surplus are carried at profit or loss from financial assets measured at fair value through profit/loss.

##### **Financial Assets Measured at Fair Value Through Other Comprehensive Income:**

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income. Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. “Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the “Accumulated other comprehensive income or expense to be reclassified through profit or loss” under shareholders’ equity. When these securities are collected or disposed of, the accumulated fair value differences reflected in the equity are reflected to the income statement.

At initial recognition, the Bank may make an irrevocable election to present subsequent changes in the fair value of an equity investment that is not held for trading nor contingent consideration recognized by an acquirer in a business combination which IFRS 3 Business Combinations in other comprehensive income, with only dividend income generally recognized in profit or loss. Such election is made on an instrument by instrument basis.

Changes in fair value recognized in other comprehensive income, may be transferred to retained earnings but not profit or loss in the future periods. Dividends from these kinds of investments, may be carried at financial statements as profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Equity instruments at fair value through other comprehensive income is not subjected to impairment.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (f) Financial Assets (continued)

##### Financial Assets Measured at Amortized Cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at “amortized cost” by using “effective interest rate method”. Interest income obtained from financial assets measured at amortized cost is accounted in statement of profit or loss.

##### Loans

Loans granted by the Bank, are financial assets generated by lending money to the borrower. At the initial recognition, they are measured at cost. After the initial recognition, they are measured at amortized cost using the “effective interest rate” method. All loans and advances given, are recognized when cash is transferred to the debtor.

Loans that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost.

Interest income from loans measured at amortized cost is recognized in the statement of profit or loss.

##### TL Settled Forward Foreign Exchange Sales

At transaction date, TL receivables and foreign exchange sales commitment is recognized under the off-balance sheet items and at the end of months, appreciation and depreciation are recorded in the statement of profit or loss.

For Turkish Lira settled forward foreign exchange buy-sell transactions at BIST VIOP, appreciation and depreciation of contracts are reflected daily in the statement of profit or loss.

##### Swap Transactions

The purchase / sale of the relevant assets (TL, foreign exchange, gold) is carried out on the date of swap transactions made at the CBRT and BIST. At value date, foreign currency buy/sell commitments and liabilities/receivables are recognized under the off-balance sheet items. The fair value increases/decrease are followed in balance sheet and in the statement of profit or loss at the end of each month and the profit/loss and interest, arising from the transaction are reflected to the statement of profit / loss at the maturity.

##### Impairment

The Bank applies expected credit loss model in the calculation of provision for impairment. Expected credit loss model is probability-weighted and includes reasonable and supportable information on past events, current conditions and forecast of future economic conditions.

The expected credit loss model includes instruments that are recorded financial assets measured at amortized cost or financial assets measured at fair value through other comprehensive income and, debt securities, contract assets, credit commitments and financial guarantee contracts.

Expected credit loss is an estimate of the expected credit losses over the life of a financial instrument also the following aspects are important for the measurement.

- 1) Probability-weighted and neutral amount determined by taking into account possible outcomes,
- 2) Time value of money
- 3) Reasonable and supportable information on past events, current conditions and forecast of future economic conditions, at the time of reporting, without excessive cost and effort.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (f) Financial Assets (continued)

12 month expected loss values (within 12 months after the reporting date or within a shorter period if the life of a financial instrument is shorter than 12 months) are part of the estimation of loss of life expectancy.

The main principle of the expected credit loss model is to reflect the general outlook of deterioration or improvement in the credit quality of financial instruments. The amount of expected credit losses known as loss provision or provision varies according to the degree of increase in credit risk. There are two measurements according to the general approach:

-12 Month Expected Credit Losses (Stage 1), applies to all assets unless there is a significant deterioration in credit quality.

-Lifetime Expected Credit Losses (Stage 2 and 3), is applied when a significant increase in credit risk.

In the calculation of the expected credit loss, parameters used are presented below:

Probability of Default: It refers to the likelihood that a loan will default at the related maturity. In the calculation of probability of default, transition matrix data of credit rating agencies are used.

Loss Given Default: Loss given default expresses the economic loss to be caused by the loan in case of default in proportion.

Exposure at Default: It represents amount of risk for cash loans

#### *Definition of Default*

The Bank considers a debt as default on the conditions stated below (Stage 3), and defaulted loans are subjected to lifetime impairment and classified as Stage 3 by the Bank.

- 1) Deterioration of financial position of counterparty and economic conditions
- 2) Other objective criteria approved by management
- 3) Loans are more than 90 days past due

#### *Definition of Significant Increase in Credit Risk*

Loans that are not expected to have default risk in the future and that do not have a significant increase in credit risk are subject to 12 month expected credit loss and classified as Stage 1.

Loans which debtors have deterioration in their solvency and cash flows, problems in fulfilling the contract conditions (principal and/or interest payments delaying more than 30 days) and there is significant increase in credit risk of the debtor, are subjected to lifetime credit loss and classified as Stage 2.

Provision provided in a period are recorded in statement of profit or loss of the related period. At the date when legal actions are completed and receivables are identified as uncollectible, loans are removed from financial statements. If loans and advances, which provision had been provided in the prior periods, are collected, the amount of collection is recognized by decreasing provision provided in the period.



# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (g) Financial liabilities

Financial liabilities and equity instruments issued by the Bank are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Bank after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss are initially recognized at fair value and re-valued at the date of statement every reporting period. Change in fair values are recognized at statement of profit or loss. The net profit or loss recognized in income statement includes amount of interest paid for the financial liability.

##### *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net present value on initial recognition.

#### (h) Sale and repurchase agreements

Securities sold under agreements to repurchase are reclassified in the financial statements as financial assets at fair value through profit or loss and liabilities are included in “due to banks”. Securities purchased under agreements to resell are recorded as due from banks. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

Securities lent to counterparties are also retained in the financial statements. Securities borrowed and securities received as collateral for securities purchased under agreements to resell transactions are not recognized in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (i) Money issuance

The Bank has the exclusive privilege of issuing banknotes. Stocks of banknotes in issuance, which are in process at the Bank’s own printing facilities, are stated at cost and included in “Other Assets”. Expenses associated with the banknotes are initially capitalized and are charged to the income statement upon transfer of the banknotes to reserve banknotes depot of the Bank. Costs of printed banknotes and banknotes in issuance include direct costs, depreciation, staff costs, costs for transportation of banknotes and other issuance costs. The unit cost of raw materials is determined on the moving weighted average basis.

When banknotes are returned to the Bank by the commercial banks via collection transactions, they are deducted from notes in circulation and depending on their condition or legal tender status, are either sent for destruction or included in the reserve banknotes depot of the Bank.

#### (j) Property and equipment

Land and buildings comprise mainly branches of the Bank.

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The useful lives of the property and equipment are as follows;

Buildings	16-50 years
Equipment and motor vehicles	1-50 years

#### (k) Intangible assets

##### *Intangible assets acquired*

Intangible assets acquired are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

##### *Trademarks and licenses*

Acquired trademarks and licenses are shown at historical cost. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (k) Intangible assets (continued)

##### *Computer software*

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3-15 years).

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives.

#### (l) Lease transactions

##### **Leases in Accordance with IFRS 16**

The Bank measures the operational lease liabilities based on the present value of the lease payments that have not been paid at the date of lease is actually started, in accordance with IFRS 16. Lease payments are discounted by using the Bank’s incremental borrowing rate. After the date of lease actually started, the Bank increases book value to reflect the interest on lease liability, decreases book value to reflect lease payments that is made and remeasures to reflect the changes made in lease or revised fixed lease payments. The interest on the lease liability for each period of the lease term, is the amount calculated by charging a fixed periodic interest rate on remaining balance of lease liability. After the date of lease actually started, the Bank remeasures the lease liability to reflect the changes in lease payments. The Bank reflects the remeasurement part of the lease liability, in financial statements as adjustments in right to use assets. The Bank applies a discount rate that reflects the changes in the interest rate in a scenario where the Bank used purchase option at the initial lease term. The Bank remeasures the lease liability by discounting the revised lease payments using a revised discount rate for a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification. The revised discount rate is determined as the alternative borrowing interest rate at the effective date of the modification. The Bank decreases carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognized in profit or loss. A corresponding adjustment to the right-of-use asset is made for all other lease modifications.

#### (m) Banknotes in circulation

##### *Currency in Circulation - Turkish Lira*

Currency issued by the Bank represents a claim on the Bank in favour of the holders. The liability for currency in circulation is recorded at face value in these financial statements.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (m) Banknotes in circulation (Continued)

##### *Demonetized Currency - Turkish Lira and New Turkish Lira*

With the Council of Ministers’ decision issued in Official Gazette on 5 May 2007, it was decided that the phrase “New” on the New Turkish Lira and New Kuruş that were put into circulation on 1 January 2005, are removed as of 1 January 2009, and Turkish Lira banknotes have been put into circulation as of the same date. Accordingly, the legal circulation period of New Turkish Lira banknotes that were in circulation between 1 January 2009 and 31 December 2009 along with Turkish Lira banknotes are expired as of 31 December 2009.

It is most unlikely that significant amounts of demonetized currency will be returned for redemption. The Bank is not able to derecognize any part of the liability unless and until it is legally released from the obligation.

The liability for Turkish Lira and New Turkish Lira banknote in circulation is recorded at face value under “Currency in circulation” in these financial statements.

The Bank has accounted TL 172,996, due to banknotes those have been taken out of circulation and have expired but still outstanding as of 31 December 2019, under the other reserves in year 2020.

#### (n) Provisions

Provisions are recognized when the Bank has a present obligation as a result of a past event, and it is probable that the Bank will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### (o) Retirement benefit obligations

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Bank. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) “Employee Benefits” (“IAS 19”).

Allowance for retirement benefit obligation, which is carried at statement of financial position, is calculated according to the present value of the expected liability arising from all employees’ retirement and reflected to financial statements. All the actuarial gains and losses are accounted for as other comprehensive income that will not be subsequently reclassified to profit or loss.

#### (p) Related parties

For the purpose of these financial statements the shareholders of the Bank together with state-controlled entities are considered and referred to as related parties.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### (s) Profit distribution

In accordance with the Article 60 of the CBRT Law, the distribution of the statutory net annual profit of the Bank is as follows:

- i) 6% of the Bank's annual net profit is transferred to the shareholders as the first shareholder share,
- ii) 5% of the remaining amount is transferred to the employees on condition that it does not exceed the two-month salary amount, and 10% to the reserve fund,
- iii) With the decision of the General Assembly over the nominal amount of the shares, the second dividend of maximum 6% is distributed.

The remaining amount is transferred to the Republic of Turkey Ministry of Treasury and Finance (“Treasury”). Except for the reserve fund that has been separated from the profit of the last year, accumulated reserve funds can be distributed each year by making a profit. The remaining balance shall be transferred to Treasury after this allocation.

As the Bank maintains its books of account and prepares its statutory financial statements in accordance with Turkish Commercial Code, tax legislation and the CBRT Law; according to the CBRT Law the profit of the Bank which is subject to the profit distribution is the net period profit in the statutory books of the Bank.

#### (t) Fiduciary activities

The Bank commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals and financial institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets or income of the Bank. Fiduciary capacity at 31 December 2020 and 2019 is as follows:

	31 December 2020	31 December 2019
Securities held in custody	723,040,791	687,201,504
<b>Total</b>	<b>723,040,791</b>	<b>687,201,504</b>

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

---

### NOTE 4 - FINANCIAL RISK MANAGEMENT

#### (a) Strategy in using financial instruments

By nature, the Bank’s activities require the use of financial instruments. The Bank accepts deposits from other banks and public institutions; the required reserves from banks and financial institutions operating in Turkey; and foreign currency deposits from Turkish citizens resident abroad. The Bank also accepts or places short-term funds/securities through open market operations in order to influence short-term interest rate, which is the primary tool of monetary policy to achieve the inflation target and establish price stability.

Foreign currency deposits placed with the Bank and foreign currency acquired by the Bank through regular auctions and direct purchases constitute the sources of foreign currency reserves of the Bank. The Bank holds foreign currency reserves both for meeting its own foreign currency liabilities and for the purposes of rendering foreign debt service with the capacity of the financial agent of the Turkish Government, maintaining foreign exchange liquidity against external shocks, underpinning implementations of monetary and exchange rate policies, and providing confidence to the markets. In view of the Bank’s priorities of safe investment, liquidity and return, respectively, as stipulated by the CBRT Law, the Bank directs its foreign currency reserves to investments in international markets with a prudent approach.

In this framework, almost all the financial risks to which the Bank is exposed arise while fulfilling its legal duties, such as implementing monetary and exchange rate policies, managing foreign currency reserves and rendering certain banking services to the banking sector and the Turkish Government. The Bank is exposed to credit, market and liquidity risks due to the aforementioned operations. The financial risks to which the Bank, as a monetary authority, is exposed in the process of the implementation of monetary and exchange rate policies are the consequences of the selected policy targets. On the other hand, financial risks that arise during the management of foreign currency reserves are the outcome of an investment choice. Nevertheless, the Bank endeavours to minimize such risks by managing them with a conservative approach. Foreign currency reserves are managed by observing the investment criteria defined in the Foreign Currency Reserve Management Guidelines (“the Guideline”) approved by the Board of the Bank and in compliance with the targets and limits stipulated in the Benchmark Portfolio (“BP”), which is set at the end of each year and put into force the following year upon the approval of the Executive Committee.

