

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

**FINANCIAL STATEMENTS AS OF AND FOR  
THE YEAR ENDED 31 DECEMBER 2021  
TOGETHER WITH INDEPENDENT AUDITOR'S  
REPORT**

**(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH)**

**INDEPENDENT AUDITOR'S REPORT**

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

**A) Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of the Central Bank of the Republic of Turkey ("the Bank", and "CBRT"), which comprise the balance sheet as at 31 December 2021, the statements of profit or loss, 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 2021, and its financial performance and cash flows for the year then ended in accordance with the Law of the Central Bank of the Republic of Turkey and related legislation (Note I. A. (2)).

**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") together with the ethical requirements that are relevant to our audit of the financial statements in Turkey. 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**

In accordance with the decision taken by the Bank, the accounting policy of "Swap Transactions" has been changed and the effects of the change are explained in note I. A. (3) of the 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 the Law of the Central Bank of the Republic of Turkey and related legislation (Note I. A. (2)), 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, 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**

The responsibilities of independent auditors in an independent audit are as follows:

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Additional paragraph for convenience translation to English:**

The accounting principles summarized in (Note I. A. (2)), differ from the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (“IFRS”). Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

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



Damla Harman, SMMM  
Partner

February 23, 2022  
İstanbul, Türkiye

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

BALANCE SHEETS (FINANCIAL POSITION) AS OF 31 DECEMBER 2021 AND 2020

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

	Note (Section II)	Audited 31 December 2021	Audited 31 December 2020
<b>1. GOLD RESERVES</b>	<b>1</b>	<b>499,485,010</b>	<b>319,703,047</b>
1.1 International Standards		499,485,010	319,703,047
<b>2. FOREIGN CURRENCY BANKNOTES</b>		<b>51,758,697</b>	<b>21,578,916</b>
<b>3. FOREIGN CORRESPONDENTS</b>	<b>2</b>	<b>887,895,809</b>	<b>344,003,969</b>
3.1 Foreign Currency Securities		106,493,636	65,180,637
3.2 Deposit		119,977,655	56,344,226
3.3 Other		661,424,518	222,479,106
<b>4. RESERVE TRANCHE POSITION</b>	<b>10</b>	<b>2,049,054</b>	<b>1,197,129</b>
<b>5. SECURITIES PORTFOLIO</b>	<b>3</b>	<b>74,109,108</b>	<b>89,499,890</b>
5.1 Government Domestic Debt Securities		73,535,177	88,515,589
5.2 Other		573,931	984,301
<b>6. RECEIVABLES FROM MONETARY POLICY OPERATIONS</b>	<b>3</b>	<b>569,610,998</b>	<b>290,045,954</b>
6.1 Open Market Operations		377,360,486	99,343,998
6.2 Interbank Money Market Operations		119,230,982	190,701,956
6.3 Other		73,019,530	-
<b>7. DOMESTIC CORRESPONDENTS</b>	<b>4</b>	<b>599,767</b>	<b>-</b>
<b>8. LOANS</b>	<b>5</b>	<b>198,280,513</b>	<b>138,487,956</b>
8.1 Domestic Loans		198,162,918	138,421,441
8.1.1 Discount Loans		195,842,969	137,639,820
8.1.2 Other Loans		2,319,949	781,621
8.2 Foreign Loans		117,595	66,515
<b>9. EQUITY PARTICIPATIONS</b>	<b>6</b>	<b>4,366,320</b>	<b>2,587,397</b>
<b>10. TREASURY LIABILITIES DUE TO SDR ALLOCATION</b>	<b>10</b>	<b>100,592,854</b>	<b>11,372,379</b>
<b>11. FIXED ASSETS (NET)</b>	<b>7</b>	<b>925,593</b>	<b>942,523</b>
<b>12. LOANS UNDER LEGAL FOLLOW-UP (NET)</b>	<b>5</b>	<b>-</b>	<b>-</b>
12.1 Loans Under Legal Follow-Up		20,514,868	11,544,249
12.2 Provision for Loans Under Legal Follow-Up (-)		(20,514,868)	(11,544,249)
<b>13. OTHER ASSETS</b>	<b>8</b>	<b>106,542,773</b>	<b>24,576,120</b>
13.1 Gold Reserve in Non-International Standards	1	2,150,901	1,264,079
13.2 Coins		85,130	60,850
13.3 Income Accruals		144,248	102,740
13.4 Other		104,162,494	23,148,451
<b>TOTAL ASSETS</b>		<b>2,496,216,496</b>	<b>1,243,995,280</b>

The accompanying notes are an integral part of these financial statements.

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

**BALANCE SHEETS (FINANCIAL POSITION) AS OF 31 DECEMBER 2021 AND 2020**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

	Note (Section II)	Audited 31 December 2021	Audited 31 December 2020
<b>1. CURRENCY IN CIRCULATION</b>	<b>9</b>	<b>235,377,440</b>	<b>188,369,447</b>
<b>2. PAYABLES DUE TO MONETARY POLICY OPERATIONS</b>	<b>3</b>	<b>6,012,486</b>	<b>13,007,785</b>
2.1 Open Market Operations		-	11,095
2.2 Interbank Money Market Operations		6,012,486	12,996,690
2.3 Liquidity Bills		-	-
2.4 Other		-	-
<b>3. DEPOSITS</b>	<b>11</b>	<b>1,893,247,670</b>	<b>880,648,797</b>
3.1 Public Sector		336,153,675	138,854,422
3.1.1 Treasury, General and Annexed Budget Administrations		336,099,280	138,830,892
3.1.1.1 Cash		302,437,150	112,070,461
3.1.1.2 Gold		33,662,130	26,760,430
3.1.1.2 Other		54,395	23,530
3.2 Banking Sector		1,553,201,590	738,902,414
3.2.1 Domestic Banks		638,975,015	283,836,190
3.2.1.1 Cash		602,077,818	247,103,544
3.2.1.2 Guarantees		30,969,609	35,132,883
3.2.1.2.1 Cash		28,136,056	25,124,375
3.2.1.2.2 Gold		2,833,553	10,008,508
3.2.1.3 Gold		5,927,588	1,599,763
3.2.2 Foreign Banks		225,735,442	135,931,612
3.2.3 Reserve Requirements		688,491,133	319,134,612
3.2.3.1 Cash		581,424,709	242,289,279
3.2.3.2 Gold		107,066,424	76,845,333
3.2.4 Other		-	-
3.3 Other Deposits		3,892,405	2,891,961
3.3.1 Foreign Exchange Deposits By Citizens Abroad		3,506,187	2,574,406
3.3.2 International Institutions		192,082	153,496
3.3.3 Funds		194,040	163,668
3.3.4 Other		96	391
<b>4. FOREIGN CORRESPONDENTS</b>	<b>17</b>	<b>62,913,857</b>	<b>26,183,011</b>
<b>5. RESERVE TRANCHE POSITION</b>	<b>10</b>	<b>2,049,054</b>	<b>1,197,129</b>
<b>6. SDR ALLOCATION</b>	<b>10</b>	<b>100,592,854</b>	<b>11,372,379</b>
<b>7. TAX LIABILITY</b>	<b>14</b>	<b>17,139,731</b>	<b>9,082,759</b>
7.1 Taxes Payable		16,989,486	9,006,307
7.2 Deferred Tax Liabilities		150,245	76,452
<b>8. PROVISIONS</b>	<b>13</b>	<b>474,700</b>	<b>429,519</b>
<b>9. SHARE CAPITAL AND LEGAL RESERVES</b>	<b>12</b>	<b>4,684,659</b>	<b>5,956,597</b>
9.1 Paid-in Share Capital		25	25
9.2 Adjustment to Paid-in Share Capital		46,209	46,209
9.3 Legal Reserves		4,638,425	5,910,363
<b>10. VALUATION ACCOUNT</b>	<b>15</b>	<b>53,610,920</b>	<b>69,351,880</b>
<b>11. PROFIT FOR THE YEAR</b>		<b>57,483,159</b>	<b>34,497,932</b>
<b>12. OTHER LIABILITIES</b>	<b>16</b>	<b>62,629,966</b>	<b>3,898,045</b>
12.1 Non-International Standard Treasury Gold		-	-
12.2 Letter of Credits		191,921	177,113
12.3 Expense Accruals		501,905	174,728
12.4 Other		61,936,140	3,546,205
<b>TOTAL LIABILITIES</b>		<b>2,496,216,496</b>	<b>1,243,995,280</b>

*The accompanying notes are an integral part of these financial statements.*

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

**STATEMENT OF PROFIT OR LOSS  
FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

	Note	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
<b>I- INTEREST INCOME</b>	<b>1</b>	<b>131,631,095</b>	<b>46,189,979</b>
<b>II- INTEREST EXPENSE</b>	<b>2</b>	<b>(25,946,169)</b>	<b>(7,669,230)</b>
<b>III- NET INTEREST INCOME / (EXPENSE)</b>		<b>105,684,926</b>	<b>38,520,749</b>
<b>IV- NET COMMISSION AND SERVICE</b>		<b>1,659,477</b>	<b>4,228,806</b>
- Commission and Service Income		1,758,296	4,303,932
- Commission and Service Expenses		(98,819)	(75,126)
<b>V- NON-INTEREST INCOME</b>	<b>3</b>	<b>35,151,292</b>	<b>142,179,286</b>
<b>VI- NON-INTEREST EXPENSES</b>	<b>4</b>	<b>(68,302,677)</b>	<b>(141,892,309)</b>
<b>VII- PROFIT BEFORE TAX {III+IV+V-VI}</b>		<b>74,193,018</b>	<b>43,036,532</b>
<b>VIII- TAX EXPENSE</b>	<b>Note 14 (Section II)</b>	<b>(16,709,859)</b>	<b>(8,538,600)</b>
- Tax Provision		(16,718,403)	(8,530,907)
- Deferred Tax Income/(Expense)		8,544	(7,693)
<b>IX- NET PROFIT FOR THE YEAR {VII-VIII}</b>		<b>57,483,159</b>	<b>34,497,932</b>