#### (b) Credit risk

During its financial operations, the Bank is exposed to credit risk, defined as the probability of complete or partial failure of counterparty to fulfil its obligations arising from a financial transaction. The credit risk basically originates from the open market operations, interbank money market transactions, foreign exchange sales transactions carried out in order to provide short-term liquidity to banks within the framework of monetary policy implementations, the funds extended to banks under the Intra-Day Limit Facility in order to ensure the proper functioning of payment systems, and the investments made during foreign currency reserve management. Although the credit risk faced during the implementation of monetary policy and Intra-Day Limit transactions is an inevitable risk, such risks are managed by securing the entire transaction amount, also including a certain amount of ratio, by assets that have high credit quality such as foreign currency deposits, foreign currency banknotes and gold and are tradable in secondary markets (government securities and securities issued by the treasuries of developed countries), and through monitoring the existing risks regularly and requesting additional collateral, when necessary.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

### NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

#### (b) Credit risk (Continued)

The management of the credit risk that the Bank is exposed to during the foreign currency reserve management is based on the principle of minimizing the default probabilities of the counterparties and the financial loss in case of default. In this framework, the Bank implements a three essential management process in order to minimize the credit risk arising from foreign currency reserve management operations. First, the Bank confines its investments to the leading international financial institutions and debtors that meet the minimum credit rating criteria specified in the Guideline based on the credit ratings given by the international credit rating agencies. Accordingly, the Bank can take on exposure to banks having at least A2 or an equivalent credit rating, with a maturity of up to one year; while it can invest in securities issued or directly guaranteed by foreign governments which have at least A1 or an equivalent credit rating, in their domestic currencies as long as the remaining maturity is 10 years at the most. The Bank can also invest in securities issued by the World Bank, the Bank for International Settlements (“BIS”), European Investment Bank, International Monetary Fund (“IMF”), Islamic Development Bank Group and International Islamic Liquidity Management Corporation (“IILM”), regardless of the credit rating criteria. In the second stage, the total transaction limit, expressed as a percentage of total reserves, is specified in order to control overall credit risk including settlement risk arising from transactions with financial institutions. By setting this overall credit risk limit within the scope of the BP set each year, the Bank aims to prevent non-sovereign credit risk from exceeding its risk tolerance. In the third stage, the institutions eligible for transactions are chosen among those institutions meeting the minimum credit rating criteria set in the Guideline, using the fundamental analysis and the financial analysis methods each institution is granted a certain credit risk limit in view of their capital size and credit quality. Related limits are restricted to a portion of foreign currency reserves. With this respect, credit risk exposures of all counterparties are monitored regularly and reported to top management.

In conclusion, the credit risk taken during reserve management remains very low due to the central banks and international organizations which are kept in their deposit accounts or managed by securities issued by the country's treasuries or directly deposited in assets issued by international institutions.

The maximum credit risk exposure of the Bank as of 31 December 2020 and 2019 are presented in the table below according to different asset classes (classification according to external credit ratings is done based on the credit ratings published by Moody's):

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

### NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

#### (b) Credit risk (continued)

	31 December 2020		31 December 2019	
	TL	Share (%)	TL	Share (%)
<b>Due from banks</b>	<b>568,874,459</b>	<b>66</b>	<b>257,118,662</b>	<b>44</b>
- Demand Deposits	<b>222,482,481</b>	<b>26</b>	<b>160,398,935</b>	<b>28</b>
Central Banks	203,517,656	24	148,848,621	26
International Institutions	10,389,028	1	7,951,159	1
Foreign Commercial Banks	8,575,797	<1	3,599,155	1
- Time Deposits	<b>56,346,024</b>	<b>7</b>	<b>82,021,551</b>	<b>14</b>
Central Banks	47,012,128	5	62,558,744	11
International Institutions	1,797	<1	11,750,562	2
Foreign Banks	9,332,099	1	7,712,245	1
	30,843	<1	-	-
A1	-	-	1,674,750	<1
A2	-	-	-	-
A3	1,801,580	<1	-	-
Aa3	7,499,676	<1	6,037,495	1
- Securities purchased under agreements to resell	<b>99,343,998</b>	<b>11</b>	<b>11,527,206</b>	<b>2</b>
Domestic Commercial Banks	99,343,998	11	11,527,206	2
- Due from interbank money markets	<b>190,701,956</b>	<b>22</b>	<b>3,170,970</b>	<b>1</b>
<b>Financial assets at fair value through profit/loss</b>	<b>154,680,527</b>	<b>18</b>	<b>220,331,967</b>	<b>38</b>
Foreign Country Treasuries	55,824,545	6	189,381,466	33
	28,562,207	3	74,098,680	13
Aaa	4,418,065	<1	12,743,994	2
Aa1	2,339,305	<1	41,844,012	7
Aa2	5,137,119	<1	28,166,595	5
Aa3	15,367,849	2	11,393,111	2
A1	-	-	21,135,074	4
Baa1	9,356,092	1	11,543,037	2
International Institutions	89,499,890	10	19,407,464	3
Treasury	<b>138,453,364</b>	<b>16</b>	<b>102,612,213</b>	<b>18</b>
<b>Loans and advances to customers</b>	<b>2,587,397</b>	<b>&lt;1</b>	<b>1,760,394</b>	<b>&lt;1</b>
<b>Financial assets at fair value through other comprehensive income</b>	<b>2,496,443</b>	<b>&lt;1</b>	<b>1,760,107</b>	<b>&lt;1</b>
International Institutions	411	<1	287	<1
Foreign Financial Institutions	90,543	<1	-	-
Domestic Financial Institutions				
<b>Total</b>	<b>864,595,747</b>		<b>581,823,236</b>	

As of 31 December 2020, the Bank has receivables amounting to TL 99,343,998 (31 December 2019: TL 11,527,206) placed with domestic commercial banks as part of securities purchased under agreements to resell. The fair value of the security collaterals obtained for the deposits placed under securities purchased under agreements to resell as of 31 December 2020 is TL 100,209,053 (31 December 2019: TL 11,592,471).



# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

### NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

#### (b) Credit risk (continued)

As of 31 December 2020, and 2019, the security collaterals are the Turkish Government bonds issued by the Treasury.

The sectorial classifications of the Bank's credit exposure as of 31 December 2020 and 2019 are as follows:

31 December 2020						
	Foreign Country Treasury	Foreign Central Banks	International Financial Institutions	Domestic Financial Institutions	Foreign Financial Institutions	Treasury Total
Due from banks	-	250,527,941	10,390,825	290,045,954	17,909,739	- 568,874,459
Financial assets at fair value through profit or loss	55,824,545	-	9,356,092	-	-	89,499,890 154,680,527
Loans and advances to customer	-	31,923	-	138,421,441	-	- 138,453,364
Financial assets at fair value through other comprehensive income	-	-	2,496,443	90,543	411	- 2,587,397
<b>Total</b>	<b>55,824,545</b>	<b>250,559,864</b>	<b>22,243,360</b>	<b>428,557,938</b>	<b>17,910,150</b>	<b>89,499,890 864,595,747</b>

  

31 December 2019						
	Foreign Country Treasury	Foreign Central Banks	International Financial Institutions	Domestic Financial Institutions	Foreign Financial Institutions	Treasury Total
Due from banks	-	211,407,365	19,701,721	14,698,176	11,311,400	- 257,118,662
Financial assets at fair value through profit or loss	189,381,466	-	11,543,037	-	-	19,407,464 220,331,967
Loans and advances to customer	-	25,833	-	102,586,380	-	- 102,612,213
Financial assets at fair value through other comprehensive income	-	-	1,760,107	-	287	- 1,760,394
<b>Total</b>	<b>189,381,466</b>	<b>211,433,198</b>	<b>33,004,865</b>	<b>117,284,556</b>	<b>11,311,687</b>	<b>19,407,464 581,823,236</b>

As indicated above, the credit risk is mainly concentrated on foreign country treasury and central banks, international financial institutions, domestic financial institutions and Treasury as of 31 December 2020 and 2019.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

### NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

#### (b) Credit risk (continued)

Geographical concentrations of assets and liabilities of the Bank as of 31 December 2020 and 2019 are as follows:

	31 December 2020					Total
	Turkey	Other European Countries	Canada and US	South - East Asia	Other Countries	
Cash	21,639,766	-	-	-	-	21,639,766
Due from banks	290,045,954	83,029,617	59,334,210	17,963,674	118,501,004	568,874,459
Financial assets at fair value through profit or loss	89,499,890	38,141,930	11,670,858	15,367,849	-	154,680,527
Loans and advances to customers	138,421,441	-	-	-	31,923	138,453,364
Financial assets at fair value through other comprehensive income	90,543	2,423,449	-	73,405	-	2,587,397
Gold reserves	294,269,889	26,697,237	-	-	-	320,967,126
Property and equipment	1,882,600	-	-	-	-	1,882,600
Intangible assets	17,263	-	-	-	-	17,263
Deferred tax asset	-	-	-	-	-	-
Other assets	17,407,895	6,517	711	2,424	720	17,418,267
<b>Total assets</b>	<b>853,275,241</b>	<b>150,298,750</b>	<b>71,005,779</b>	<b>33,407,352</b>	<b>118,533,647</b>	<b>1,226,520,769</b>
Currency in circulation	188,369,447	-	-	-	-	188,369,447
Due to banks	602,970,802	678	-	15,869,034	146,207,180	765,047,694
Other deposits	112,570,318	29,047,660	3,348	222	113	141,621,661
Due to international organizations	-	-	123,121	-	32,346	155,467
Other borrowed funds	13,007,785	-	-	-	-	13,007,785
Tax liabilities	3,667,126	-	-	-	-	3,667,126
Deferred tax liability	13,938,752	-	-	-	-	13,938,752
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
Other liabilities	703,353	819,777	592,975	2,094	2,566	2,120,765
Retirement benefit obligations	186,463	-	-	-	-	186,463
Equity	-	-	-	-	98,405,609	98,405,609
<b>Total liabilities and equity</b>	<b>935,414,046</b>	<b>29,868,115</b>	<b>719,444</b>	<b>15,871,350</b>	<b>244,647,814</b>	<b>1,226,520,769</b>

  

	31 December 2019					Total
	Turkey	Other European Countries	Canada and US	South - East Asia	Other Countries	
Cash	22,458,738	-	-	-	-	22,458,738
Due from banks	14,698,176	132,991,710	64,847,794	8,462,323	36,118,659	257,118,662
Financial assets at fair value through profit or loss	19,407,464	179,896,656	9,634,736	11,393,111	-	220,331,967
Loans and advances to customers	102,586,380	-	-	-	25,833	102,612,213
Financial assets at fair value through other comprehensive income	-	1,700,992	-	59,402	-	1,760,394
Gold reserves	147,505,480	14,222,921	-	-	-	161,728,401
Property and equipment	1,691,205	-	-	-	-	1,691,205
Intangible assets	38,387	-	-	-	-	38,387
Other assets	458,754	4,867	25,063	1,866	525	491,075
<b>Total assets</b>	<b>308,844,584</b>	<b>328,817,146</b>	<b>74,507,593</b>	<b>19,916,702</b>	<b>36,145,017</b>	<b>768,231,042</b>
Currency in circulation	153,362,376	-	-	-	-	153,362,376
Due to banks	378,474,502	2	-	4,822,984	41,203,193	424,500,681
Other deposits	74,090,730	1,896,717	2,768	184	93	75,990,492
Due to international organizations	-	-	117,206	-	32,346	149,552
Other borrowed funds	4,768,788	-	-	-	-	4,768,788
Tax liabilities	4,898,615	-	-	-	-	4,898,615
Deferred tax liability	11,180,208	-	-	-	-	11,180,208
Financial liabilities at fair value through profit or loss	223,182	-	-	-	-	223,182
Other liabilities	798,165	297,472	259,792	1,599	2,054	1,359,082
Retirement benefit obligations	209,545	-	-	-	-	209,545
Equity	-	-	-	-	91,588,521	91,588,521
<b>Total liabilities and equity</b>	<b>628,006,111</b>	<b>2,194,191</b>	<b>379,766</b>	<b>4,824,767</b>	<b>132,826,207</b>	<b>768,231,042</b>

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

---

### NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

#### (b) Credit risk (continued)

The Bank provides specific allowances for possible loan losses on a case by case basis as explained in accounting policy numbered 3.f and actual allowances established take into account the value of any collateral or third-party guarantees. Allowances for possible loan losses are defined as the difference between the carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and assessed collateral, discounted at the original effective interest rate of the loan.

Restructuring activities mainly include extended and/or rescheduled payment arrangements or arrangement of terms of loans such as modification and deferral of payments. Restructuring arrangements signed between the Bank and the counterparties are regulated by the Board of the Bank.

There are no financial assets that are past due but not impaired at 31 December 2020 and 2019; therefore, there are no collaterals held against such past due financial assets.

As of 31 December 2020, and 2019, the Bank has no assets held for resale.

#### (c) Market risk

Market risk signifies the probability of incurring a loss as a result of fluctuations in financial market prices. The most significant sources of the market risk, from the Bank’s perspective are interest rates pertaining to TL and reserve currencies, foreign exchange rates and gold prices. The Bank, in its capacity as the monetary authority of Turkey, does actively manage TL interest rate risk stemming from government domestic borrowing securities, which the Bank utilizes mainly for open market operations. Putting aside this TL interest rate risk, it is possible to say that the remaining market risk faced by the Bank arises essentially from the foreign currency assets and liabilities on its balance sheet.

For the purpose of managing the market risk, the Bank has adopted the “Asset/Liability Consistence” approach in view of its policy targets and its objectives for holding reserves. Nevertheless, unlike the commercial banks, the liabilities addressed within the context of this approach contain estimated off-balance sheet cash flows such as foreign debt payments to be effected on behalf of the Treasury, in addition to the foreign currency liabilities on the Bank’s balance sheet. Within the framework of this approach, the BP is set each year to reflect the Bank’s risk tolerance. The Bank strives to minimize the market risk by setting targets for currency composition and duration which are the basic variables of the BP and by setting limits to control deviations from these targets.

#### (d) Currency risk

The Bank is exposed to currency risk as it holds a foreign currency position for the purpose of implementing exchange rate policy and achieving other policy targets. Exchange rate risk, which arises from the volatility of exchange rates between TL and foreign currencies on the balance sheet, is directly related to the size of the net position in foreign currency. Moreover, the overall net foreign currency position on the balance sheet is the consequence of monetary and exchange rate policies implemented. However, the distribution of net positions in terms of currencies also affects the foreign exchange rate risk exposure of the Bank as a result of the volatilities in currency parties.

Within this framework, the Bank controls currency risk through foreign currency composition targets and limits of deviation from these targets set for foreign currency reserves within the scope of the BP.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

### NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

#### (d) Currency risk (continued)

The net foreign currency position of the Bank as of 31 December 2020 and 2019 is summarized at table below. The table presented below provides the Bank’s assets, liabilities, and equity at carrying amounts, categorized by currency:

	31 December 2020									
	Foreign currency									
	US Dollar	EUR	CHF	JPY	GBP	SDR	Other	Total	TL	TOTAL
Cash	10,455,428	10,639,760	207,643	7,135	230,543	-	38,407	21,578,916	60,850	21,639,766
Due from banks	52,257,579	85,774,942	48,587	88,822	1,063,012	10,373,476	129,218,711	278,825,129	290,049,330	568,874,459
Financial assets at fair value through profit or loss	22,957,244	17,728,271	-	-	4,558,098	-	19,937,024	65,180,637	89,499,890	154,680,527
Loans and advances to customers	49,487,094	77,868,991	-	17,279	297,978	-	270,192	127,941,534	10,511,830	138,453,364
Financial assets at fair value through other comprehensive income	2,390,291	411	-	-	-	106,152	-	2,496,854	90,543	2,587,397
Gold reserves	-	-	-	-	-	-	320,967,126	320,967,126	-	320,967,126
Property and equipment	-	-	-	-	-	-	-	-	1,882,600	1,882,600
Intangible assets	-	-	-	-	-	-	-	-	17,263	17,263
Other assets	1,037	1,166	-	893	368	-	1,114	4,578	17,413,689	17,418,267
<b>Total assets</b>	<b>137,548,673</b>	<b>192,013,541</b>	<b>256,230</b>	<b>114,129</b>	<b>6,149,999</b>	<b>10,479,628</b>	<b>470,432,574</b>	<b>816,994,774</b>	<b>409,525,995</b>	<b>1,226,520,769</b>
Currency in circulation	-	-	-	-	-	-	-	-	188,369,447	188,369,447
Due to banks	329,703,461	230,047,514	-	-	102,821	-	11,608,271	571,462,067	193,585,627	765,047,694
Other deposits	85,298,072	4,567,134	40,310	7,088	2,260	10,180,218	655	100,095,737	41,525,924	141,621,661
Due to international organizations	-	-	-	-	-	-	-	-	155,467	155,467
Other borrowed funds	-	-	-	-	-	-	-	-	13,007,785	13,007,785
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Other liabilities	595,775	830,233	10,198	2,094	4,821	-	12,023	1,455,144	665,621	2,120,765
Tax Liabilities	-	-	-	-	-	-	-	-	3,667,126	3,667,126
Deferred tax liability	-	-	-	-	-	-	-	-	13,938,752	13,938,752
Retirement benefit obligations	-	-	-	-	-	-	-	-	186,463	186,463
Equity	-	-	-	-	-	-	-	-	98,405,609	98,405,609
<b>Total liabilities and equity</b>	<b>415,597,308</b>	<b>235,444,881</b>	<b>50,508</b>	<b>9,182</b>	<b>109,902</b>	<b>10,180,218</b>	<b>11,620,949</b>	<b>673,012,948</b>	<b>553,507,821</b>	<b>1,226,520,769</b>
<b>Net balance sheet position</b>	<b>(278,048,635)</b>	<b>(43,431,340)</b>	<b>205,722</b>	<b>104,947</b>	<b>6,040,097</b>	<b>299,410</b>	<b>458,811,625</b>	<b>143,981,826</b>	<b>(143,981,826)</b>	<b>-</b>
<b>Net off-balance sheet position</b>	<b>(318,346,858)</b>	<b>(18,916,680)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(127,544,045)</b>	<b>(464,807,583)</b>	<b>498,751,549</b>	<b>33,943,966</b>
<b>Net foreign currency position</b>	<b>(596,395,493)</b>	<b>(62,348,020)</b>	<b>205,722</b>	<b>104,947</b>	<b>6,040,097</b>	<b>299,410</b>	<b>331,267,580</b>	<b>(320,825,757)</b>	<b>354,769,723</b>	<b>33,943,966</b>

  

	31 December 2019									
	Foreign currency									
	US Dollar	EUR	JPY	CHF	GBP	SDR	Other	Total	TL	TOTAL
Cash	11,148,285	10,790,822	156,667	3,298	207,050	-	30,457	22,336,579	122,159	22,458,738
Due from banks	72,113,514	123,023,771	60,299	1,008,895	733,435	7,946,294	37,511,139	242,397,347	14,721,315	257,118,662
Financial assets at fair value through profit or loss	38,852,246	126,669,526	-	-	16,933,699	-	18,469,031	200,924,502	19,407,465	220,331,967
Loans and advances to customers	40,430,784	61,935,081	-	18,763	213,102	-	14,483	102,612,213	-	102,612,213
Financial assets at fair value through other comprehensive income	1,677,891	287	-	-	-	82,216	-	1,760,394	-	1,760,394
Gold reserves	-	-	-	-	-	-	161,728,401	161,728,401	-	161,728,401
Property and equipment	-	-	-	-	-	-	-	-	1,691,205	1,691,205
Intangible assets	-	-	-	-	-	-	-	-	38,387	38,387
Other assets	25,349	899	-	684	265	-	846	28,043	463,032	491,075
<b>Total assets</b>	<b>164,248,069</b>	<b>322,420,386</b>	<b>216,966</b>	<b>1,031,640</b>	<b>18,087,551</b>	<b>8,028,510</b>	<b>217,754,357</b>	<b>731,787,479</b>	<b>36,443,563</b>	<b>768,231,042</b>
Currency in circulation	-	-	-	-	-	-	-	-	153,362,376	153,362,376
Due to banks	199,428,450	162,757,794	-	-	114,664	-	12,105,581	374,406,489	50,094,192	424,500,681
Other deposits	9,172,774	25,831,490	30,994	6,004	24,224	7,884,701	3,919	42,954,106	33,036,386	75,990,492
Due to international organizations	-	-	-	-	-	-	-	-	149,552	149,552
Other borrowed funds	-	-	-	-	-	-	-	-	4,768,788	4,768,788
Financial liabilities at fair value through profit or loss	223,182	-	-	-	-	-	-	223,182	-	223,182
Other liabilities	262,055	339,922	6,444	1,599	7,865	-	8,002	625,887	733,195	1,359,082
Tax Liabilities	-	-	-	-	-	-	-	-	4,898,615	4,898,615
Deferred tax liability	-	-	-	-	-	-	-	-	11,180,208	11,180,208
Retirement benefit obligations	-	-	-	-	-	-	-	-	209,545	209,545
Equity	-	-	-	-	-	-	-	-	91,588,521	91,588,521
<b>Total liabilities and equity</b>	<b>209,086,461</b>	<b>188,929,206</b>	<b>37,438</b>	<b>7,603</b>	<b>146,753</b>	<b>7,884,701</b>	<b>12,117,502</b>	<b>418,209,664</b>	<b>350,021,378</b>	<b>768,231,042</b>
<b>Net balance sheet position</b>	<b>(44,838,392)</b>	<b>133,491,180</b>	<b>179,528</b>	<b>1,024,037</b>	<b>17,940,798</b>	<b>143,809</b>	<b>205,636,855</b>	<b>313,577,815</b>	<b>(313,577,815)</b>	<b>-</b>
<b>Net off-balance sheet position</b>	<b>(67,471,246)</b>	<b>(5,786,022)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(35,762,914)</b>	<b>(109,020,182)</b>	<b>109,117,722</b>	<b>97,540</b>
<b>Net foreign currency position</b>	<b>(112,309,638)</b>	<b>127,705,158</b>	<b>179,528</b>	<b>1,024,037</b>	<b>17,940,798</b>	<b>143,809</b>	<b>169,873,941</b>	<b>204,557,633</b>	<b>(204,460,093)</b>	<b>97,540</b>

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

### NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

#### (d) Currency risk (continued)

In order to measure the sensitivity of the foreign exchange gain/loss against volatility in exchange rates, foreign currency net position values were re-calculated under the assumption of the appreciation of the TL by 10% against all foreign currencies. The hypothetical loss that would occur in the total market value of the net foreign currency positions of the Bank as of 31 December 2020 and 2019 under such an assumption is presented in the tables below:

#### Sensitivity of the net foreign currency position:

	31 December 2020							
	Foreign currency							
	US Dollar	EUR	CHF	JPY	GBP	SDR	Other	Total
Total assets	137,548,673	192,013,541	256,230	114,129	6,149,999	10,479,628	470,432,574	816,994,774
Total liabilities	415,597,308	235,444,881	50,508	9,182	109,902	10,180,218	11,620,949	673,012,948
<b>Net balance sheet position</b>	<b>(278,048,635)</b>	<b>(43,431,340)</b>	<b>205,722</b>	<b>104,947</b>	<b>6,040,097</b>	<b>299,410</b>	<b>458,811,625</b>	<b>143,981,826</b>
<b>Net off-balance sheet position</b>	<b>(318,346,858)</b>	<b>(18,916,680)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(127,544,045)</b>	<b>(464,807,583)</b>
<b>Net foreign currency position</b>	<b>(596,395,493)</b>	<b>(62,348,020)</b>	<b>205,722</b>	<b>104,947</b>	<b>6,040,097</b>	<b>299,410</b>	<b>331,267,580</b>	<b>(320,825,757)</b>
<b>Scenario of 10% appreciation of TL</b>	<b>59,639,549</b>	<b>6,234,802</b>	<b>(20,572)</b>	<b>(10,495)</b>	<b>(604,010)</b>	<b>(29,941)</b>	<b>(33,126,758)</b>	<b>32,082,576</b>

	31 December 2019							
	Foreign currency							
	US Dollar	EUR	JPY	CHF	GBP	SDR	Other	Total
Total assets	164,248,069	322,420,386	216,966	1,031,640	18,087,551	8,028,510	217,754,357	731,787,479
Total liabilities	209,086,461	188,929,206	37,438	7,603	146,753	7,884,701	12,117,502	418,209,664
<b>Net balance sheet position</b>	<b>(44,838,392)</b>	<b>133,491,180</b>	<b>179,528</b>	<b>1,024,037</b>	<b>17,940,798</b>	<b>143,809</b>	<b>205,636,855</b>	<b>313,577,815</b>
<b>Net off-balance sheet position</b>	<b>(67,471,246)</b>	<b>(5,786,022)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(35,762,914)</b>	<b>(109,020,182)</b>
<b>Net foreign currency position</b>	<b>(112,309,638)</b>	<b>127,705,158</b>	<b>179,528</b>	<b>1,024,037</b>	<b>17,940,798</b>	<b>143,809</b>	<b>169,873,941</b>	<b>204,557,633</b>
<b>Scenario of 10% appreciation of TL</b>	<b>11,230,964</b>	<b>(12,770,516)</b>	<b>(17,953)</b>	<b>(102,404)</b>	<b>(1,794,080)</b>	<b>(14,381)</b>	<b>(16,987,394)</b>	<b>(20,455,763)</b>

#### (e) Interest rate risk

Bank is exposed to the interest rate risk, which is the probability of incurring losses due to the fluctuations in the interest rates in the market. Such an exposure can result from a variety of factors, including differences in the timing between the maturities or re-pricing of assets, liabilities, and off-balance sheet instruments. Changes in the level and shape of yield curves may also create interest rate risk.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

### NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

#### (e) Interest rate risk (continued)

The tables below summarize the Bank's exposure to interest rate risk at 31 December 2020 and 2019, for TL and foreign currency denominated assets and liabilities. Presented in the tables are the Bank's assets and liabilities in carrying amounts classified in terms of time remaining to contractual re-pricing dates or maturity.