*The accompanying notes are an integral part of these financial statements.*

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

**STATEMENT OF OFF-BALANCE SHEET ACCOUNTS  
AS OF 31 DECEMBER 2021 AND 2020**

(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

OFF-BALANCE SHEET ACCOUNTS	31 December 2021				31 December 2020			
		FC	FC	Unit		FC	FC	Unit
	(Original Currency) TL	(TL Equivalent) (Thousand)	(TL Equivalent) (Thousand)	(Thousand)	(Original Currency) TL	(TL Equivalent) (Thousand)	(TL Equivalent) (Thousand)	(Thousand)
<b>A. Securities in Custody</b>	<b>328,649,375</b>	<b>233,021</b>	<b>1,279,982</b>	<b>23</b>	<b>317,637,504</b>	<b>251,811</b>	<b>954,408</b>	<b>24</b>
1. Marketable Securities in Custody – Free	287,204,684	85,271	1,225,817	-	277,667,978	106,288	930,275	-
2. Deal Securities Government Debt Security Depot of Savings	8,333,722	-	-	8	11,111,625	-	-	8
3. Deposits Insurance Fund, Exempt from Income Tax	32,766,228	-	-	-	28,412,495	-	-	-
4. Other	344,741	147,750	54,165	15	445,406	145,522	24,133	16
<b>B. Guarantees Received</b>	<b>160,590,341</b>	<b>52,915,202</b>	<b>284,432,346</b>	<b>211</b>	<b>146,308,815</b>	<b>53,711,408</b>	<b>163,412,233</b>	<b>209</b>
1. Government Debt Security Depots of Bank under Foreign Exchange Market Guarantee	8,287,683	-	-	-	-	-	-	-
2. Bonds as Interbank Money Market Operations Guarantees	145,416,937	30,860,233	87,374,709	-	143,116,114	27,536,925	24,803,143	-
3. Other	6,885,721	22,054,969	197,057,637	211	3,192,701	26,174,483	138,609,090	209
<b>C. Obsolete and Reserve Banknotes</b>	<b>136,173,543</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>128,832,564</b>	<b>-</b>	<b>-</b>	<b>-</b>
1. Reserve Banknotes - Head Office	39,305,240	-	-	-	32,925,665	-	-	-
2. Reserve Banknotes – Branches, Banknotes Depots and Other Units	96,868,028	-	-	-	95,906,623	-	-	-
3. Obsolete Banknotes – Branches, Banknotes Depots and Other Units	275	-	-	-	275	-	-	-
<b>D. Other</b>	<b>1,307,848,297</b>	<b>131,753,074</b>	<b>781,507,922</b>	<b>1,418,183</b>	<b>902,510,815</b>	<b>112,643,189</b>	<b>438,436,965</b>	<b>1,512,747</b>
1. Bank Treasury Bonds Portfolio and Security Depots Received Through Repo Transactions	237,053,573	-	-	-	156,103,197	-	-	-
2. Customer Transactions Portfolio – Takasbank and MKK	295,276,046	-	-	-	248,345,682	-	-	-
3. Other	775,518,678	131,753,074	781,507,922	1,418,183	498,061,937	112,643,189	438,436,965	1,512,747
<b>E. Unpublished Marketable Securities Depots in Electronic Marketable Security Transfer Recording</b>	<b>923,674,872</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>793,649,103</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL (A+B+C+D+E)</b>	<b>2,856,936,428</b>	<b>184,901,297</b>	<b>1,067,220,250</b>	<b>1,418,417</b>	<b>2,288,938,801</b>	<b>166,606,408</b>	<b>602,803,606</b>	<b>1,512,980</b>

The balances presented in the Off Balance Sheet Commitments table consist of securities expressed in TL, foreign currency and units. TL and foreign currency securities are expressed in terms of the original amount of currency of their nominal values; blank letter of credits, letter of credits that account owners entrust for maintenance, gold and silver medallions and badges of service award, banknote samples, specimen catalogues, cheques with unknown costs are expressed in terms of units.

*The accompanying notes are an integral part of these financial statements.*



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

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

	Share Capital	Capital Reserves Due to Inflation Accounting	Legal Reserves	Equity Participations Value Increase Fund (*)	Retirement Pay Actuarial Gains /(Losses) (*)	Retained Earnings/ (Accumulated Deficit) (*)	Net Profit For the Year	Total Shareholders' Equity
<b>Balance at 1 January 2020</b>	<b>25</b>	<b>46,209</b>	<b>5,511,150</b>	<b>1,529,472</b>	<b>2,490</b>	<b>44,750,075</b>	<b>-</b>	<b>51,839,421</b>
Fair Value Increase /(Decrease) in Equity Participations	-	-	-	671,570	-	-	-	671,570
<u>Profit Distribution</u>								
Dividends	-	-	-	-	-	(39,133,833)	-	(39,133,833)
- Treasury	-	-	-	-	-	(39,109,540)	-	(39,109,540)
- Other Shareholders	-	-	-	-	-	(3)	-	(3)
- Employees	-	-	-	-	-	(24,290)	-	(24,290)
Transferred to Equity Reserves	-	-	5,576,195	-	-	(5,576,195)	-	-
Paid to Treasury	-	-	(5,349,978)	-	-	-	-	(5,349,978)
Net Profit for the Year	-	-	-	-	-	-	34,497,932	34,497,932
Other (**)	-	-	172,996	-	-	-	-	172,996
<b>Balance at 31 December 2020</b>	<b>25</b>	<b>46,209</b>	<b>5,910,363</b>	<b>2,201,042</b>	<b>2,490</b>	<b>40,047</b>	<b>34,497,932</b>	<b>42,698,108</b>
<b>Balance at 1 January 2021</b>	<b>25</b>	<b>46,209</b>	<b>5,910,363</b>	<b>2,201,042</b>	<b>2,490</b>	<b>34,537,979</b>	<b>-</b>	<b>42,698,108</b>
Fair Value Increase /(Decrease) in Equity Participations	-	-	-	1,564,376	-	-	-	1,564,376
<u>Profit Distribution</u>								
Dividends	-	-	-	-	-	(30,207,403)	-	(30,207,403)
- Treasury	-	-	-	-	-	(30,193,951)	-	(30,193,951)
- Other Shareholders	-	-	-	-	-	(3)	-	(3)
- Employees	-	-	-	-	-	(13,449)	-	(13,449)
Transferred to Equity Reserves	-	-	4,304,257	-	-	(4,304,257)	-	-
Paid to Treasury	-	-	(5,576,195)	-	-	-	-	(5,576,195)
Net Profit for the Year	-	-	-	-	-	-	57,483,159	57,483,159
<b>Balance at 31 December 2021</b>	<b>25</b>	<b>46,209</b>	<b>4,638,425</b>	<b>3,765,418</b>	<b>2,490</b>	<b>26,319</b>	<b>57,483,159</b>	<b>65,962,045</b>

(\*) Presented within other liabilities in balance sheet. (Refer to Note II.16).

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

*The accompanying notes are an integral part of these financial statements.*

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## PROFIT DISTRIBUTION TABLES FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

	Audited 01.01. - 31.12.2021 (*)	Audited 01.01.- 31.12.2020(**)
<b>A. DISTRIBUTION OF PROFIT FOR THE YEAR</b>		
1. Profit for the year	74,193,018	43,036,532
2. Taxes Payable and Legal Liabilities	(16,709,859)	(8,538,600)
- Corporate Tax (Income Tax)	(16,718,403)	(8,530,907)
- Income Tax Deduction	-	-
- Other Taxes and Legal Liabilities	8,544	(7,693)
<b>NET PROFIT FOR THE YEAR</b>	<b>57,483,159</b>	<b>34,497,932</b>
3. Prior Year Profit/(Loss)	26,319	40,047
4. Legal Reserves	-	4,304,257
5. Other Legal Funds	-	-
<b>DISTRIBUTABLE PROFIT FOR THE YEAR</b>		
6. Dividends to Shareholders	-	3
7. Dividends to Employees	-	13,449
<b>AMOUNT OF PAYABLE TO REPUBLIC OF TURKEY, MINISTRY OF TREASURY AND FINANCE ("TREASURY") ACCORDING TO THE CENTRAL BANK OF THE REPUBLIC OF TURKEY ("CBRT") LAW NO. 1211</b>		
	-	<b>30,193,951</b>

(\*) As of the date of these financial statements, there is no declared decision of the Board of the Bank related to the distribution of the profit for the year 2021. However, corporate tax provision is calculated based on the assumption that employees will be paid 1 months of salary as dividend. The profit distribution of the Bank for the year 2021 will be decided based on the resolution of the General Assembly to be held in 2022.

Advance dividend payment is approved in the Extraordinary General Assembly Meeting of Central Bank of the Republic of Turkey held on 3 February 2022, it is decided to pay dividends in advance amounting to TL 45 billion, and reserves allocated from the profit for 2021 amounting to TL 4.3 billion is distributed to shareholders with respect to legislation.

(\*\*) According to decision taken in the Ordinary General Assembly Meeting of Central Bank of the Republic of Turkey held on 30 March 2021, dividend amounting to TL 30.2 billion and the entire reserve fund amounting to TL 5.6 billion which was allocated from the profit of 2019 have been distributed to shareholders with respect to the related legislation.

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.