	31 December 2020														
	Foreign currency							TL							
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	FC Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	TL Total	Total
Cash	-	-	-	-	-	21,578,916	21,578,916	-	-	-	-	-	60,850	60,850	21,639,766
Due from banks	48,489,079	7,856,945	-	-	-	222,479,105	278,825,129	290,045,954	-	-	-	-	3,376	290,049,330	568,874,459
Financial assets at fair value through profit or loss	14,194,087	14,744,014	29,766,495	6,476,041	-	-	65,180,637	9,613,353	29,210,808	50,675,729	-	-	-	89,499,890	154,680,527
Loans and advances to customers	6,913,712	16,136,430	71,384,463	33,475,006	-	31,923	127,941,534	-	-	9,730,210	-	781,620	-	10,511,830	138,453,364
Financial assets at fair value through other comprehensive income	-	-	-	-	-	2,496,854	2,496,854	-	-	-	-	-	90,543	90,543	2,587,397
Gold reserves	-	-	-	-	-	320,967,126	320,967,126	-	-	-	-	-	-	-	320,967,126
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	1,882,600	1,882,600	1,882,600
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	17,263	17,263	17,263
Other assets	-	-	-	-	-	4,578	4,578	-	-	-	-	-	17,413,689	17,413,689	17,418,267
<b>Total assets</b>	<b>69,596,878</b>	<b>38,737,389</b>	<b>101,150,958</b>	<b>39,951,047</b>	<b>-</b>	<b>567,558,502</b>	<b>816,994,774</b>	<b>299,659,307</b>	<b>29,210,808</b>	<b>60,405,939</b>	<b>-</b>	<b>781,620</b>	<b>19,468,321</b>	<b>409,525,995</b>	<b>1,226,520,769</b>
Currency in circulation	-	-	-	-	-	-	-	-	-	-	-	-	188,369,447	188,369,447	188,369,447
Due to banks	-	-	26,145,280	-	-	545,316,788	571,462,068	56,476,226	-	-	-	-	137,109,400	193,585,626	765,047,694
Other deposits	64,656,699	-	-	-	-	35,439,038	100,095,737	41,242,163	-	-	-	-	283,761	41,525,924	141,621,661
Financial liabilities at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to international organizations	-	-	-	-	-	-	-	-	-	-	-	-	155,467	155,467	155,467
Other borrowed funds	-	-	-	-	-	-	-	13,007,785	-	-	-	-	-	13,007,785	13,007,785
Other liabilities	-	-	-	-	-	1,455,143	1,455,143	-	-	-	-	-	665,622	665,622	2,120,765
Tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	3,667,126	3,667,126	3,667,126
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-	-	13,938,752	13,938,752	13,938,752
Retirement benefit obligations	-	-	-	-	-	-	-	-	-	-	-	-	186,463	186,463	186,463
Equity	-	-	-	-	-	-	-	-	-	-	-	-	98,405,609	98,405,609	98,405,609
<b>Total liabilities and equity</b>	<b>64,656,699</b>	<b>-</b>	<b>26,145,280</b>	<b>-</b>	<b>-</b>	<b>582,210,969</b>	<b>673,012,948</b>	<b>110,726,174</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>442,781,647</b>	<b>553,507,821</b>	<b>1,226,520,769</b>
<b>Net repricing gap</b>	<b>4,940,179</b>	<b>38,737,389</b>	<b>75,005,678</b>	<b>39,951,047</b>	<b>-</b>	<b>(14,652,467)</b>	<b>143,981,826</b>	<b>188,933,133</b>	<b>29,210,808</b>	<b>60,405,939</b>	<b>-</b>	<b>781,620</b>	<b>(423,313,326)</b>	<b>(143,981,826)</b>	<b>-</b>

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

### NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

#### (e) Interest rate risk (continued)

	31 December 2019														
	Foreign currency							TL							Total
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	FC Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	TL Total	
Cash	-	-	-	-	-	22,336,579	22,336,579	-	-	-	-	-	122,159	122,159	22,458,738
Due from banks	82,021,551	-	-	-	-	160,375,796	242,397,347	14,698,176	-	-	-	-	23,139	14,721,315	257,118,662
Financial assets at fair value through profit or loss	18,948,461	56,390,363	112,861,385	12,724,293	-	-	200,924,502	5,104,342	12,033,283	2,269,840	-	-	-	19,407,465	220,331,967
Loans and advances to customers	9,441,864	28,813,536	64,330,980	-	-	25,833	102,612,213	-	-	-	-	-	-	-	102,612,213
Financial assets at fair value through other comprehensive income	-	-	-	-	-	1,760,394	1,760,394	-	-	-	-	-	-	-	1,760,394
Gold reserves	-	-	-	-	-	161,728,401	161,728,401	-	-	-	-	-	-	-	161,728,401
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	1,691,205	1,691,205	1,691,205
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	38,387	38,387	38,387
Other assets	-	-	-	-	-	28,043	28,043	-	-	-	-	-	463,032	463,032	491,075
<b>Total assets</b>	<b>110,411,876</b>	<b>85,203,899</b>	<b>177,192,365</b>	<b>12,724,293</b>	<b>-</b>	<b>346,255,046</b>	<b>731,787,479</b>	<b>19,802,518</b>	<b>12,033,283</b>	<b>2,269,840</b>	<b>-</b>	<b>-</b>	<b>2,337,922</b>	<b>36,443,563</b>	<b>768,231,042</b>
Currency in circulation	-	-	-	-	-	-	-	-	-	-	-	-	153,362,376	153,362,376	153,362,376
Due to banks	171,698,926	-	-	-	-	202,707,563	374,406,489	17,409,578	-	-	-	-	32,684,614	50,094,192	424,500,681
Other deposits	36,351,908	-	-	-	-	6,602,198	42,954,106	32,775,746	-	-	-	-	260,640	33,036,386	75,990,492
Financial liabilities at fair value through other comprehensive income	130,594	70,493	22,095	-	-	-	223,182	-	-	-	-	-	-	-	223,182
Due to international organizations	-	-	-	-	-	-	-	-	-	-	-	-	149,552	149,552	149,552
Other borrowed funds	-	-	-	-	-	-	-	4,768,788	-	-	-	-	-	4,768,788	4,768,788
Other liabilities	-	-	-	-	-	625,887	625,887	-	-	-	-	-	733,195	733,195	1,359,082
Tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	4,898,615	4,898,615	4,898,615
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-	-	11,180,208	11,180,208	11,180,208
Retirement benefit obligations	-	-	-	-	-	-	-	-	-	-	-	-	209,545	209,545	209,545
Equity	-	-	-	-	-	-	-	-	-	-	-	-	91,588,521	91,588,521	91,588,521
<b>Total liabilities and equity</b>	<b>208,181,428</b>	<b>70,493</b>	<b>22,095</b>	<b>-</b>	<b>-</b>	<b>209,935,648</b>	<b>418,209,664</b>	<b>54,954,112</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>295,067,266</b>	<b>350,021,378</b>	<b>768,231,042</b>
<b>Net repricing gap</b>	<b>(97,769,552)</b>	<b>85,133,406</b>	<b>177,170,270</b>	<b>12,724,293</b>	<b>-</b>	<b>136,319,398</b>	<b>313,577,815</b>	<b>(35,151,594)</b>	<b>12,033,283</b>	<b>2,269,840</b>	<b>-</b>	<b>-</b>	<b>(292,729,344)</b>	<b>(313,577,815)</b>	<b>-</b>

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

### NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

#### (e) Interest rate risk (continued)

As the Bank is the monetary authority in Turkey, the interest rate sensitive balance sheet positions in the tables should be interpreted carefully. Required reserves are calculated over total domestic liabilities of banks according to the banking legislation effective in Turkey, after deductions determined in the Communiqué, No. 2013/15 on Required Reserves and deposit/participation funds accepted by banks in Turkey on behalf of foreign branches and loan amounts provided by banks and followed up in foreign branches and are deposited to the Bank. On the other hand, financing companies were included in the regulations on reserve requirements in addition to banks as part of its efforts to better control loan growth beginning from 20 December 2013. Similar to other central banks, the Bank, which uses short-term interest rates as its main monetary policy tool, actively manage the interest rate risk stemming from TL assets and liabilities considering that it will be in line with the monetary policy implementations of the Bank. Nevertheless, the tables are prepared using all assets and liabilities including asset and liabilities denominated in TL to show the overall interest rate risk that the Bank is exposed to regardless of whether such risk is actively managed or not.

The Bank controls the interest rate risk arising from foreign currency assets by setting maturity targets for the major reserve currencies within the scope of the BP. While setting targets for maturities, the Bank makes use of the “duration” values that are considered to be an important indicator of the level of interest rate risk. Meanwhile, the BP duration targets, which show the Bank’s overall tolerance level to interest rate risk, are determined based on the maturity composition of the on-balance sheet liabilities and the off-balance sheet estimated cash flows, and some limits are specified for deviations from these duration targets.

For measuring the sensitivity of the Bank’s foreign currency assets to interest rate risk, it is possible to forecast the effect of changes in the related interest rates on the market value of assets by using the average modified durations of assets denominated in major foreign reserve currencies (US Dollar and EUR).

Within this framework, based on the average modified durations of foreign currency assets as of 31 December 2020 and 2019, the prospective decline in the market values of the assets in case of a 1% rise in the related interest rates are presented below. The 1% increase scenario is based on the assumption that the yield curves for the related currencies shift 1% upwards in all maturities simultaneously.

#### Sensitivity of the market value of foreign currency assets to interest rates;

	31 December 2020			31 December 2019		
	US Dollar (TL Equivalent)	EUR (TL Equivalent)	TOTAL	US Dollar (TL Equivalent)	EUR (TL Equivalent)	TOTAL
Market value of the foreign currency assets	22,957,244	17,728,271	40,685,515	38,852,246	126,669,526	165,521,772
Effect of the scenario of 1% increase in interest rates	(285,097)	(493,590)	(778,687)	(512,970)	(1,654,853)	(2,167,823)



**THE CENTRAL BANK OF THE REPUBLIC OF TURKEY****NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

**NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)****(e) Interest rate risk (continued)**

The tables below set out the average effective interest rates by major currencies for monetary financial instruments at 31 December 2020 and 2019:

	<b>31 December 2020 (*)</b>		
	<b>US Dollar (%)</b>	<b>EUR (%)</b>	<b>TL (%)</b>
<b>Assets</b>			
Due from banks	0.22	(0.48)	17.00
Financial assets at fair value through profit or loss	0.19	(0.67)	11.90
Loans and advances to customers	0.52	-	8.12
<b>Liabilities</b>			
Due to banks	-	-	15.50
Other deposits	-	-	8.22
	<b>31 December 2019 (*)</b>		
	<b>US Dollar (%)</b>	<b>EUR (%)</b>	<b>TL (%)</b>
<b>Assets</b>			
Due from banks	1.98	(0.51)	24.06
Financial assets at fair value through profit or loss	1.69	(0.54)	14.46
Loans and advances to customers	2.3	-	-
<b>Liabilities</b>			
Due to banks	1.30	-	20.59
Other deposits	-	-	12

(\*) Weighted average cost of the CBRT funding as of 31 December 2020 and 2019.

**(f) Liquidity risk**

Liquidity risk is defined as having difficulty in finding sufficient cash to meet the commitments that are due or being compelled to convert assets into cash at prices lower than their fair value. Since the Bank functions as the lender of last resort of the Turkish banking system, it is not relevant to mention TL liquidity risk. In order to manage the liquidity risk arising from assets and liabilities denominated in foreign currencies, the Bank tries to match its cash flows in currencies and invests only in highly liquid assets in order to avoid any problems meeting unexpected payments.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

### NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

#### (f) Liquidity risk (continued)

The table below shows the breakdown of both TL and foreign currency denominated assets and liabilities of the Bank in terms of their relevant maturity groupings at the balance sheet date, based on the remaining time to contractual maturity:

	31 December 2020																
	Foreign currency								TL								
	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No Maturity	FC Total	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No Maturity	TL Total	Total
Cash	21,578,916	-	-	-	-	-	-	21,578,916	60,850	-	-	-	-	-	-	60,850	21,639,766
Due from banks	222,479,105	48,489,079	7,856,945	-	-	-	-	278,825,129	3,376	290,045,954	-	-	-	-	-	290,049,330	568,874,459
Financial assets at fair value through profit or loss	-	3,288,583	2,271,206	12,282,469	46,968,732	369,647	-	65,180,637	-	-	1,486,431	14,959,929	56,842,519	16,211,011	-	89,499,890	154,680,527
Loans and advances to customers	31,923	6,913,712	16,136,430	71,384,463	33,475,006	-	-	127,941,534	-	-	-	9,730,210	-	781,620	-	10,511,830	138,453,364
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	2,496,854	2,496,854	-	-	-	-	-	-	90,543	90,543	2,587,397
Gold reserves	234,113,286	86,853,840	-	-	-	-	-	320,967,126	-	-	-	-	-	-	-	-	320,967,126
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,882,600	1,882,600	1,882,600
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,263	17,263	17,263
Other assets	4,578	-	-	-	-	-	-	4,578	17,286,299	-	-	-	-	-	127,390	17,413,689	17,418,267
<b>Total assets</b>	<b>478,207,808</b>	<b>145,545,214</b>	<b>26,264,581</b>	<b>83,666,932</b>	<b>80,443,738</b>	<b>369,647</b>	<b>2,496,854</b>	<b>816,994,774</b>	<b>17,350,525</b>	<b>290,045,954</b>	<b>1,486,431</b>	<b>24,690,139</b>	<b>56,842,519</b>	<b>16,992,631</b>	<b>2,117,796</b>	<b>409,525,995</b>	<b>1,226,520,769</b>
Currency in circulation	-	-	-	-	-	-	-	-	188,369,447	-	-	-	-	-	-	188,369,447	188,369,447
Due to banks	-	545,316,788	-	26,145,280	-	-	-	571,462,068	137,109,400	56,476,226	-	-	-	-	-	193,585,626	765,047,694
Other deposits	35,439,038	64,656,699	-	-	-	-	-	100,095,737	283,761	41,242,163	-	-	-	-	-	41,525,924	141,621,661
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to international organizations	-	-	-	-	-	-	-	-	155,467	-	-	-	-	-	-	155,467	155,467
Other borrowed funds	-	-	-	-	-	-	-	-	-	13,007,785	-	-	-	-	-	13,007,785	13,007,785
Other liabilities	1,308,775	-	-	-	-	-	146,368	1,455,143	206,224	-	-	-	-	-	459,398	665,622	2,120,765
Tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,667,126	3,667,126	3,667,126
Deferred tax liability	-	-	-	-	-	-	-	-	13,938,752	-	-	-	-	-	-	13,938,752	13,938,752
Retirement benefit obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	186,463	186,463	186,463
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	98,405,609	98,405,609	98,405,609
<b>Total liabilities and equity</b>	<b>36,747,813</b>	<b>609,973,487</b>	<b>-</b>	<b>26,145,280</b>	<b>-</b>	<b>-</b>	<b>146,368</b>	<b>673,012,948</b>	<b>340,063,051</b>	<b>110,726,174</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>102,718,596</b>	<b>553,507,821</b>	<b>1,226,520,769</b>
<b>Net balance sheet position</b>	<b>441,459,995</b>	<b>(464,428,273)</b>	<b>26,264,581</b>	<b>57,521,652</b>	<b>80,443,738</b>	<b>369,647</b>	<b>2,350,486</b>	<b>143,981,826</b>	<b>(322,712,526)</b>	<b>179,319,780</b>	<b>1,486,431</b>	<b>24,690,139</b>	<b>56,842,519</b>	<b>16,992,631</b>	<b>(100,600,800)</b>	<b>(143,981,826)</b>	<b>-</b>
<b>Net off-balance sheet position</b>	<b>-</b>	<b>(162,579,427)</b>	<b>(157,528,717)</b>	<b>(144,697,127)</b>	<b>(2,312)</b>	<b>-</b>	<b>-</b>	<b>(464,807,583)</b>	<b>-</b>	<b>172,855,329</b>	<b>168,447,680</b>	<b>157,445,997</b>	<b>2,543</b>	<b>-</b>	<b>-</b>	<b>498,751,549</b>	<b>33,943,966</b>

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

### NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

#### (f) Liquidity risk (continued)

31 December 2019																		
	Foreign currency								TL									
	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No Maturity	FC Total	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No Maturity	TL Total	Total	
Cash	22,336,579	-	-	-	-	-	-	22,336,579	122,159	-	-	-	-	-	-	-	122,159	22,458,738
Due from banks	160,375,796	74,164,606	7,856,945	-	-	-	-	242,397,347	23,139	14,698,176	-	-	-	-	-	-	14,721,315	257,118,662
Financial assets at fair value through profit or loss	-	7,165,861	19,920,128	71,412,365	102,046,872	379,276	-	200,924,502	-	1,415,016	2,082,350	1,911,544	9,649,572	4,348,983	-	19,407,465	220,331,967	
Loans and advances to customers	25,833	9,441,864	28,813,536	64,330,980	-	-	-	102,612,213	-	-	-	-	-	-	-	-	102,612,213	
Financial assets at fair value through other comprehensive income	1,760,394	-	-	-	-	-	-	1,760,394	-	-	-	-	-	-	-	-	1,760,394	
Gold reserves	120,809,072	40,919,329	-	-	-	-	-	161,728,401	-	-	-	-	-	-	-	-	161,728,401	
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,691,205	1,691,205	1,691,205	
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38,387	38,387	38,387	
Other assets	28,043	-	-	-	-	-	-	28,043	398,726	-	-	-	-	-	64,306	463,032	491,075	
<b>Total assets</b>	<b>305,335,717</b>	<b>131,691,660</b>	<b>56,590,609</b>	<b>135,743,345</b>	<b>102,046,872</b>	<b>379,276</b>	<b>-</b>	<b>731,787,479</b>	<b>544,024</b>	<b>16,113,192</b>	<b>2,082,350</b>	<b>1,911,544</b>	<b>9,649,572</b>	<b>4,348,983</b>	<b>1,793,898</b>	<b>36,443,563</b>	<b>768,231,042</b>	
Currency in circulation	-	-	-	-	-	-	-	-	153,362,376	-	-	-	-	-	-	-	153,362,376	
Due to banks	202,707,563	171,698,926	-	-	-	-	-	374,406,489	32,684,614	17,409,578	-	-	-	-	-	-	50,094,192	
Other deposits	6,602,198	36,351,908	-	-	-	-	-	42,954,106	260,640	32,775,746	-	-	-	-	-	-	33,036,386	
Financial liabilities at fair value through profit or loss	-	130,594	70,493	22,095	-	-	-	223,182	-	-	-	-	-	-	-	-	223,182	
Due to international organizations	-	-	-	-	-	-	-	-	149,552	-	-	-	-	-	-	-	149,552	
Other borrowed funds	-	-	-	-	-	-	-	-	-	4,768,788	-	-	-	-	-	-	4,768,788	
Other liabilities	497,200	-	-	-	-	-	128,687	625,887	57,215	-	-	-	-	-	675,980	733,195	1,359,082	
Tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,898,615	4,898,615	4,898,615	
Deferred tax liability	-	-	-	-	-	-	-	-	11,180,208	-	-	-	-	-	-	11,180,208	11,180,208	
Retirement benefit obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	209,545	209,545	209,545	
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	91,588,521	91,588,521	91,588,521	
<b>Total liabilities and equity</b>	<b>209,806,961</b>	<b>208,181,428</b>	<b>70,493</b>	<b>22,095</b>	<b>-</b>	<b>-</b>	<b>128,687</b>	<b>418,209,664</b>	<b>197,694,605</b>	<b>54,954,112</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>97,372,661</b>	<b>350,021,378</b>	<b>768,231,042</b>	
<b>Net balance sheet position</b>	<b>95,528,756</b>	<b>(76,489,768)</b>	<b>56,520,116</b>	<b>135,721,250</b>	<b>102,046,872</b>	<b>379,276</b>	<b>(128,687)</b>	<b>313,577,815</b>	<b>(197,150,581)</b>	<b>(38,840,920)</b>	<b>2,082,350</b>	<b>1,911,544</b>	<b>9,649,572</b>	<b>4,348,983</b>	<b>(95,578,763)</b>	<b>(313,577,815)</b>	<b>-</b>	
<b>Net off-balance sheet position</b>	<b>-</b>	<b>(55,436,639)</b>	<b>(29,595,946)</b>	<b>(23,987,598)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(109,020,182)</b>	<b>-</b>	<b>55,393,299</b>	<b>29,494,432</b>	<b>24,229,991</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>109,117,722</b>	<b>97,540</b>	

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

### NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

#### (f) Liquidity risk (continued)

The gross contractual cash flows of non-derivative financial liabilities are presented in the table below. The payments include amounts of both principal and interest on an undiscounted basis and therefore the totals will not agree to the totals presented in the balance sheet.

31 December 2020								
	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undistributed	Total
Currency in circulation	188,369,447	-	-	-	-	-	-	188,369,447
Due to banks	137,109,400	601,793,014	-	26,145,280	-	-	-	765,047,694
Other deposits	35,722,799	105,898,862	-	-	-	-	-	141,621,661
Due to international organizations	155,467	-	-	-	-	-	-	155,467
Other borrowed funds	-	13,007,785	-	-	-	-	-	13,007,785
<b>Total financial liabilities</b>	<b>361,357,113</b>	<b>720,699,661</b>	<b>-</b>	<b>26,145,280</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,108,202,054</b>
<b>Net off balance sheet position</b>	<b>-</b>	<b>10,275,902</b>	<b>10,918,963</b>	<b>12,748,870</b>	<b>231</b>	<b>-</b>	<b>-</b>	<b>33,943,966</b>

31 December 2019								
	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undistributed	Total
Currency in circulation	153,362,376	-	-	-	-	-	-	153,362,376
Due to banks	235,392,177	189,108,504	-	-	-	-	-	424,500,681
Other deposits	6,862,838	69,127,654	-	-	-	-	-	75,990,492
Due to international organizations	149,552	-	-	-	-	-	-	149,552
Other borrowed funds	-	4,768,788	-	-	-	-	-	4,768,788
<b>Total financial liabilities</b>	<b>395,766,943</b>	<b>263,004,946</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>658,771,889</b>
<b>Net off balance sheet position</b>	<b>-</b>	<b>(43,340)</b>	<b>(101,513)</b>	<b>242,393</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>97,540</b>

#### (g) Operational risk

Operational risk is the risk of loss due to human or system errors, incompatibility or failure of internal business processes, or external events.

The Bank seeks to minimize losses from operational risk by establishing effective internal control systems which prevent or detect all errors and situations which might cause losses through failure of people or processes in such a way that losses are avoided or reduced to the minimum extent possible.

The Bank has left management of operational risk to the departments’ own responsibility. However, for the purpose of management of operational and regulatory compliance risks with an institutional scale and integrative point of view, Corporate Risk Management (“CRM”), operates in coordination with other departments. CRM compiles risk calculations and analysis of departments and reports by following operations of departments in this framework. In the frame of decision of Board of the Bank, in the case of any financial loss arising from operational risks, it is reported to different levels of management depending on the size of loss. Limits for the mentioned losses, are updated by Board of the Bank when an update is regarded as necessary. As a result of the examination financial loss is recorded at nonallowable expenses after convenient opinion of the management level authorized. These losses are submitted for information of Board of the Bank, quarterly. The assessment of risks in terms of their effects and probabilities (including operational risk) and the adequacy, effectiveness and efficiency of the controls established to mitigate the risks are made via audits conducted by the Audit Department (“AD”) of the Bank that reports directly to the Governor.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

### NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

#### (g) Operational risk (continued)

AD performs risk assessment in two phases. The first phase is to prepare the Annual Audit Plan. AD reviews the fundamental business processes throughout the Bank at the end of each year. Business processes to be audited are ranked on a risk-basis. Each business process is evaluated in terms of financial risk, operational risk, legal risk and reputation risk. Business processes with the highest-ranking risks are included in the following year's Annual Audit Plan.

In the second phase, in every audit assignment processes with higher risk are examined in more detail in terms of risks and controls. Risks that may arise due to human error, system failure, insufficient/ineffective procedures and/or sub-processes are determined. The audited business process is assessed with regard to business continuity procedures, physical safety, system safety, conformity to legal arrangements and written rules, sufficiency of human resources and information safety. In addition, the financial risk and reputation risk of business processes are also determined. Controls that are designed to reduce these risks to acceptable levels are assessed in terms of sufficiency and effectiveness; additional controls are proposed in order to increase effectiveness.

Following the audits, the major risks and recommendations are reported every three months to the Executive Committee. Action plans that are taken to reduce the risks to acceptable levels are monitored.

#### (h) Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Bank using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a current market exchange.

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	Carrying value		Fair value	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
<b>Financial assets</b>				
Due from banks	568,874,459	257,118,662	569,739,514	257,183,928
Loans and advances	138,453,364	102,612,213	128,874,107	103,351,642
<b>Financial liabilities</b>				
Currency in circulation	188,369,447	153,362,376	188,369,447	153,362,376
Due to banks	765,047,694	424,500,681	765,047,694	424,500,681
Other deposits	141,621,661	75,990,492	141,621,661	75,990,492
Other borrowed funds	13,007,785	4,768,788	13,007,785	4,768,788

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

### NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

#### (h) Fair value of financial instruments (continued)

The following methods and assumptions were used to estimate the fair value of the Bank's financial instruments:

##### (i) Financial assets

The fair values of certain financial assets carried at amortized cost, including cash and due from banks are considered to approximate their respective carrying values due to their short-term nature.

The fair value of loans and advances to customers, along with the related allowances for uncollectibility, is based on discounted cash flows using interest rates prevailing at the balance sheet date with similar assets.