*The accompanying notes are an integral part of these financial statements.*

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

**STATEMENT OF CASH FLOWS FOR THE  
YEARS ENDED 31 DECEMBER 2021 AND 2020**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

	Note (Section II, III, IV)	Audited 1 January – 31 December 2021	Audited 1 January – 31 December 2020
<b>Cash flows (used in) / from operations</b>			
<b>Net profit for the year</b>		<b>57,483,159</b>	<b>34,497,932</b>
<b>Adjustments:</b>			
Depreciation of fixed assets and amortization expenses	III. 4	82,725	95,280
Retirement pay provision	II. 13	47,054	35,103
Net interest income		(105,684,926)	(38,520,749)
Dividend income	III. 3	-	-
Net commission income		(1,659,477)	(4,228,806)
Tax expense/income	II. 14	16,709,859	8,538,600
Increase/decrease in value of financial assets, net		(729,575)	(1,660,166)
(Profit) / loss resulting from fixed asset sales		-	15
Other		32,679,974	7,710,263
<b>Cash flows from operating income before changes in operating assets and liabilities</b>		<b>(1,071,207)</b>	<b>6,467,472</b>
<b>Changes in operating assets and liabilities:</b>			
Changes in gold reserves		(81,152,929)	(123,881,017)
Changes in marketable securities		(16,883,482)	27,576,206
Net change in loans and advances given		(55,609,898)	(20,554,757)
Net change in other assets		119,910,979	(28,596,361)
Net change in currency in circulation		47,007,993	35,007,071
Changes in liabilities due to money market operations		(6,995,299)	8,238,997
Net change in deposits		688,277,789	252,157,647
Net change in other liabilities		(269,057,883)	93,621,843
Taxes paid		(6,274,906)	(8,804,092)
Retirement payments made	II. 13	(1,874)	(58,185)
Interest received		132,076,220	45,724,882
Interest paid		(29,313,071)	(7,689,746)
Commissions received		1,758,296	4,303,932
Commissions paid		(98,819)	(75,126)
<b>Cash flows from / (used in) operations, net</b>		<b>522,571,909</b>	<b>283,438,766</b>
<b>Cash flows related to investments activities</b>			
Fixed asset purchases		(66,256)	(443,898)
Cash generated from fixed asset sales		461	27,314
Dividend received	III. 3	48,635	-
<b>Cash flows used in investments activities, net</b>		<b>(17,160)</b>	<b>(416,584)</b>
<b>Cash flows related to financing activities</b>			
Dividends paid		(30,207,403)	(39,133,833)
Legal reserves paid to Treasury		(4,304,257)	(5,349,978)
<b>Net cash used in financing activities, net</b>		<b>(34,511,660)</b>	<b>(44,483,811)</b>
<b>Effect of changes in exchange rates on cash and cash equivalents</b>		<b>324,919,485</b>	<b>72,006,322</b>
<b>Changes in cash and cash equivalents</b>		<b>812,962,574</b>	<b>310,544,693</b>
<b>Cash and cash equivalents at the beginning of the year</b>	IV. 1	<b>590,051,312</b>	<b>279,506,619</b>
<b>Cash and cash equivalents at the end of the year</b>	IV. 2	<b>1,403,013,886</b>	<b>590,051,312</b>

*The accompanying notes are an integral part of these financial statements.*

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

**I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE**

**A. Notes and explanations related to current year**

(1) The accompanying financial statements of the Central Bank of the Republic of Turkey (“the Bank” or “CBRT”) as of 31 December 2021 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.

**(2) Detailed explanations of principal accounting policies applied by the Bank:**

The basis of presentation of the financial statements and accounting policies which are integral part of the accompanying financial statements are as follows:

**i. Basis of Presentation of the Financial Statements**

The Bank maintains its books of account in accordance with the Turkish Commercial Code numbered 6102, Tax Legislation and Law of the Central Bank of the Republic of Turkey numbered 1211 (“CBRT Law”) and prepares its financial statements in accordance with the accounting policies below, which are in conformity with the aforementioned legislation. According to the 57th and 58th articles of the Central Bank Law, the accounting period of the Bank is the calendar year. At the end of each calendar year, the Bank submits its balance sheet and income statement to the Presidency of the Republic of Turkey along with the annual report prior to the General Assembly Meeting and publishes the balance sheet in the Official Gazette.

In the statement made by the Public Oversight, Accounting and Auditing Standards Authority on January 20, 2022, since the cumulative change in the general purchasing power of the last three years according to the Consumer Price Index (CPI) is 74,41%, TAS 29 Financial Inflationary Economies in 2021 financial statements. It has been stated that there is no need to make any adjustments within the scope of the Reporting Standard. In this respect, while preparing the financial statements as of December 31, 2021, no inflation adjustment was made according to TAS 29.

**Additional paragraph for convenience translation into English**

The differences between accounting principles, as described in the preceding paragraphs, and accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying financial statements. Accordingly, these financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

**ii. Accounting Principles**

Significant accounting principles applied in the preparation of the financial statements are as follows:

**a. Accounting of Income and Expenses**

Interest income and expense that are calculated by using the effective interest rate method are accounted for on an accrual basis.

The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate a shorter period.

Commissions and service fees collected or paid due to the transaction of CBRT with the domestic and foreign banks, Treasury, public entities and various persons or entities are recognized as income or expense in the period in which they are paid or collected. Income or expense accruals are recognized for those which will be collected or paid in the subsequent period. Commission and service income and expenses are accounted for on an accrual basis or recognized as income and expenses in the income statement in the period in which they are paid or collected depending on their nature.

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

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**I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE (Continued)**

**a. Accounting of Income and Expenses (continued)**

Interest components of swap transactions are included in the interest income/expenses; the difference between the acquisition costs and fair value of financial assets whose fair value difference is reflected in profit/loss, TL-Settled Foreign Exchange Transactions foreign exchange income/expenses, foreign exchange expense of conversion transactions to Turkish lira deposits and participation accounts, gold and foreign currency purchasing-sale income/expenses and general expenses are followed under non-interest income/expenses.

The average cost method is used to calculate income/expenses for trading of gold and foreign currencies. Interest income/expense arising from money and swap agreements is included in the average cost.

Prepaid expenses are recognized as expense in monthly basis in line with the periodicity principle.

In accordance with the article 61 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 TL 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 exchange 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 balance sheet.

The Valuation Account is not considered as income and expense during computation of corporate tax base. Realized foreign exchange gains and losses from foreign currency sales and purchase transactions are reflected to the income statement at the date of transaction.

**b. Foreign Currency Transactions**

The Bank's foreign currency transactions are converted into Turkish Lira over the foreign exchange rates at the date of the transaction. During the preparation of the financial statements, the assets and liabilities in foreign currency accounts are converted into Turkish Lira based on the foreign exchange rates and effective buying rates as of the balance sheet date.

As described in article a. above, according to Article 61 of the Central Bank Law, unrealized foreign exchange gains and losses are presented in "Valuation Account". In case of realization such gains and losses are transferred to profit or loss accounts.

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

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**I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE (Continued)**

**c. Gold Reserves**

Gold reserves of the Bank consists of international standards of gold held in the Bank vault, in international banks and in Istanbul Stock Exchange (“BIST”) and non-international standard of gold held in the Bank vault. Gold reserves held abroad for the purpose of reserve management policy are kept in free depots. In addition, gold deposited for reserve requirement establishment by banks and finance companies are followed at banks abroad and BIST. The Bank can make direct buying and selling transactions, gold custody accounts, forward gold deposit transactions, gold equivalent foreign currency and foreign currency equivalent gold swaps, swap transactions for gold with domestic banks, location swaps, physical gold transfer operations and similar transactions for the purpose of gold reserves management.

Gold is initially recorded with the prices prevailing at the date of acquisition and is valued with fair value in subsequent periods. Fair value is determined on the last business day of the week and month, based on the gold price quoted at the London Bullion market exchange at 10:30 (2020: based on the gold price quoted at the London Bullion market exchange at 10:30) (2021: 1,820.10 US Dollars/2020: 1,891.00 US Dollars) and on the basis of 1 ounce being equal to 31.1035 grams, presented on the balance sheet after being converted to Turkish Lira. Fair value changes of gold reserves both arising from changes in price and exchange rates are accounted for as unrealized gains or losses under “Valuation Account” in accordance with the Article 61 of the CBRT Law. Realized gains and losses are transferred to statement of profit or loss.

As of the end of year 2021, gold rate used in the valuation is TL/ounce 23,620 (2020: TL/ounce 13,882).

**d. Financial Instruments**

Turkish Lira and foreign currency securities held for the purpose of liquidity and reserve management are financial assets measured at fair value through profit or loss (“FVTPL”). Financial assets at FVTPL, are subjected to fair value valuation at the end of the month after initial recognition and profit or loss arising from valuation is reflected in profit/loss accounts. Interest earned from holding Financial assets at FVTPL is recognized in interest income.

*Securities Portfolio*

The Bank’s securities portfolio consists of securities purchased on Bank’s own behalf in line with the article 52 about open market operations and article 53 about foreign currency operations of the CBRT Law. The securities are initially carried at their cost values including their transaction costs. After the initial recognition, profit or loss arising from revaluation according to their fair value is recognized in profit/loss accounts. Valuation differences between acquisition costs and revalued amounts according to their fair value are reflected to “3. Foreign Correspondents/3.1 Foreign Currency Securities” and “5. Securities Portfolio” captions in the balance sheet.

Fair value of the securities is determined with reference to quoted market prices in BIST; in case the quoted prices are not available fair value is determined using prices declared daily by the Bank and published in the Official Gazette. Foreign securities are valued with fair values determined with reference to quoted market prices in the international markets at the end of the month. Interest accrued during the holding of the securities, are shown as interest income.

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

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I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL  
STRUCTURE (Continued)

d. Financial Instruments (Continued)

*Open Market Operations - Securities Purchased Under Agreements to Resell*

The transactions of domestic currency securities purchased under agreements to resell are carried out by the Bank within the framework of open market operations.

Securities purchased under agreements to resell are accounted for as collateralized loans. Cash receivables originated from the transaction are classified as "6. Receivables Due to Monetary Policy Operations / 6.1 Open Market Operations" in the asset side where the securities received as collateral are classified under the off-balance sheet accounts. Interest income is calculated on an accrual basis using the effective interest method at the end of each month. Interest income generated from the securities purchased under agreements to resell operations at maturity is recorded in the statement of profit or loss.

*Open Market Operations - Securities Sold Under Agreements to Repurchase*

Securities sold under agreements to repurchase are accounted for as collateralized deposits received by the Bank. Securities given as collateral are classified under "5. Securities Portfolio" in the asset side where the cash that will be paid at the maturity is classified under "2. Payables Due to Monetary Policy Operations / 2.1 Open Market Operations" in the liability side. Interest amount to be paid to the banks are accrued at the end of each month using effective interest method. Interest expense for the securities sold under agreements to repurchase operations at maturity is recorded in the statement of profit or loss.