##### (ii) Financial liabilities

The fair value of currency in circulation represents the face value of the notes in issue.

The fair values of certain financial liabilities carried at amortized cost, including due to banks, other borrowed funds and other deposits are considered to approximate their respective carrying values due to their short-term nature.

The following table summarizes the fair values of those financial assets presented on the Bank's balance sheet based on the hierarchy of valuation technique as of 31 December 2020 and 2019:

<b>31 December 2020</b>	<b>Level 1 (*)</b>	<b>Level 2 (**)</b>	<b>Level 3 (***)</b>	<b>Total</b>
<b>Financial assets at fair value through profit and loss</b>				
Debt securities	154,680,527	-	-	154,680,527
<b>Financial assets at fair value through other comprehensive income</b>				
Equity securities	-	-	2,587,397	2,587,397
<b>Total assets</b>	<b>154,680,527</b>	<b>-</b>	<b>2,587,397</b>	<b>157,267,924</b>
<b>Financial liabilities at fair value through profit and loss</b>	-	-	-	-
<b>Total liabilities</b>	-	-	-	-

(\*) Financial assets and liabilities are carried at quoted prices in an active market which are used for similar financial assets and liabilities.

(\*\*) Other than quoted prices specified in Level I, financial assets and liabilities are carried at inputs used to determine direct or indirect observable market prices.

(\*\*\*) Financial assets and liabilities are carried at inputs, which are used in determining fair value of financial assets and liabilities, but not based on any observable market data.

**THE CENTRAL BANK OF THE REPUBLIC OF TURKEY**

**NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

**NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)**

**(h) Fair value of financial instruments (continued)**

<b>31 December 2019</b>	<b>Level 1 (*)</b>	<b>Level 2 (**)</b>	<b>Level 3 (***)</b>	<b>Total</b>
<b>Financial assets at fair value through profit and loss</b>				
Debt securities	220,331,967	-	-	220,331,967
<b>Financial assets at fair value through other comprehensive income</b>				
Equity securities	-	-	1,760,394	1,760,394
<b>Total assets</b>	<b>220,331,967</b>	<b>-</b>	<b>1,760,394</b>	<b>222,092,361</b>
<b>Financial liabilities at fair value through profit and loss</b>				
	-	223,182	-	223,182
<b>Total liabilities</b>	<b>-</b>	<b>223,182</b>	<b>-</b>	<b>223,182</b>

(\*) Financial assets and liabilities are carried at quoted prices in an active market which are used for similar financial assets and liabilities.

(\*\*) Other than quoted prices specified in Level I, financial assets and liabilities are carried at inputs used to determine direct or indirect observable market prices.

(\*\*\*) Financial assets and liabilities are carried at inputs which are used in determining fair value of financial assets and liabilities but not based on any observable market data.

***The movement of financial assets in Level 3***

	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>Opening balance, 1 January</b>	<b>1,760,394</b>	<b>1,468,825</b>
Changes in fair value	736,460	291,569
Acquired during the year	90,543	-
<b>Closing balance, 31 December</b>	<b>2,587,397</b>	<b>1,760,394</b>

**(i) Capital management**

The Bank’s shareholders’ equity as at 31 December 2020 and 2019 comprises:

	<b><u>31 December 2020</u></b>	<b><u>31 December 2019</u></b>
Paid-in capital	47,464	47,464
Retained earnings	38,780,743	61,358,669
Reserves	59,577,402	30,182,388
<b>Total Equity</b>	<b>98,405,609</b>	<b>91,588,521</b>

Movements in shareholders’ equity during the year are explained in the statement of changes in equity in the financial statements.

The Bank is not subject to any regulatory requirements concerning the level of capital it must maintain, however the CBRT Law sets out how the statutory annual net profit for the year shall be allocated. The main source of capital increase is through retention of the undistributed element of the profit.

Being a non-profit organization, the Bank does not seek profit maximization. Instead, it seeks to make a profit commensurate with normal market returns in areas where it conducts normal commercial operations.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

### NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

The Bank's primary capital management objective is to maintain sufficient capital to absorb unexpected losses arising from the fulfilment of the responsibilities assigned to the Bank by the CBRT Law. The most significant unexpected losses are likely to arise from support operations and the Bank's role as the lender of last resort or from losses on the foreign currency reserves, should the TL appreciate significantly against other foreign currencies.

In order to maintain sufficient capital and to obtain the necessary liquidity the Bank focuses on low risk investments prudently to earn an appropriate return taking into consideration the credit risk of the counterparty. Additionally, the Bank, in the employment of strategic assets, takes into consideration the risk tolerance of the Bank and gives importance to the protection of the capital and national reserves.

### NOTE 5 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

Preparation of financial statements according to IAS/IFRS requires management to make estimations, assumptions and decisions that effect amounts of assets liabilities, income and expenses and application of policies. Realized results may differ from these estimations. Estimations and assumptions underlying estimations, are considered continuously. Updates in accounting estimations, are recorded at the period which estimation is made and following periods which are effected from these updates.

Information on estimations and significant decisions applied to accounting policies which has the significant effects financial statements are explained in notes indicated below.

Note 3 (f) , Note 3 (e) and 8 – Classification of loans and advances and impairment

### NOTE 6 - DUE FROM BANKS

	<b>31 December 2020</b>	<b>31 December 2019</b>
Funds lent under securities purchased under agreements to resell	99,343,998	11,527,206
Time deposits	56,346,024	82,021,551
Due from interbank money market operations	190,701,956	3,170,970
Demand deposits	222,482,481	160,398,935
<b>Total</b>	<b>568,874,459</b>	<b>257,118,662</b>

Securities purchased under agreements to resell transactions are performed as part of the open market operations of the Bank.

As of 31 December 2020, and 2019, analysis of quality of due from banks is below:

<b>31 December 2020</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>
Stage 1 - low credit risk	568,874,459	-	-
Stage 2 - under close monitoring	-	-	-
Stage 3 - non performing	-	-	-
<b>Total</b>	<b>568,874,459</b>	<b>-</b>	<b>-</b>

<b>31 December 2019</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>
Stage 1 - low credit risk	257,118,662	-	-
Stage 2 - under close monitoring	-	-	-
Stage 3 - non performing	-	-	-
<b>Total</b>	<b>257,118,662</b>	<b>-</b>	<b>-</b>



# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

### NOTE 7 - FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2020		31 December 2019	
	Cost	Carrying Amount	Cost	Carrying Amount
Turkish government bonds, treasury bills and lease certificates	86,434,362	89,499,890	17,087,584	19,407,464
Foreign government bonds	58,080,996	55,824,545	190,758,767	189,381,466
Corporate bonds of international institutions (*)	6,709,778	9,356,092	10,642,992	11,543,037
<b>Total</b>	<b>151,225,136</b>	<b>154,680,527</b>	<b>218,489,343</b>	<b>220,331,967</b>

(\*) Corporate bonds of international institutions are coupon and discount securities mainly issued by the European Investment Bank, International Islamic Liquidity Management (IILM), Islamic Development Bank (IDB) and International Bank of Reconstruction and Development (IBRD, World Bank Group).

As of 31 December 2020, there are no financial liabilities at fair value through profit and loss (2019: TL 223,182).

### NOTE 8 - LOANS AND ADVANCES TO CUSTOMERS

	31 December 2020	31 December 2019
<b>Loans and advances to corporate entities:</b>		
Foreign country loans	31,923	25,833
Domestic loans	138,421,441	102,586,380
<b>Total performing loans</b>	<b>138,453,364</b>	<b>102,612,213</b>
Impaired loans	11,578,842	9,321,895
<b>Loans and advances to customers (gross)</b>	<b>150,032,206</b>	<b>111,934,108</b>
Less: Allowance for loan losses	(11,578,842)	(9,321,895)
<b>Net loans and advances to customers</b>	<b>138,453,364</b>	<b>102,612,213</b>

As of 31 December 2020, analysis of quality of credits of loans and advances given is below:

	Stage 1	Stage 2	Stage 3
Stage 1 - Low credit risk	138,421,441	-	-
Stage 2 - Under close monitoring	-	66,516	-
Stage 3 - Non performing	-	-	11,544,249
<b>Total</b>	<b>138,421,441</b>	<b>66,516</b>	<b>11,544,249</b>
Expected credit loss	-	(34,593)	(11,544,249)
<b>Net loans and advances given</b>	<b>138,421,441</b>	<b>31,923</b>	<b>-</b>

As of 31 December 2019, analysis of quality of credits of loans and advances given is below:

	Stage 1	Stage 2	Stage 3
Stage 1 - Low credit risk	102,586,380	-	-
Stage 2 - Under close monitoring	-	53,826	-
Stage 3 - Non performing	-	-	9,293,902
<b>Total</b>	<b>102,586,380</b>	<b>53,826</b>	<b>9,293,902</b>
Expected credit loss	-	(27,993)	(9,293,902)
<b>Net loans and advances given</b>	<b>102,586,380</b>	<b>25,833</b>	<b>-</b>

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

### NOTE 8 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Movement of allowance for loan losses is as follows:

	<u>2020</u>	<u>2019</u>
Balance at 1 January	9,321,895	8,213,603
Provision charge/(reversal) for the year (*)	2,256,947	1,108,292
<b>Balance at 31 December</b>	<b>11,578,842</b>	<b>9,321,895</b>

(\*) The balance mainly consists of the foreign exchange valuation of impaired loans.

As of 31 December 2020, the restructured loans and advances of the Bank amounted to TL 31,923 (31 December 2019: TL 25,833). In accordance with the restructuring agreement of the Bank regarding the above mentioned restructured loans, the Bank forwent TL 34,592 (US\$ 4,712,512) (31 December 2019: TL 27,993 (US\$ 4,712,512)) of its interest receivable which will accrue again if the counterparty fails to meet the conditions stated in the restructuring agreement. As of 31 December 2020, and 2019, the Bank provided allowance for such contingent interest receivable.

### NOTE 9 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The details of financial assets measured at fair value through other comprehensive income as of 31 December 2020 and 2019 are as follows:

Name	Nature of business	<u>Ownership (%)</u>		<u>Amount</u>	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Bankalararası Kart Merkezi A.Ş. (BKM)	Domestic Clearing and Settlement Service	51.01	-	90,543	-
BIS	Banking Supervision	1.41	1.43	2,423,038	1,700,705
International Islamic Liquidity Management Corporation	Liquidity Management	13.33	13.33	73,405	59,402
SWIFT	Electronic Fund Transfer Services	0.007	0.007	411	287
<b>Total</b>				<b>2,587,397</b>	<b>1,760,394</b>

The shares of BIS have a par value of SDR 5,000 each and are paid up to SDR 1,250 each. The balance of SDR 3,750 per share is callable at three months' notice by the decision of the BIS Board and the total amount of commitment is disclosed under contingencies and commitments as of 31 December 2020 and 2019 (Note 28).

As of 31 December 2020 and 2019, the Bank's investment in shares issued by the BIS is valued at fair value, which is calculated as being 70% of the Bank's interest in BIS's net asset value in SDR, as of 31 December 2020 and 2019, converted to TL at the year-end TL/SDR exchange rate. This valuation method has previously been used to establish the appropriate price for purchase and repurchase transactions in BIS share.

In accordance with the decision of the Board of the Bank No. 10857/20456, dated March 3, 2020 the Bank acquired a 51.01% share of BKM by paying TL 90,543 on April 30, 2020.

The movement of financial assets at fair value through other comprehensive income is as follows:

	<u>2020</u>	<u>2019</u>
Opening balance, 1 January	1,760,394	1,468,825
Fair value changes	736,460	291,569
Acquired during the year	90,543	-
<b>Closing balance, 31 December</b>	<b>2,587,397</b>	<b>1,760,394</b>

**THE CENTRAL BANK OF THE REPUBLIC OF TURKEY****NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

**NOTE 10 - GOLD RESERVES**

	<b><u>31 December 2020</u></b>	<b><u>31 December 2019</u></b>
Gold bullion - International standards	319,703,047	160,904,576
Gold bullion and coins - Non-International standards	1,264,079	823,825
<b>Total</b>	<b>320,967,126</b>	<b>161,728,401</b>

Gold bullion at International standards include TL 76,845,333 (31 December 2019: TL 40,919,329) worth of gold kept by the Bank which belongs to the banks those deposited gold in order to meet their reserve requirement.

As of 31 December 2020, gold bullion amount of international standard includes gold held in the Bank on behalf of the Treasury in the amount of TL 26,760,430 (31 December 2019: None).

<b>31 December 2020</b>	<b>Level 1 (*)</b>	<b>Level 2 (**)</b>	<b>Level 3 (***)</b>	<b>Total</b>
-Gold	320,967,126	-	-	320,967,126
<b>Total</b>	<b>320,967,126</b>	-	-	<b>320,967,126</b>

<b>31 December 2019</b>	<b>Level 1 (*)</b>	<b>Level 2 (**)</b>	<b>Level 3 (***)</b>	<b>Total</b>
-Gold	161,728,401	-	-	161,728,401
<b>Total</b>	<b>161,728,401</b>	-	-	<b>161,728,401</b>

(\*) Financial assets and liabilities are valued by an active stock market prices.