*Foreign Exchange Deposits Operations Against Turkish Lira Deposits*

Exchange deposits given is classified under "7. Domestic Correspondents" in the asset side and TL deposits received is classified under "2. Payables Due to Monetary Policy Transactions / 2.4 Other" in the liability side. Interest amount collected from exchange deposits and paid to the TL deposits are accrued at the end of each month using effective interest method. Interest income arising from the operations at maturity and interest expense paid for the related operations are recorded in the statement of profit or loss.

*Mutual Deposit Operations*

Exchange deposits taken is classified under "3. Deposit / 3.2 Banking Sector / 3.2.1 Domestic Bank / 3.2.1.1 Cash" in the liabilities side, Turkish Lira deposits given is classified under "6. Receivables From Monetary Policy / 6.3 Other" in the asset side. Interest amount collected from TL deposits are accrued at the end of each month using effective interest method. Interest income arising from the operations at maturity operations are recorded in the statement of profit or loss.

*TL Settled Forward Foreign Exchange Sales*

At effective date, TL receivables with foreign exchange sales commitment is recognized under the off-balance sheet items. At the end of months, gains from the increase in value and loss decrease in value are classified under "13. Other Assets / 13.4 Other" / "12. Other Liabilities / 12.4 Other" in the balance sheet. TL payments/collections related to foreign currency exchange rate difference arising from the operations at maturity are recorded in the statement of profit or loss.

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

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

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**I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE (Continued)**

**d. Financial Instruments (Continued)**

*Bilateral Currency Swap Transactions*

FC debts and TL receivables subjected to the bilateral currency swap agreement are recognized under the off-balance sheet items at value date and classified under "3. Foreign Correspondents / 3.3. Other" in the asset side and "3. Deposits at Bank / 3.2 Banking Sector Deposits / 3.2.2 Foreign Banks in the liability side respectively. Interest collected/paid in the framework of currency swap agreement is accrued at the end of each month using effective interest method. Interest collected/paid within the maturity date is recorded in the statement of profit or loss.

*Conversion Transactions to Turkish Lira Deposit and Participation Accounts*

The assets (foreign currency, gold) acquired through conversion into Turkish lira deposit and participation accounts are accounted under the "7. Domestic Banks" in the balance sheet at the value date. At the end of every month, the exchange rate differences to be paid within the scope of conversion to Turkish lira deposit and participation accounts are included in the balance sheet at "13. Other Assets/13.4 Other"/ "12. Other Liabilities/12.4 Other" are followed up against each other, and the foreign exchange expense arising from the transaction at maturity is reflected in the profit/loss statement.

*Loans and Impairment*

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.

*Impairment*

The Bank has implemented incurred 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.



NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
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(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

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I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE (Continued)

d. Financial Instruments (Continued)

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 expected 12-month 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

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
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**I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE (Continued)**

**d. Financial Instruments (Continued)**

*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.

*Equity Participations*

The Bank classified its investments in the Bank for International Settlements (“BIS”), Society for Worldwide Interbank Financial Telecommunication (“SWIFT”), International Islamic Liquidity Management (“IILM”), and Interbank Card Center (Bankalararası Kart Merkezi) as equity participations.

Equity participations are initially recorded with their acquisition costs. In subsequent periods to initial recognition, equity participations are measured at fair value and classified as fair value through other comprehensive income, irrevocably.

The fair value of BIS’s shares that Bank holds are calculated as 70% the Bank’s net asset on the BIS shares and converted to Turkish Lira with TL/SDR exchange rate at the end of the year. This valuation method is the method that determines purchase and sales prices of BIS shares.

The fair value of SWIFT’s shares is determined by using the per share value announced by SWIFT.

Income and expenses arising from changes in fair value are recognized under other liabilities. A dividend related to investments in equity participations are recorded to the statement of profit or loss in the period when the right to receive dividend occurs.

*Financial Liabilities*

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

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL  
STRUCTURE (Continued)

e. **Banknotes in Circulation**

According to the article 4 of Central Bank Law, the Bank has the exclusive privilege of issuing banknotes in Turkey. According to the article 36 of CBRT Law, banknotes in circulation are recognized in “1. Banknotes in Circulation” under liabilities. The Bank may change the banknotes in circulation with the new banknotes, if necessary. Banknotes in circulation are presented at nominal value in the financial statements.

The Bank’s semi-finished banknote inventory produced in banknote printing office are presented under “13. Other Assets” at cost. The expenses related to banknotes are capitalized and the banknotes are recorded as expense when the banknotes are transferred to reserve depot. Cost of finished and semi-finished goods consist of general expenses such as; direct cost, depreciation expense, payroll expense, banknote transportation cost and other production cost.

In accordance with Article 59 of the CBRT Law, banknotes that are expired are recorded in the legal reserves.

*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 expired as of 31 December 2009.

f. **Fixed Assets**

Fixed assets consist of land, buildings, fixtures, vehicles and software products.

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

Properties in the course of construction for production, supply or administrative purposes 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 recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant 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 depreciation rates of the fixed assets are as follows:

Buildings	2-6 %
Vehicles, Furniture and Fixture	2-100 %
Leasehold Improvements	10-20 %
Software	6-100 %

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
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(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

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**I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE (Continued)**

**g. Provisions**

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions include amounts provided for future probable losses in accordance with the article 59 of the CBRT Law for insurance, money in transit, retirement pay and taxation.

*Retirement Bonus and Severance Payments*

According to the Turkish legislation and labor union agreements, employment termination benefits are paid upon the retirement of employees or in the case of layoff. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized under actuarial gain/loss account in other liabilities.

**h. Taxes**

The Bank is subject to corporation tax in accordance with the Turkish tax legislation. In addition, the Bank is liable for income withholding tax of third parties.

The Corporate Tax Law No.5520 has come into effect with the announcement at the Official Gazette No: 26205 dated 21 June 2007. Most of the articles of the Corporate Tax Law are effective from 1 January 2006. Accordingly, in accordance with No:32 corporation tax is payable, at a rate of 20% effective from 1 January 2006, on the total income of the Bank after adjusting for certain disallowable expenses and exempt income in accordance with tax legislation and Central Bank Law No:1211.

Corporate earnings are subject to 20% corporate tax. However, in accordance with the temporary article 13 added to the Corporate Tax Law, it will be applied at the rate of 25% for corporate earnings in 2021 and 23% for corporate earnings in 2022. 20% rate is used for Deferred tax calculation. Current year tax liabilities, are paid as the amount after offsetting prepaid taxes. Tax amounts deducted from the repo-reverse repo income and deducted from temporary tax and temporary tax amounts paid are recognised in the balance sheet under "13. Other Assets / 13.4 Other".

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.

Income taxes stated in the financial statements include the change in the current tax and deferred tax.

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
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(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

**I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE (Continued)**

**h. Taxes (continued)**

Deferred tax liability or asset is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit by using balance sheet method and by using prevailing tax rates. Deferred tax liabilities are generally recognized for all taxable temporary differences. 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. According to article 61 of CBRT Law, deferred tax is not calculated for "valuation account" which is not subjected to corporate tax base. Deferred tax liability or asset are indicated at financial statements considering their estimated effects on increase or decrease rate of tax amount that will pay future period which no temporary differences. Deferred tax asset is accounted when the probability of providing tax advantages are occurred in future period. When it is understood as being utilized that deducting from related assets made provision.

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 intends to settle its current tax assets and liabilities on a net basis.

With the "Law Amending the Tax Procedure Law and the Corporate Tax Law", which was accepted on the agenda of the Turkish Grand National Assembly on January 20, 2022, the application of inflation accounting was postponed starting from the balance sheet dated December 31, 2023.

**i. Custody Operations**

The assets belonging to several individuals and organizations are classified in the off-balance sheet accounts, since these assets are held for custody purposes only.

**j. Comparative Information and Restatement of Prior Year Financial Statements**

In order to allow the determination of the financial position and performance trends, the financial statements of the Bank are prepared comparatively with the prior period. Certain classifications are made in the previous year financial statements and the significant differences are disclosed in order to maintain comparability with the current year financial statement. Except for the classification explained below, The Bank hasn't made any reclassification on the previous year's financial statements.

"12. The international standard Treasury gold reported in the "Other Liabilities" has started to be classified under the "3.1 Public Sector Deposits" as of 2021. The classification change has also been reflected in the financial statements dated 31 December 2020.

**k. 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. There is no significant change in accounting estimates of Bank in current year. Significant changes in accounting policy are applied retrospectively and prior period financial statements are restated. There is no significant accounting error identified by the Bank in current year.

**l. Changes in Accounting Policies**

Changes in accounting policies are applied prospectively and prior period financial statements are not restated.

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE (Continued)

(3) Changes in accounting policies in the current period and their financial effects:

Except for the change stated below, the accounting policies applied in the financial statements of the Bank are the same as the accounting policies applied in the financial statements prepared as of 31 December 2020.

In line with the decision taken by the Bank, the accounting policy of "Swap Transactions" has been amended to be applied prospectively, effective from 1 January 2021.

The accounting policy applied before the change is explained below:

*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 under "13. Other Assets / 13.4 Other" / "12. Other Liabilities / 12.4 Other" and in the statement of profit or loss at the end of each month gain and interest income/expense, arising from the transaction are reflected to the statement of profit / loss at the maturity.

The accounting policy change applied as of January 1, 2021 and the effects of the first application of the relevant change are as follows:

*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. At the end of the month, fair value increases/decreases are followed in the balance sheet under "13. Other Assets / 13.4 Other" / "12. Other Liabilities / 12.4 Other" and are followed under interest income in the profit/loss statement. The non-interest valuation effects of valuation increases/decreases in the fair value, together with the valuation effects of the unrealized income or expenses arising from the valuation of the underlying assets subject to swap transactions, are included in the balance sheet in "13. Other Assets / 13.4 Other" / "12. Other Liabilities / 12.4 Other" items, the amounts related to the interest components of the increase/decrease in the fair value are followed in the profit/loss statement, and the amounts related to the interest income/expenses arising from the transaction at maturity are reflected in the profit/loss statement.