(\*\*) Financial assets and liabilities are valued by a price that is direct or indirectly observable price in a market, other than stock market price indicated as first level.

(\*\*\*) Financial assets and liabilities are valued by a price that is the market used for calculation of fair value, there is no observable data.

**THE CENTRAL BANK OF THE REPUBLIC OF TURKEY**

**NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

**NOTE 11 - PROPERTY AND EQUIPMENT**

	<b>Land and Buildings</b>	<b>Machines and Equipment</b>	<b>Construction in Progress</b>	<b>Total</b>
<b>Year ended 31 December 2019</b>				
<b>Opening net book value</b>	377,085	137,062	1,120,548	1,634,695
Additions	18,793	90,329	11,207	120,329
Transfers	23,384	-	(23,384)	-
Disposals (net)(*)	(8,921)	(272)	-	(9,193)
Depreciation charge (Note 27)	(7,735)	(46,891)	-	(54,626)
<b>Closing net book value</b>	<b>402,606</b>	<b>180,228</b>	<b>1,108,371</b>	<b>1,691,205</b>
<b>At 31 December 2019</b>				
Cost	576,093	402,677	1,108,371	2,087,141
Accumulated depreciation	(173,487)	(222,449)	-	(395,936)
<b>Net book value</b>	<b>402,606</b>	<b>180,228</b>	<b>1,108,371</b>	<b>1,691,205</b>
<b>Year ended 31 December 2020</b>				
<b>Opening net book value</b>	402,606	180,228	1,108,371	1,691,205
Additions	368,478	59,718	(151,033)	277,163
Transfers	-	-	-	-
Disposals (net)(*)	(26,505)	(809)	-	(27,314)
Depreciation charge (Note 27)	(11,961)	(46,493)	-	(58,454)
<b>Closing net book value</b>	<b>732,618</b>	<b>192,644</b>	<b>957,338</b>	<b>1,882,600</b>
<b>At 31 December 2020</b>				
Cost	916,632	456,095	957,338	2,330,065
Accumulated depreciation	(184,014)	(263,451)	-	(447,465)
<b>Net book value</b>	<b>732,618</b>	<b>192,644</b>	<b>957,338</b>	<b>1,882,600</b>

**NOTE 12 - INTANGIBLE ASSETS**

	<b>Cost</b>	<b>Accumulated amortisation</b>	<b>Net book value</b>
<b>Opening balance at 1 January 2019</b>			
	68,688	(40,856)	27,832
Additions/(amortization charge for the period) (Note 27)	21,189	(10,634)	10,555
<b>Balance at 31 December 2019</b>	<b>89,877</b>	<b>(51,490)</b>	<b>38,387</b>
<b>Opening balance at 1 January 2020</b>			
	89,877	(51,490)	38,387
Additions/(amortization charge for the period) (Note 27)	14,595	(35,719)	(21,124)
<b>Balance at 31 December 2020</b>	<b>104,472</b>	<b>(87,209)</b>	<b>17,263</b>

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

### NOTE 13 - OTHER ASSETS

	<b>31 December 2020</b>	<b>31 December 2019</b>
Raw material and work-in-progress of banknote printing office	116,293	83,030
Charges and commissions due from Treasury (*)	62,262	47,236
Electronic Fund Transfer ("EFT") commission income accrual	38,676	27,522
Receivables from foreign exchange sales with future value date	-	12,909
Prepaid expenses	113	3,782
Other (**)	17,200,923	316,596
<b>Total</b>	<b>17,418,267</b>	<b>491,075</b>

(\*) With the decision of the Board of the Bank numbered 9525/19124 and dated 4 October 2011, Regulation of Tariffs was amended. According to these amendments, starting from 12 October 2011, commissions, charges and fees were started to be collected from Treasury due to the transactions with the public administrations within the scope of overall budget.

(\*\*) It mainly consists of swap transaction fair value differences and currency exchange collateral.

### NOTE 14 - CURRENCY IN CIRCULATION

	<b>2020</b>	<b>2019</b>
<b>Balance at 1 January</b>	<b>153,362,376</b>	<b>132,261,722</b>
Banknotes issued into circulation	70,309,456	62,303,351
Banknotes withdrawn from circulation and destroyed	(35,129,389)	(41,202,697)
Banknotes expired	(172,996)	-
<b>Balance at 31 December</b>	<b>188,369,447</b>	<b>153,362,376</b>

### NOTE 15 - DUE TO BANKS

	<b>31 December 2020</b>	<b>31 December 2019</b>
Deposits for reserve requirement obligations	319,134,612	194,024,378
<i>Foreign currency</i>	242,289,280	153,105,049
<i>Gold</i>	76,845,332	40,919,329
Current accounts of banks	445,913,082	230,476,303
<b>Total</b>	<b>765,047,694</b>	<b>424,500,681</b>

Required reserves are calculated over total domestic liabilities of banks according to the banking legislation effective in Turkey, after deductions determined in the Communiqué, No. 2005/1 on Required Reserves and deposit/participation funds accepted by banks in Turkey on behalf of foreign branches and loan amounts provided by banks and followed up in foreign branches and are deposited to the Bank. Furthermore, the same rates determined in accordance with the same Communiqué have been used. Interest has been started to be paid for the required reserves denominated in Turkish Lira as of 3 November 2014 and for the required reserve denominated in foreign currency as of 5 May 2015. However, since 19 September 2019, interest payments to foreign currency required reserve is abolished. Additionally, in between the dates of January 24, 2020 - November 27, 2020, commission on foreign currency mandatory reserves were received.

<b>31 December 2020</b>	<b>Level 1 (*)</b>	<b>Level 2 (**)</b>	<b>Level 3 (***)</b>	<b>Total</b>
-Gold	76,845,332	-	-	76,845,332
<b>Total</b>	<b>76,845,332</b>	<b>-</b>	<b>-</b>	<b>76,845,332</b>

<b>31 December 2019</b>	<b>Level 1 (*)</b>	<b>Level 2 (**)</b>	<b>Level 3 (***)</b>	<b>Total</b>
-Gold	40,919,329	-	-	40,919,329
<b>Total</b>	<b>40,919,329</b>	<b>-</b>	<b>-</b>	<b>40,919,329</b>

(\*) Financial assets and liabilities are valued by an active stock market prices.

(\*\*) Financial assets and liabilities are valued by a price that is direct or indirectly observable price in a market, other than stock market price indicated as first level.

(\*\*\*) Financial assets and liabilities are valued by a price that is the market used for calculation of fair value, there is no observable data.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

### NOTE 16 - OTHER DEPOSITS

	<u>31 December 2020</u>	<u>31 December 2019</u>
Deposits of Turkish Treasury and public (*)	138,854,422	73,676,283
Deposits by citizens abroad (**)	2,603,180	2,137,782
Deposits of state owned funds and financing institutions	164,059	176,427
<b>Total</b>	<b>141,621,661</b>	<b>75,990,492</b>

(\*) Deposits by citizens abroad are demand deposits. TL 41,242,150 (31 December 2019: TL 32,775,734) of deposits of government related institutions including Treasury are interest bearing and remaining is non-interest bearing. In addition, as of December 31, 2020, the Treasury has gold deposits equivalent to TL 26,760,430 (31 December 2019: None).

(\*\*) Deposits which belongs to citizens abroad are demand deposits.

The breakdown of deposits by citizens abroad by currency type and related interest rates are as follows.

	<u>31 December 2020</u>		<u>31 December 2019</u>	
	<u>Interest rate (%)</u>	<u>TL</u>	<u>Interest rate (%)</u>	<u>TL</u>
EUR	-	2,476,465	-	2,021,185
US\$	-	84,324	-	84,047
CHF	-	40,099	-	30,808
GBP	-	2,248	-	1,733
Other	-	44	-	9
<b>Total</b>		<b>2,603,180</b>		<b>2,137,782</b>

### NOTE 17 - DUE TO INTERNATIONAL ORGANIZATIONS

Due to IMF denominated in SDR is included under due to international organizations. Due to international organizations includes borrowings related to Turkey's IMF quota for the year ending 31 December 2020 and 2019. The balance also includes amount due to Africa Development Bank. As of 31 December 2020, and 2019, borrowings related to Turkey's IMF quota are non-interest bearing with no stated maturity.

All borrowings from the IMF are guaranteed by promissory notes which have been co-signed by the Turkish Government.

As of 18 February 2016, the country quota of Turkey increased by SDR 3,202,800,000 reaching SDR 4,658,600,000.

### NOTE 18 - OTHER BORROWED FUNDS

	<u>31 December 2020</u>	<u>31 December 2019</u>
Funds borrowed from interbank money market	12,996,690	4,293,651
Open market transactions	11,095	475,137
<b>Total</b>	<b>13,007,785</b>	<b>4,768,788</b>

### NOTE 19 - OTHER LIABILITIES

	<u>31 December 2020</u>	<u>31 December 2019</u>
Foreign money transfers with future value date	1,188,173	367,408
Taxes and withholdings payable	475,400	691,974
Import transfer orders and deposits	177,113	161,425
Expense accruals	172,757	12,938
Bills and money transfer payables	1,037	274
Other	106,285	125,063
<b>Total</b>	<b>2,120,765</b>	<b>1,359,082</b>

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

### NOTE 20 - TAXATION

	<b>31 December 2020</b>	<b>31 December 2019</b>
Corporate tax (*)	8,530,907	11,051,921
Prepaid taxes	(4,863,781)	(6,153,306)
<b>Income taxes liability- net</b>	<b>3,667,126</b>	<b>4,898,615</b>

#### Corporate Tax

The Bank is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Bank's results for the period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The prevailing tax rate in 2020 is 22% (2019:22%).

The law numbered 7061 on amendment on certain taxes and laws and other acts was published on the official gazette dated 5 December 2017 and numbered 30261, the 20% corporate tax rate, will be applied as 22% for entities' corporate income belonging to the taxation periods of 2018, 2019 and 2020 as amended in the provisional clause of article 10 of the Law.

Except changes on corporate tax rate, the exemption of 75% applied to gains from the sales of properties held by the entities has been reduced to rate of 50% with deferred tax rate to be applied on temporary differences arising on the revaluation of assets will be considered 10% instead of 5% in case of carrying amount of properties recovered through sales.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2020 is 22%. (2019: 22%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

For the years ended 31 December 2020 and 2019, income taxes are summarized as follows;

	<b>2020</b>	<b>2019</b>
- Corporate tax	8,530,907	11,051,921
- Deferred tax expense / (income)	(4,339,826)	1,874,843
<b>Tax expense/(income)</b>	<b>4,191,081</b>	<b>12,926,764</b>

#### Deferred tax

The Bank recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below.

For calculation of deferred tax asset and liabilities, the rate of 20% (2019: 22%) is used.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

### NOTE 20 - TAXATION (Continued)

The breakdown of such cumulative temporary differences and deferred tax assets/(liabilities) at 31 December 2020 and 2019 by using enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Retirement benefit obligations	186,462	209,545	37,292	46,100
Net differences between carrying value and tax base of property and equipment and intangible assets	10,496	4,481	2,099	986
Other	40,385	32,270	8,078	7,099
<b>Total Assets</b>			<b>47,469</b>	<b>54,185</b>
Valuation account (*)	(69,351,880)	(50,660,801)	(13,870,376)	(11,145,376)
Fair value differences of financial assets	(2,316,886)	(1,618,490)	(115,845)	(89,017)
<b>Total Liabilities</b>			<b>(13,986,221)</b>	<b>(11,234,393)</b>
<b>Net Liability</b>			<b>(13,938,752)</b>	<b>(11,180,208)</b>

(\*) In accordance with the 61<sup>st</sup> article of the CBRT Law amended with the Law No:6009 on 23 July 2010, in the event of a change in the value of the Turkish currency against the foreign currencies and a change in the gold prices in the international markets, the unrealized gains and losses arising from the revaluation of gold, foreign currency and other assets and liabilities of the Bank those are originated in foreign currencies are classified into “Valuation Account” which is a transitory account on the statutory balance sheet. The Valuation Account is not taken into account as income and expense in the determination of corporate tax base. Realized foreign exchange differences originated from foreign currency sales and purchase transactions are reflected to the income statement at the date of transaction.

Movement of deferred income tax liability during the year is as follows:

	2020	2019
<b>Balance at 1 January</b>	<b>11,180,208</b>	<b>9,896,596</b>
Deferred tax recognized in statement of profit or loss, net	(4,339,826)	1,874,840
Deferred tax recognized in the equity	7,098,370	(591,228)
<b>Balance at 31 December</b>	<b>13,938,752</b>	<b>11,180,208</b>

The reconciliation for taxation charge is stated below:

	%	2020	%	2019
<b>Profit / (loss) before income taxes</b>		<b>26,323,183</b>		<b>63,899,965</b>
Theoretical tax charge calculated at the prevailing tax rate	22	5,791,100	22	14,057,992
Tax exempt income	(3.6)	(968,952)	(3)	(1,232,240)
Non-deductible expenses	-	11,392	-	16,560
Other and the effect of change in tax rate	(2.4)	(642,459)	-	84,452
<b>Income tax expense / (income)</b>	<b>15.9</b>	<b>4,191,081</b>	<b>20</b>	<b>12,926,764</b>



# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated)

### NOTE 21 - RETIREMENT BENEFIT OBLIGATIONS

Under Turkish Labour Law, the Bank is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated. In addition, according to the 60.Article that has been changed and the laws numbered 4447, dated 25 August 1999 and numbered 2422, dated 6 March 1981 of the Social Security Law still in force, numbered 506, the employees who are entitled to leave the work by receiving termination benefits are required to pay statutory termination benefits. Some transitional provisions related to the pre-conditions of the retirement were removed from the law with the amendment on 23 May 2002.