The effects of the accounting policy change on the balance sheet dated 31 December 2020 and the profit or loss statement for the 12-month accounting period ending on the same date are presented below:

	Notes	Before Change 31 December 2020	Effects of Change	After Change 31 December 2020
10 VALUATION ACCOUNT	15	69,351,880	(43,153,313)	26,198,568
12 OTHER LIABILITIES (*)	16	30,658,476	11,121,344	41,779,820
I – INTEREST INCOME	1	46,189,979	4,359,807	50,549,786
V – NON INTEREST INCOME	3	142,179,286	(72,234,344)	69,944,941
VI – NON INTEREST EXPENSE	4	(141,892,309)	99,906,507	(41,985,802)

(\*) The explanation in Note I. A. (2) j refers to amounts before classification.

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE (Continued)

(4) Compliance of the Bank with the fundamental accounting principles of going concern, matching and consistency:

These financial statements have been prepared based on the fundamental principles of accounting; going concern assumption, matching principle, and consistency; assuming that the Bank will continue its operations without interruption in the future.

(5) The US dollar ("US Dollar") and Euro ("EUR") bid rates used in the preparation of the balance sheet at year-end and the US\$ and EUR bid rates announced by the Bank for the last five working days prior to balance sheet date are as follows:

a. The Bank's "Exchange Rate for the Translation of Foreign Currency Items"

	31 December 2021	31 December 2020
(1 Euro = TL)	TL 14.6823	TL 9.0079
(1 US Dollar = TL)	TL 12.9775	TL 7.3405

b. EUR and US Dollar bid rates announced by the Bank as of the balance sheet date and for the last five working days prior to balance sheet date are as follows:

EUR and US Dollar bid rates as of the balance sheet date:

	31 December 2021	31 December 2020
<b>Euro</b>	TL 14.6823	TL 9.0079
<b>US Dollar</b>	TL 12.9775	TL 7.3405

	31 December 2021	31 December 2020
<b>Prior to Balance Sheet Date (Euro)</b>		
Bid rate of the 1st Day	TL 14.6823	TL 9.0079
Bid rate of the 2nd Day	TL 13.8011	TL 9.0697
Bid rate of the 3rd Day	TL 13.4000	TL 9.1370
Bid rate of the 4th Day	TL 12.8903	TL 9.2037
Bid rate of the 5th Day	TL 13.2926	TL 9.2948

	31 December 2021	31 December 2020
<b>Prior to Balance Sheet Date (US Dollar)</b>		
Bid rate of the 1st Day	TL 12.9775	TL 7.3405
Bid rate of the 2nd Day	TL 12.2219	TL 7.4063
Bid rate of the 3rd Day	TL 11.8302	TL 7.4738
Bid rate of the 4th Day	TL 11.3900	TL 7.5517
Bid rate of the 5th Day	TL 11.7278	TL 7.6190

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE (Continued)

(6) Information on assets and liabilities denominated in foreign currencies, their US Dollar and TL equivalents and the foreign currency position are as follows:

	<u>31 December 2021</u>		<u>31 December 2020</u>	
	Thousand TL	Million US Dollar	Thousand TL	Million US Dollar
<u>I-Foreign Currency Assets</u>				
1) Gold Reserves	499,485,010	38,489	319,703,047	43,553
2) Foreign Currency Banknotes	51,758,697	3,988	21,578,916	2,940
3) Foreign Correspondents	887,895,809	68,418	344,003,969	46,864
4) Reserve Tranche Position	2,049,054	158	1,197,129	163
5) Securities Portfolio	-	-	-	-
6) Receivables from Monetary Policy Operations	-	-	-	-
7) Domestic Correspondents	257,902	20	-	-
8) Loans	188,308,045	14,510	127,976,126	17,434
9) Equity Participations	4,275,777	329	2,496,854	340
10) Treasury Liabilities Due to SDR Allocation	100,592,854	7,751	11,372,379	1,549
11) Fixed Assets (Net)	-	-	-	-
12) Loans Under Legal Follow-Up (Net)	-	-	-	-
13) Deferred Tax Assets	-	-	-	-
14) Other Assets	12,996,900	1,001	10,371	1
<b>Total Foreign Currency Assets</b>	<b>1,747,620,048</b>	<b>134,664</b>	<b>828,338,791</b>	<b>112,844</b>
<u>II-Foreign Currency Liabilities</u>				
1) Currency in Circulation	-	-	-	-
2) Payables Due to Monetary Policy Operations	-	-	-	-
3) Deposits	1,417,772,432	109,249	618,623,320	84,276
a) Public Sector	245,869,147	18,946	70,731,827	9,636
b) Banking Sector	1,168,396,989	90,033	545,316,788	74,289
c) Other Deposits	3,506,296	270	2,574,705	351
4) Foreign Correspondents	62,913,857	4,848	26,183,011	3,567
5) Reserve Tranche Position	2,049,054	158	1,197,129	163
6) SDR Allocation	100,592,854	7,751	11,372,379	1,549
7) Tax Liability	-	-	-	-
8) Provisions	-	-	-	-
9) Share Capital and Legal Reserves	-	-	-	-
10) Valuation Account	-	-	-	-
11) Profit for the Year	-	-	-	-
12) Other Liabilities	7,087,005	546	28,208,588	3,843
<b>Total Foreign Currency Liabilities</b>	<b>1,590,415,202</b>	<b>122,552</b>	<b>685,584,427</b>	<b>93,398</b>
<b>Net Balance Sheet Foreign Currency Position</b>	<b>157,204,846</b>	<b>12,112</b>	<b>142,754,364</b>	<b>19,446</b>



# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

### I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE (Continued)

#### (7) Book value of property and equipment, accumulated depreciation and their insurance coverage:

	31 December 2021				31 December 2020			
	Cost	Accumulated Depreciation	Net book value	Insurance Coverage (*)	Cost	Accumulated depreciation	Net book value	Insurance Coverage (*)
<b>Furniture Fixture</b>	611,421	418,039	193,382	583,416	561,072	351,166	209,906	7,942
<b>Property</b>	925,622	193,411	732,211	383,149	916,630	184,013	732,617	375,771
	<b>1,537,043</b>	<b>611,450</b>	<b>925,593</b>	<b>966,565</b>	<b>1,477,702</b>	<b>535,179</b>	<b>942,523</b>	<b>383,713</b>

(\*) Refers to the insured value amount.

#### (8) Information on significant contingent losses and gains that cannot be quantified:

As of 31 December 2021, there is a few legal proceedings outstanding against the Bank amounting to TL 12,386 and EUR 210,474 (full) (31 December 2020: TL 11,118, US Dollar 102,678 (full) and EUR 114,650 (full)). No provisions are provided in the accompanying financial statements for such legal proceedings based on the views of legal counsel.

#### (9) Other matters which may have a material impact on the financial statements, or which should be explained for facilitating a better understanding of the financial statements:

##### *Valuation Account*

As explained in the article 2-ii-b, Section "A. Notes and Explanations related to Current Year" of the Section - I "Notes and Explanations related to the Bank and its Financial Structure", the "Valuation Account" in the balance sheet represents the unrealized foreign exchange gains and losses as at the balance sheet date. Realized foreign exchange gains and losses are recognized in the statement of profit or loss during the period.

### B. Other notes and explanations

#### (1) Events occurred after the balance sheet date, affecting the financial activities and/or financial structure significantly and therefore require explanation:

At the Ordinary General Assembly Meeting to be held in March 2022, taking into account the provisions of Article 60 of the CBRT Law No. 1211 and Article 64 of the Turkish Commercial Code No. 6102 as amended by Law No. 6355, the Bank's Tax No. 213, the remaining amount after deducting the amount calculated on the basis of the percentages specified in paragraphs (b), (c) and (d) of Article 60 of the CBRT Law from the base profit of 2021, amounting to TL 74,190,581 included in the book records kept in accordance with the provisions of the Procedural Law the issue of transferring it to the Treasury will be resolved.

#### (2) Information on the Bank's foreign branches:

There are no foreign branches; however, the Bank has representatives working in Turkish Representations of the Republic of Turkey Ministry of Foreign Affairs in Frankfurt, London, New York, Beijing, Tokyo, Washington, Doha and Kuala Lumpur.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

### I. NOTES AND EXPLANATIONS RELATED TO THE BANK AND ITS FINANCIAL STRUCTURE (Continued)

#### C. The independent audit firm that audits the financial statements:

The financial statements for the year ended 31 December 2021 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (“A member firm of Ernst & Young Global Limited”). The independent auditors’ report is presented in front of the financial statements and notes to the financial statements.

### II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF-BALANCE SHEET ACCOUNTS

#### (1) Gold Reserves

In accordance with the article 53 of the CBRT Law, the Bank manages gold and foreign exchange reserves of the Country in the context of the monetary policy targets and applications. For this purpose the Bank performs banking operations in domestic and foreign markets including forward or spot purchase/sale of gold, foreign currency, marketable securities, derivative instruments and lending/borrowing transactions in accordance with the procedures and rules determined by its own safe investment, liquidity and yield priorities.

As of 31 December 2021, the Bank has 657,726,642 grams pure gold which meets international standards (31 December 2020: 716,334,553), 2,832,327 grams pure gold which does not meet the international standards. All of the gold reserve which does not meet the international standards is kept in Bank’s Head Office and belongs to Bank as of 31 December 2021 (All of the gold reserve which does not meet the international standards is kept in Bank’s Head Office and belongs to Bank as of 31 December 2020).

The gold reserve as of 31 December 2021 is valued with the gold prices quoted in the London Bullion Market at 10:30 a.m. (2020: the gold prices quoted in the London Bullion Market at 10:30 a.m.) and on the basis of 1 ounce being equal to 31.1035 grams.

Gold	31 December 2021		31 December 2020	
	Pure Gram	Amount	Pure Gram	Amount
<b>Gold in International Standards</b>	<b>657,726,642</b>	<b>499,485,010</b>	<b>716,334,553</b>	<b>319,703,047</b>
CBRT’s own gold	460,878,828	349,996,566	458,189,589	204,491,891
<i>Held at BOE</i>	78,123,482	59,327,851	45,551,642	20,329,883
<i>Held at CBRT</i>	34,015,936	25,832,085	34,015,936	15,181,452
<i>Held at BIST</i>	348,739,410	264,836,630	378,622,011	168,980,556
Required reserves of the banks	140,986,092	107,066,424	172,181,552	76,845,333
<i>Held at BOE</i>	38,950,131	29,579,167	53,914,217	24,062,136
<i>Held at BIST</i>	102,035,961	77,487,257	118,267,335	52,783,197
Given as collateral	3,731,250	2,833,553	22,425,310	10,008,508
<i>Held at BIST</i>	3,731,250	2,833,553	22,425,310	10,008,508
Banks gold depository	7,803,857	5,926,337	3,578,020	1,596,885
<i>Held at BIST</i>	7,803,857	5,926,337	3,578,020	1,596,885
Treasury’s gold	44,326,615	33,662,130	59,960,082	26,760,430
<i>Held at BIST</i>	44,326,615	33,662,130	59,960,082	26,760,430
<b>Gold in Non-International Standard</b>	<b>2,832,327</b>	<b>2,150,901</b>	<b>2,832,327</b>	<b>1,264,079</b>
CBRT	2,832,327	2,150,901	2,832,327	1,264,079
<i>Held at CBRT</i>	2,832,327	2,150,901	2,832,327	1,264,079

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

**NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2021**

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

**II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF-BALANCE SHEET ACCOUNTS (Continued)**

**(2) Foreign Correspondents**

	31 December 2021		31 December 2020	
	Thousand TL	Million US Dollar	Thousand TL	Million US Dollar
Foreign currency securities	106,493,636	8,206	65,180,637	8,880
Deposit	119,977,655	9,245	56,344,226	7,676
Other	661,424,518	50,967	222,479,106	30,308
~ Demand deposits	561,341,122	43,255	212,105,600	28,895
~ SDR holdings account	100,080,245	7,712	10,371,679	1,413
~ Other	3,151	-	1,827	-
<b>Total</b>	<b>887,895,809</b>	<b>68,418</b>	<b>344,003,969</b>	<b>46,864</b>

Foreign Correspondents account consists of foreign currency securities held as foreign currency reserves and the current accounts of the Bank held on its foreign correspondents. Foreign currency securities consist of government bonds and treasury bills issued by foreign government and kept in custody at foreign banks.

As of 31 December 2021, foreign currency securities held for reserve purpose amounting to TL 106,493,636 (31 December 2020: TL 65,180,637) are valued with the prices quoted in the international markets where they are traded at the balance sheet date.

**(3) Securities Portfolio and Receivables/Payables Due to Monetary Policy Operations**

**(a) Information on Securities Portfolio**

As of 31 December 2021, securities portfolio amounting to TL 74,109,108 consists of government bonds with outright purchase. (As of 31 December 2020: securities portfolio amounting to TL 89,499,890 consists of government bonds with outright purchase.)

Breakdown of securities portfolio as of 31 December 2021 are as follows:

	31 December 2021			
	Acquisition Cost	Accrual (net)	Carrying Amount	Fair Value
<b><u>Purchases under Agreements to Resell:</u></b>				
Treasury Bills and Government Bonds				
1. Fixed Income	-	-	-	-
2. Indexed to Inflation	-	-	-	-
3. Indexed to Foreign Currency	-	-	-	-
4. Foreign Currency	-	-	-	-
5. Floating Rate	-	-	-	-
<b><u>Outright Purchases:</u></b>				
Treasury Bills and Government Bonds				
1. Fixed Income	69,590,605	4,518,503	74,109,108	74,109,108
2. Indexed to Inflation	-	-	-	-
3. Indexed to Foreign Currency	-	-	-	-
4. Foreign Currency	-	-	-	-
5. Floating Rate	-	-	-	-
<b>TOTAL</b>	<b>69,590,605</b>	<b>4,518,503</b>	<b>74,109,108</b>	<b>74,109,108</b>

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

**NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
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(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise indicated.)

**II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF-BALANCE SHEET ACCOUNTS (Continued)**

**(3) Securities Portfolio and Receivables/Payables Due to Monetary Policy Operations (continued)**

**(a) Information on Securities Portfolio (continued)**

Breakdown of securities portfolio as of 31 December 2020 are as follows:

	31 December 2020			
	Acquisition Cost	Accrual (net)	Carrying Amount	Fair Value
<b><u>Purchases under Agreements to Resell:</u></b>				
Treasury Bills and Government Bonds				
1. Fixed Income	-	-	-	-
2. Indexed to Inflation	-	-	-	-
3. Indexed to Foreign Currency	-	-	-	-
4. Foreign Currency	-	-	-	-
5. Floating Rate	-	-	-	-
<b><u>Outright Purchases:</u></b>				
Treasury Bills and Government Bonds				
1. Fixed Income	86,434,362	3,065,528	89,499,890	89,499,890
2. Indexed to Inflation	-	-	-	-
3. Indexed to Foreign Currency	-	-	-	-
4. Foreign Currency	-	-	-	-
5. Floating Rate	-	-	-	-
<b>TOTAL</b>	<b>86,434,362</b>	<b>3,065,528</b>	<b>89,499,890</b>	<b>89,499,890</b>

As of 31 December 2021, the nominal values of TL securities acquired by outright purchases amounts to TL 63,834,001. (31 December 2020: TL 79,949,000)

**(b) Receivables/Payables Due to Monetary Policy Operations**

As of 31 December 2021, breakdown of the securities purchased under agreement to resell recognized in off-balance sheet is as follows:

	31 December 2021	
	Nominal	Fair value
<b><u>Purchases under Agreements to Resell:</u></b>		
Treasury Bills and Government Bonds		
1 Fixed Income	173,219,572	376,220,330
2 Inflation-Indexed	-	-
3 Indexed	-	-
4 Foreign Currency	-	-
5 Floating Rate	-	-
<b>TOTAL</b>	<b>173,219,572</b>	<b>376,220,330</b>
<b>31 December 2020</b>		
	<b>Nominal</b>	<b>Fair value</b>
<b><u>Purchases under Agreements to Resell:</u></b>		
Treasury Bills and Government Bonds		
1 Fixed Income	76,165,412	100,209,053
2 Inflation-Indexed	-	-
3 Indexed	-	-
4 Foreign Currency	-	-
5 Floating Rate	-	-
<b>TOTAL</b>	<b>76,165,412</b>	<b>100,209,053</b>

**II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF-BALANCE SHEET ACCOUNTS (Continued)**

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

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### **(3) Securities Portfolio and Receivables/Payables Due to Monetary Policy Operations (continued)**

#### **(b) Receivables/Payables Due to Monetary Policy Operations (continued)**

Receivables Due to Monetary Policy- Open Market Operations at the asset side of the balance sheet as of 31 December 2021 – Securities purchased under agreements to resell presented under Open Market Operations consists of TL 377,360,486 of cost and the accrued interest income (31 December 2020: TL : 99,343,998). As of 31 December 2021, the accrued interest on securities purchased under agreements to resell amounting to TL 450,373 (31 December 2020: TL 138,005) is presented in the Receivables from Monetary Policy Operations - Open Market Operations.

In addition, as of 31 December 2021, there is TL 119,230,982 of Money Market receivable including income accruals due from the transactions which the Bank entered into on its behalf (31 December 2020: TL 190,701,956). Interest income accrual amounting to TL 141,103 (31 December 2020: TL 320,949) are accounted in the same account.

Receivables Due to Monetary Policy- Other at the asset side of the balance sheet of the 31 December 2021, Mutual Deposit Operations consist of TL 73,019,530 of cost and rediscount (31 December 2020: None). Interest income accrual amounting to TL 753,491 (31 December 2020: None) calculated in relation to the aforementioned account was recorded under the same account.

As of 31 December 2021, There is no balance for securities sold under agreements to repurchase which is followed under the monetary policy transactions-Open Market Transactions in the liabilities of the balance sheet consists of the sum of transaction cost and expense accrual (31 December 2020: 11,095). As of 31 December 2021, There is no balance for expense accrual from the securities sold under agreements to repurchase, is followed under the open market transactions in monetary policy transactions (31 December 2020: TL 5).

As of 31 December 2021, the monetary policy transactions amount of TL 6,012,486 which is received by the Bank from Interbank Money Market including expense accruals as the counterparty of the transaction is accounted under the liabilities as a Monetary Policy Operations-Interbank Money Market Operations (31 December 2020: TL 12,996,690). Accrued interest expense of this liability; TL 2,086 (31 December 2020: TL 5,590) is also accounted in the same account.

#### **(4) Domestic Correspondents**

Under domestic correspondents’ caption, the CBRT-side foreign exchange deposit transactions, the FX deposit transactions encountered, the foreign exchange deposit transactions against TL deposits and the conversion to Turkish lira deposit and participation accounts are shown, and the balance of these transactions as of 31 December 2021 is 599,767 TL. (31 December 2020: None).

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

### II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF-BALANCE SHEET ACCOUNTS (Continued)

#### 5) Loans

##### (a) Information on domestic loans:

As of 31 December 2021, loans to domestic banks comprised of discount loans amounting to TL 195,842,969 (31 December 2020: TL 137,639,820) and other loans amounting to TL 2,319,949 (31 December 2020: TL 781,621).

##### (b) Information on loans and advances given to shareholders and employees

None (31 December 2020: None).

##### (c) Information on Foreign Loans:

Foreign loans represent the receivables initially originated from the commercial transactions made under treaties with the foreign central banks and subsequently converted to loans.

As of 31 December 2021, foreign loans, amounting to TL 117,595 (2020: TL 66,515), in accordance with bilateral agreements with central banks of other countries compromised for tracking the commercial transactions into opened bank account.

##### (d) Information on loans under legal follow-up (net):

The total balance consists of receivables related with the trading transactions with Iraq and became uncollectible due to the Gulf Crisis. The balance is classified as loans under legal follow-up and it is fully provisioned.