As of 31 December 2020, the amount payable consists of one month’s salary limited to a maximum of TL 7,117 (full) (2019: TL 6,380 (full)) for each year of service.

The liability is not funded, as there is no funding requirement. The reserve has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of its employees. IAS 19 (“Employee Benefits”) states that, the Bank’s obligations are developed within the framework of defined benefit plans by using the actuarial valuation method. The provisions at the respective balance sheet dates have been calculated based on the following actuarial assumptions:

	<b><u>31 December 2020</u></b>	<b><u>31 December 2019</u></b>
Discount rate (%)	1.28	1.28
Rate to estimate the probability of retirement (%)	99	99

As the maximum liability is revised semi-annually, the maximum amount of TL 7,117,17 (full) effective from 1 July 2020 (1 July 2019: TL 6,380 (full)), has been taken into consideration in calculating the reserve for the retirement benefit obligation of the Bank.

Movement in the retirement benefit obligation recognized in the financial statements is as follows:

	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>At 1 January</b>	<b>209,545</b>	<b>173,605</b>
Interest and service cost	35,103	40,896
Paid during the year	(58,185)	(4,956)
<b>Balance at 31 December</b>	<b>186,463</b>	<b>209,545</b>

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

### NOTE 22 - NET INTEREST INCOME

	<u>2020</u>	<u>2019</u>
<b>Interest income</b>		
Interest from financial assets at fair value through profit or loss	27,144,798	14,730,781
Interest from interbank money market transactions	8,084,161	7,628,827
Interest from securities purchased under agreements to resell	9,799,613	6,056,498
Interest from banks	201,567	1,563,211
Interest from loans and advances to customers	959,840	985,519
<b>Total</b>	<b>46,189,979</b>	<b>30,964,836</b>
<b>Interest expense</b>		
Interest paid to Treasury (**)	5,278,071	5,029,131
Interest paid to banks (*)	1,842,972	5,093,845
Interest paid to the interbank money market transactions	492,083	1,011,000
Interest paid to financial assets at fair value through profit or loss	32,273	741,996
Interest paid to IMF	13,635	86,214
Interest paid to securities sold under agreements to repurchase	10,196	34,025
<b>Total</b>	<b>7,669,230</b>	<b>11,996,211</b>
<b>Net interest income</b>	<b>38,520,749</b>	<b>18,968,625</b>

(\*) The deposits of the banking sector consist of two-day notice foreign currency deposits, TL demand deposits and reserve deposits. Interest has been paid for the required reserves since 3 November 2014. Also, interest has been started to be paid for the foreign currency required reserves since 5 May 2015. However, since 19 September 2019, interest payments to foreign currency required reserve is abolished.

(\*\*) According to article 41 of the CBRT Law, deposits of the public institutions are non-interest bearing except for the deposits of the Treasury. With the amendment in article 41 of CBRT Law numbered 1211 as of 13 February 2011, principles and procedures about charging interest on deposits of Treasury in custody of the Bank are decided to be determined jointly by the Bank and the Treasury. Within this scope, protocol between the Bank and the Treasury which is entitled as "Principles and Procedures about Charging Interest on Deposits of the Republic of Turkey Ministry of Finance and Treasury in Custody of the Central Bank of Republic of Turkey" is signed as of 12 October 2011 and the interest is started to be charged on the deposits of Treasury in custody of the Bank.

### NOTE 23 - NET FEE AND COMMISSION INCOME

	<u>2020</u>	<u>2019</u>
<b>Fee and commission income:</b>		
Foreign currency required reserve commission income (***)	3,095,960	-
EFT commission income	515,059	403,161
Commissions accrual due from Treasury (****)	570,256	325,389
Gold custody fee	55,306	54,252
Commissions charged from the bank teller operations center	38,704	40,077
Commissions from foreign exchange and effective market transactions	963	189
Other	27,684	4,323
<b>Total</b>	<b>4,303,932</b>	<b>827,391</b>
<b>Fee and commission expense:</b>		
Correspondent bank accounts	8,373	8,801
Other	66,753	46,230
<b>Total</b>	<b>75,126</b>	<b>55,031</b>
<b>Net fee and commission income</b>	<b>4,228,806</b>	<b>772,360</b>

(\*\*\*) Between 24 January 2020 - 27 November 2020, commission was received on foreign currency required reserves.

(\*\*\*\*) With the decision of the Board of the Bank numbered 9525/19124 and dated 4 October 2011, Tariffs Regulations has been amended. According to these amendments, starting from 12 October 2011, commissions, charges and fees have been started to be collected from the Treasury due to the transactions with the public administrations within the scope of overall budget.

**THE CENTRAL BANK OF THE REPUBLIC OF TURKEY**

**NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

**NOTE 24 - DIVIDEND INCOME**

	<u><b>2020</b></u>	<u><b>2019</b></u>
From financial assets at fair value through profit or loss	-	14,429
<b>Total</b>	<b>-</b>	<b>14,429</b>

**NOT 25 – PROFIT/ (LOSS) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS**

	<u><b>2020</b></u>	<u><b>2019</b></u>
Gold trading profit / (loss)	35,934,792	25,068,580
Profit / (loss) from Turkish Lira-settled forward foreign exchange	-	(69,064)
Profits/ (loss) from futures and swap operations	(37,305,897)	(3,064,143)
Loss from trading securities and increase/(decrease) in value	(980,151)	2,089,192
<b>Total</b>	<b>(2,351,256)</b>	<b>24,024,566</b>

**NOTE 26 - FOREIGN EXCHANGE GAINS/(LOSSES), NET**

	<u><b>2020</b></u>	<u><b>2019</b></u>
Foreign exchange gain/(loss), net		
- translation gain/(loss), net	(16,704,664)	8,396,659
- transaction gain, net	6,882,770	14,406,537
<b>Total</b>	<b>(9,821,894)</b>	<b>22,803,196</b>

As of 31 December 2020 and 2019, translation gain/(loss) include the unrealized foreign exchange gain/(loss).

**NOTE 27 - OTHER OPERATING EXPENSES**

	<u><b>2020</b></u>	<u><b>2019</b></u>
Wages and salaries	1,231,663	954,076
Administrative expenses	500,091	374,177
Social security costs	128,121	129,205
Depreciation and amortization (Notes 11 and 12)	94,173	65,260
Other	56,103	75,678
<b>Total</b>	<b>2,010,151</b>	<b>1,598,396</b>

The average number of personnel employed by the Bank during the year 2020 is 3,678 (2019: 3,857).

**NOTE 28 - COMMITMENTS AND CONTINGENT LIABILITIES**

	<u><b>31 December 2020</b></u>	<u><b>31 December 2019</b></u>
Guarantees received	309,721,048	153,220,045
BIS shares call option (Note 9)	318,456	246,648
<b>Total</b>	<b>310,039,504</b>	<b>153,466,693</b>

As of 31 December 2020, there are a number of legal proceedings outstanding against the Bank amounting to TL 11,118, and EUR 102,678 (full amount) (31 December 2019: TL 10,500, USD 703,582 (full amount) and EUR 114,650 (full amount)). The bank has not provided any provision in financial tables since the professional opinion states that probability of a significant loss from mentioned litigations.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

### NOTE 29 - SHARE CAPITAL

The shareholder structure of the Bank as at 31 December 2020 and 2019 is as follows:

	31 December 2020		31 December 2019	
	TL	Share %	TL	Share %
Treasury	14	55	14	55
T.C. Ziraat Bankası A.Ş.	5	19	5	19
MERVAK İç ve Dış Ticaret A.Ş.	1	5	1	5
Türkiye Garanti Bankası A.Ş.	1	2	1	2
Türkiye İş Bankası A.Ş.	1	2	1	2
Other	3	17	3	17
<b>Paid-in capital</b>	<b>25</b>	<b>100</b>	<b>25</b>	<b>100</b>
<b>Inflation adjustment on paid-in capital</b>	<b>47,439</b>		<b>47,439</b>	
<b>Total paid-in capital</b>	<b>47,464</b>		<b>47,464</b>	

According to 5th article of the CBRT Law, the capital of the Bank is TL 25 thousand and is divided into 250,000 shares, with a value of TL 0,1 each. The capital may be increased with the approval of the Turkish Government. The shares are divided into (A), (B), (C), and (D) shares. The (A) group shares belongs solely to the Turkish Treasury while (B) shares belong to national banks, (C) shares belong to banks other than the national banks and to companies possessing certain privileges and (D) shares belong to Turkish commercial institutions and to legal and real persons of Turkish nationality.

6% of the Bank's annual net profit is transferred to the shareholders as the first shareholder share, 5% of the remaining amount is transferred to the employees on condition that it does not exceed the two-month salary amount, and 10% to the reserve fund. With the decision of the General Assembly over the nominal amount of the shares, the remaining amount is transferred to the Treasury after the second dividend of maximum 6% is distributed.

Advance dividend payment is approved in the Extraordinary General Assembly Meeting of Central Bank of the Republic of Turkey held on 20 January 2020, it was decided to pay dividends in advance amounting to TL 35,198,589, and reserves allocated from the profit for 2018 amounting to TL 5,349,978 was distributed to shareholders with respect to legislation.

Following the General Assembly Meeting of Central Bank of the Republic of Turkey, held in 2020, the dividend amounting to TL 3,910,954, after the advance is deducted, is distributed to shareholders.

### NOTE 30 - RETAINED EARNINGS AND OTHER RESERVES

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution in accordance with the CBRT Law to the employees. Treasury and other shareholders. subject to the legal reserve requirement referred to below.

The distribution of the profit after tax of the Bank is as follows;

- 6% over the nominal value of the equity shares to the shareholders as an initial dividend.
- After deducting the above-stated percentages a maximum of 5% of the remaining amount; so as not to exceed two months salaries; to the Bank personnel and 10% percent to the extraordinary reserves.
- Subject to the decision of the General Assembly a maximum of 6% over the nominal value of the equity shares to the shareholders as the secondary dividend.

The remaining balance shall be transferred to the Treasury after this allocation.

Banks' other reserves consists of reserve fund amounting to TL 5,737,367 (31 December 2019: TL 5,357,622) and banknotes expired amounting to TL 172,996 (31 December 2019: TL 153,528).

**THE CENTRAL BANK OF THE REPUBLIC OF TURKEY****NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated)

**NOTE 31 - CASH AND CASH EQUIVALENTS**

	<b><u>31 December 2020</u></b>	<b><u>31 December 2019</u></b>
Cash	21,639,766	22,458,739
Due from banks (excluding accrued interest)	568,411,546	257,047,880
<b>Total</b>	<b>590,051,312</b>	<b>279,506,619</b>

**NOTE 32 - RELATED PARTY BALANCES AND TRANSACTIONS**

These financial statements include the following related party balances and transactions.

**(i) Balances with related parties**

Balances with related parties represent balances with shareholders and state-controlled entities.

	<b><u>31 December 2020</u></b>	<b><u>31 December 2019</u></b>
<b>Assets:</b>		
Financial assets measured at fair value through profit or loss <sup>(1)</sup>	89,499,890	19,407,464
Due from banks <sup>(2)</sup>	485,150,679	10,724,333
<b>Liabilities:</b>		
Due to banks <sup>(3)</sup>	344,708,690	239,228,544
Other deposits <sup>(4)</sup>	139,018,090	73,830,865

<sup>(1)</sup> Includes government bonds and lease certificates issued by Treasury.

<sup>(2)</sup> Includes receivables from shareholders as part of securities purchased under agreements to resell and interbank foreign currency transactions.

<sup>(3)</sup> Includes required reserve deposits of shareholders.

<sup>(4)</sup> Includes deposits of state-controlled entities, Treasury deposits and Treasury gold deposits.

**(ii) Transactions with related parties**

	<b><u>2020</u></b>	<b><u>2019</u></b>
Salaries and other benefits to key management	13,643	11,199
Interest income <sup>(1)</sup>	4,252,289	1,094,256
Interest expense <sup>(2)</sup>	6,145,393	6,577,301
Fee and commission income <sup>(3)</sup>	832,962	513,638
Dividends paid to shareholders	39,109,543	37,518,598
Paid to Treasury	5,349,978	40,769,702
Dividends paid to employees	24,290	20,661

<sup>(1)</sup> Includes interest income of government bonds issued by Treasury.

<sup>(2)</sup> Includes interest expense paid on deposits of shareholders.

<sup>(3)</sup> Includes Electronic Fund Transfer commissions from shareholders of the Bank and commission and charges due from Treasury and state-controlled entities.

**NOTE 33 – SUBSEQUENT EVENTS**

None.