Movements in the allowance for loans and receivables under legal follow-up:

	31 December 2021		31 December 2020	
	Thousand TL	Thousand US Dollar	Thousand TL	Thousand US Dollar
<b>Opening balance</b>	<b>11,544,249</b>	<b>1,572,679</b>	<b>9,293,902</b>	<b>1,564,577</b>
- Increases during the Period (+) (*)	73,999	8,124	57,113	8,102
- Transfers from Other Follow-up Accounts (+)	-	-	-	-
- Transfers to Other Follow-up Accounts (-)	-	-	-	-
- Collections during the Period (-)	-	-	-	-
- Write-offs (-)	-	-	-	-
- Foreign Exchange Differences	8,896,620	-	2,193,234	-
<b>Closing balance</b>	<b>20,514,868</b>	<b>1,580,803</b>	<b>11,544,249</b>	<b>1,572,679</b>
- Allowance (-)	(20,514,868)	(1,580,803)	(11,544,249)	(1,572,679)
<b>Net balance after allowance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*) As of 31 December 2021, TL 73,999 of increase during the period (31 December 2020: TL 57,113) represents accrued interest on the loans and receivables under follow-up.

According to the article 61 of the CBRT Law, foreign currency denominated loans under follow-up are revalued at period ends and unrealized gains and losses arising from the revaluation are classified into the “Valuation Differences” which is a transitory account. Allowances for the related receivables including foreign currency valuation differences are recognized in the statement of profit or loss in accordance with Tax law numbered 213 and article 59 of the Central Bank of the Republic of Turkey Law.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

### II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF-BALANCE SHEET ACCOUNTS (Continued)

#### 6) Equity Participations

As of 31 December 2021 and 2020, the Bank’s equity participations are as follows:

Title	Share rate (%)	31 December 2021 Acquisition Cost	31 December 2020 Acquisition Cost	31 December 2021 Carrying Value	31 December 2020 Carrying Value
Bank for International Settlements (BIS) (*) (**)	1.41	(*)10,000,000	(*)10,000,000	4,145,291	2,423,038
International Islamic Liquidity Management Corporation (IILM)	13.33	10,000,000	10,000,000	129,775	73,405
S.W.I.F.T.	0.007	48,440	45,640	711	411
Bankalararası Kart Merkezi (BKM)	51.01	90,543	90,543	90,543	90,543
<b>Total Equity Participations</b>				<b>4,366,320</b>	<b>2,587,397</b>

(\*) In BIS, against 8,000 shares of Bank, paid is SDR 10,000,000, unpaid is SDR 30,000,000.

(\*\*) Its fair value is calculated as 70% of Bank’s right on net worths.

The Bank carries the investments in BIS and SWIFT, at their fair value in the financial statements. The Bank recognizes revaluated cost of IILM as its fair value. In current year, TL 1,778,923 of valuation increase; which is TL 132,212 the foreign currency valuation difference; was accounted for in the “Valuation Account”; and the remaining TL 1,646,711 after deducting deferred tax effect of TL 82,337 and amounting to TL 1,564,374 was accounted for as “Fair value increase/(decrease) in equity participations” under “Other Liabilities”. (Refer to Note II. 16)

<b>Movement of equity participations</b>	<b>2021</b>	<b>2020</b>
Opening balance (1 January )	2,587,397	1,760,394
Change in fair value for the year	1,646,711	698,397
The effect of foreign currency valuation for the year	132,212	38,063
BKM acquisition	-	90,543
<b>Ending Balance (31 December)</b>	<b>4,366,320</b>	<b>2,587,397</b>

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.

Dividends were received from equity participations amounting TL 48.635 in 2021 (2020: None).

#### (7) Fixed Assets

As of 31 December 2021, the cost of property and related accumulated depreciation amounts to TL 925,622 (31 December 2020: TL 916,630) and TL 193,411 (31 December 2020: TL 184,013) respectively, whereas the cost of furniture and fixture and related accumulated depreciation amounts to TL 611,421 (31 December 2020: TL 561,072) and TL 418,039 (31 December 2020: TL 351,166) respectively.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

### II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF-BALANCE SHEET ACCOUNTS (Continued)

The movements of fixed assets as of 31 December 2021 and 2020 are as below:

	<b>Immovables</b>	<b>Fixture</b>	<b>Software</b>	<b>Total</b>
Net balance sheet value as of 1 January 2021	732,617	192,643	17,263	942,523
Purchases	8,992	41,695	15,569	66,256
Disposals (net) (*)	-	(461)	-	(461)
Current year charge	(9,397)	(55,771)	(17,557)	(82,725)
<b>Net balance sheet value as of 31 December 2021</b>	<b>732,212</b>	<b>178,106</b>	<b>15,275</b>	<b>925,593</b>

	<b>Immovables</b>	<b>Fixture</b>	<b>Software</b>	<b>Total</b>
Net balance sheet value as of 1 January 2020	402,606	180,227	38,387	621,220
Purchases	368,478	59,718	15,701	443,897
Disposals (net) (*)	(26,506)	(808)	-	(27,314)
Current year charge	(11,961)	(46,494)	(36,825)	(95,280)
<b>Net balance sheet value as of 31 December 2020</b>	<b>732,617</b>	<b>192,643</b>	<b>17,263</b>	<b>942,523</b>

(\*) Disposals are presented at net amounts.

#### (8) Other Assets

The breakdown of other assets-other account is presented below:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Differences in fair value of swap transaction	52,897,005	-
Currency exchange guarantee	24,766,425	1,524,796
Receivables from forward currency transactions	17,572,934	-
Taxes to be deducted from income tax withholding	3,963,536	1,037,504
Construction in progress expenses	1,666,451	955,752
Temporary tax to be deducted from corporate tax	1,570,275	3,826,277
Banknote printing inventory	151,827	122,580
Letter of credit expenses of banknote printing office	128,153	3,376
Medallion depot	7,579	4,179
Consumables and other stores	1,040	631
Fair value differences of swap transactions	-	15,257,969
Other	1,437,269	415,387
<b>Total</b>	<b>104,162,494</b>	<b>23,148,451</b>



# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

### II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF-BALANCE SHEET ACCOUNTS (Continued)

#### (8) Other Assets (Continued)

The breakdown of other assets accrued income account is presented as follows:

	31 December 2021	31 December 2020
EFT commission income accrual	71,342	38,676
Commissions and expenses to be collected from Treasury (*)	63,720	62,262
Other	9,186	1,802
<b>Total Interest and Income Accruals</b>	<b>144,248</b>	<b>102,740</b>

(\*) With the decision of the Board of the Bank numbered 9525/19124 dated 4 October 2011, Regulation on Tariffs has been amended. According to the amendment, starting from 12 October 2011, commissions and fees are charged to the Treasury due to the transactions with the public administrations within the scope of overall budget.

#### (9) Currency in circulation

According to the article 1 of CBRT Law, the Bank has the exclusive privilege of issuing banknotes in Turkey. As of 31 December 2021, the banknotes in circulation amount to TL 235,377,440 (31 December 2020: TL 188,369,447).

<b>Movement of banknotes in circulation</b>	<b>2021</b>	<b>2020</b>
1 January Balance	188,369,447	153,362,376
Banknotes issued into circulation	102,731,430	70,309,456
Banknotes withdrawn from circulation and destroyed	(55,723,437)	(35,129,389)
Banknotes expired	-	(172,996)
<b>31 December Balance</b>	<b>235,377,440</b>	<b>188,369,447</b>

#### (10) Reserve Tranche Position

As of 18 February 2016, under the scope of the membership to the International Monetary Fund (“IMF”), the country quota of Turkey was increased by SDR 3,202,800,000, reaching SDR 4,658,600,000.

As of 31 December 2021, Reserve Tranche Position represents the prepayment of SDR 112,775,000 for the total IMF quota of SDR 4,658,600,000 and is recorded in the “Foreign Currency Reserves - Reserve Tranche Position” under the assets and in the “Reserve Tranche Position” under liabilities. As of 31 December 2020, the balance of the account amounts to TL 2,049,054 (31 December 2020: TL 1,197,129).

SDR 112,307,000 (31 December 2020: SDR 112,307,000) allocated to Turkey in accordance with the protocol signed with the IMF has been used by the Treasury and is classified as “Treasury Liabilities due to SDR Allocation” under assets and as “SDR Allocation” under liabilities. Additionally, as of 28 August 2009 and 9 September 2009, the amounts of SDR 883,122,365 and SDR 75,900,364 have been allocated as General SDR allocation and Special SDR allocation respectively, As SDR allocation in 2021, SDR 4,465,058,581 on 23 August 2021, to the Treasury by IMF where the Bank act as an intermediary institution and are accounted for as explained. As of 31 December 2021, the balance is TL 100.592.854 (31 December 2020: TL 11,372,379).

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

### II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF-BALANCE SHEET ACCOUNTS (Continued)

#### (11) Deposits

The deposits balance is composed of deposits from the Treasury, public institutions, the banking sector, citizens abroad, international institutions and funds.

##### *Public Sector and Banking Sector Deposits*

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. Public sector deposits other than the deposits of the Treasury are demand deposits.

The deposits of the banking sector consist of noticed 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.

In between the dates of January 24, 2020 - November 27, 2020, commission on foreign currency mandatory reserves were received. The application for receiving commissions has started again as of the period of required reserves dated 24 December 2021

##### *Deposits by citizens abroad*

As of 31 December 2021, deposits by citizens abroad amounting to TL 3,506,187 (31 December 2020: TL 2,574,406) consist of deposits by Turkish citizens living abroad.

The maturity of Deposits by Citizens Abroad account is 3 years. There is no newly opened account due to liquidation process of worker remittances. The maturity date of expired accounts are not renewed as of 1 January 2015. These accounts are monitored on a non-interest-bearing account with accrued interest.

Distribution of deposits by citizens abroad accounts according to type of currency is presented as follows:

	31 December 2021		31 December 2020	
	Foreign Currency Balance (000)	Thousand TL Equivalent	Foreign Currency Balance (000)	Thousand TL Equivalent
Foreign Currency				
Euro	225,935	3,317,242	271,848	2,448,776
US Dollar	9,858	127,935	11,409	83,745
CHF	4,044	57,101	4,787	39,658
Other	229	3,909	229	2,227
<b>Total</b>		<b>3,506,187</b>		<b>2,574,406</b>

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

### II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF-BALANCE SHEET ACCOUNTS (Continued)

#### (11) Deposits (Continued)

##### *Deposits by International Institutions*

Deposits by the international institutions represents the TL thousand equivalent of the balance transferred to the Bank by the IMF as “special drawing rights” (“SDR”). The Bank is designated as “the depositor” to regulate the relations of the Treasury and the IMF. As of 31 December 2021, TL 136,849 (31 December 2020: TL 111,158) which represents the minimum quota amount denominated in SDR is recorded as the deposit balance of IMF. In addition to this, the balance of the amount of TL 61 is used for tracking revenues such as IMF's sales revenues of publication and administrative expenses which took place within the limits of a member country and used only in the currency of the member country (31 December 2020: TL 36). In addition, as of 31 December 2020, there is TL 55,172 of deposit belonging to African Development Bank (AfDB) within the Bank’s deposits by international institutions account (31 December 2020: TL 42,302).

##### *Deposits of Funds*

Deposits of funds consist of the demand accounts of various funds controlled by the Presidency of the Republic of Turkey.

#### (12) Share Capital and Legal Reserves

According to the article 5 of the CBRT Law, the nominal capital of the Bank is TL 25,000 (full TL basis) and it is divided into 250,000 shares, with a par value of Kr 10 each. The capital may be increased with the approval of the Government. The shares are divided into (A), (B), (C) and (D) classes. The (A) group shares belong solely to the Treasury and cannot be lower than 51% of the capital.

The representation of Bank’s capital between 31 December 2021 and 2020:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Nominal capital	25	25
Inflation adjustment to share capital	46,209	46,209
<b>Total capital</b>	<b>46,234</b>	<b>46,234</b>

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

### II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF BALANCE SHEET ACCOUNTS (Continued)

#### (12) Share Capital and Legal Reserves (continued)

The list of Bank’s shareholders is presented below:

	31 December 2021		31 December 2020	
	Share Amount TL (*)	Share Rate %	Share Amount TL (*)	Share Rate %
Treasury	13,780	55	13,780	55
T.C. Ziraat Bankası A.Ş.	4,806	19	4,806	19
Mervak İç ve Dış Ticaret A.Ş.	1,280	5	1,280	5
Türkiye Garanti Bankası A.Ş.	621	2	621	2
Türkiye İş Bankası A.Ş.	582	2	582	2
T.C. Sosyal Güvenlik Kurumu	422	2	422	2
Türkiye Kızılay Derneği	301	1	301	1
Türkiye Halk Bankası A.Ş.	277	1	277	1
Other	2,931	12	2,931	12
<b>Total nominal capital</b>	<b>25,000</b>	<b>100</b>	<b>25,000</b>	<b>100</b>

(\*) Share amounts are stated in full TL basis.

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.

According to decision taken in the Ordinary General Assembly Meeting of Central Bank of the Republic of Turkey held on 30 March 2021, dividend amounting to TL 30.2 billion and the entire reserve fund amounting to TL 5.6 billion which was allocated from the profit of 2019 have been distributed to shareholders with respect to the related legislation.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

### II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF-BALANCE SHEET ACCOUNTS (Continued)

#### (13) Provisions

##### *Retirement Bonus and Severance Payments*

As of 31 December 2021, the Bank calculated retirement pay provision amounting to TL 231,643 (31 December 2020: TL 186,463) and recorded the full provision under the provision account.

Movement of employment termination is presented below:	<u>2021</u>	<u>2020</u>
<b>1 January balance</b>	<b>186,463</b>	<b>209,545</b>
Interest and service cost	47,054	35,103
Paid during the year	(1,874)	(58,185)
<b>31 December balance</b>	<b>231,643</b>	<b>186,463</b>

##### *Insurance Provision for Money in Transit*

As of 31 December 2021, the Bank, calculated provision for the transfer insurance of banknotes, cash and securities amounting to TL 243,056 (31 December 2020: TL 243,056) and recorded the provision amount under the provision account.

#### (14) Tax Liability

##### **Corporate Tax**

	<u>31 December 2021</u>	<u>31 December 2020</u>
Corporate tax	16,718,403	8,530,907
Other taxes (*)	271,083	475,400
<b>Tax obligation – net</b>	<b>16,989,486</b>	<b>9,006,307</b>

(\*) It consists of income tax, bank insurance transactions tax, stamp duty and value added 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 current year.

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.

As of 31 December 2021, the legal tax rate is 25% (2020: 22%).

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

### II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF BALANCE SHEET ACCOUNTS (Continued)

#### (14) Tax Liability (Continued)

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2021 is 25%. (2020: 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.

Tax expense for the years 2021 and 2020 is as follows:

	<u>1 January – 31 December 2021</u>	<u>1 January – 31 December 2020</u>
- Corporate tax (expense)	(16,718,403)	(8,530,907)
- Deferred tax income/(expense)	8,544	(7,693)
<b>Tax expense</b>	<b>(16,709,859)</b>	<b>(8,538,600)</b>

#### Deferred Tax

As of 31 December 2021, and 31 December 2020, the details of temporary differences and calculated deferred tax assets/ (liabilities) are presented below:

	<u>Total temporary differences 31 December 2021</u>	<u>Deferred tax assets/(liabilities) 31 December 2021</u>
Employee benefit obligation	231,643	46,329
Fixed asset depreciation adjustment	8,031	1,606
Fair value increase of equity participations	(3,963,597)	(198,180)
<b>Net Liability</b>	<b>(3,723,923)</b>	<b>(150,245)</b>

	<u>Total temporary differences 31 December 2020</u>	<u>Deferred tax assets/(liabilities) 31 December 2020</u>
Employee benefit obligation	186,463	37,293
Fixed asset depreciation adjustment	10,496	2,099
Fair value increase/(decrease) of equity participations	(2,316,886)	(115,844)
<b>Net Assets</b>	<b>(2,119,927)</b>	<b>(76,452)</b>

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

**NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2021**

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

**II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF-BALANCE SHEET ACCOUNTS (Continued)**

**(14) Tax Liability (continued)**

As of 31 December 2021, and 2020, movement of deferred tax assets is presented below:

	<u>2021</u>	<u>2020</u>
<b>1 January balance</b>	<b>(76,452)</b>	<b>(41,931)</b>
Deferred tax associated with the income statement, net	8,544	(7,693)
Deferred tax associated with other liabilities (*)	(82,337)	(26,828)
<b>31 December Balance</b>	<b>(150,245)</b>	<b>(76,452)</b>

(\*) Associated with the fair value increase/ (decrease) in equity participations and actuarial gain.

Reconciliation of tax expense is presented below:

	<u>%</u>	<u>2021</u>	<u>%</u>	<u>2020</u>
<b>Profit before tax</b>		<b>74,193,018</b>		<b>43,036,532</b>
Provision calculated over the corporate tax rate	25	18,548,255	22	9,468,037
Tax free income	(2.5)	(1,858,582)	(2.3)	(971,911)
Un-deductible expenses	-	31,862	-	33,484
Other	-	(11,676)	-	8,990
<b>Tax expense/(income)</b>	<b>22.5</b>	<b>16,709,859</b>	<b>19.7</b>	<b>8,538,600</b>

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

### II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF BALANCE SHEET ACCOUNTS (Continued)

#### (15) Valuation Account

As explained in the article 2-ii-a, Section “A. Notes and Explanations related to the Current Year” of the section - I “Notes and Explanations related to the Bank and its Financial Structure”, the “Valuation Account” in the balance sheet represents the unrealized foreign exchange gains and losses and price changes of gold as at the balance sheet date. Foreign exchange gains and losses and price changes of gold realized during the period are recognized in the statement of profit or loss.

#### (16) Other Liabilities

Breakdown of other liabilities – other is presented below:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Fair value differences of swap transactions	38,699,394	-
Liabilities from forward currency transactions	16,350,940	-
Increase in equity participants	3,765,530	2,201,128
Fair value of currency differences	929,220	-
Account transactions with subsequent dates	703,639	1,188,178
Increases/decreases in TL-settled forward foreign exchange transactions	54,709	-
Interests waiting because of its being under the limit	46,967	28,774
Prior year’s gains / (losses)	26,319	40,047
Amounts waiting for the application of beneficiaries	23,711	13,828
Debts from bonds waiting for court decisions	16,549	6,904
Money to be liquidated to the following period	7,192	3,854
Payments to heirs as a result of death	5,476	19,530
Retirement pay provision actuarial gain	2,490	2,490
Seized and prudent money	199	303
Other	1,303,805	41,169
<b>Total</b>	<b>61,936,140</b>	<b>3,546,205</b>

Breakdown of other liabilities accrual expenses is presented below:

	<b>31 December 2021</b>	<b>31 December 2020</b>
IMF payments	9,202	1,971
Accrual of VIOP transactions in BIST	465,809	156,192
Other	26,894	16,565
<b>Total Accrual Expenses</b>	<b>501,905</b>	<b>174,728</b>



# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

### II. NOTES AND EXPLANATIONS TO THE BALANCE SHEET AND OFF-BALANCE SHEET ACCOUNTS (Continued)

#### (17) Foreign Banks

As of 31 December 2021, and 31 December 2020, foreign bank balances are presented below:

	2021		2020	
	TL	Thousand US Dollar	TL	Thousand US Dollar
Foreign banks	62,913,857	4,847,918	26,183,011	3,566,925

### III. NOTES AND EXPLANATIONS TO THE STATEMENT OF PROFIT OR LOSS

#### (1) Interest Income

	1 January – 31 December 2021	1 January – 31 December 2020
Interest received from banks	64,977,890	19,328,354
Interests received from transactions of purchases under agreements to resell	36,526,179	9,799,613
Interest received from interbank monetary policy operations	18,872,822	8,084,161
Interests received from TL and FC securities	10,201,824	8,018,011
Interest received from loans	1,052,380	959,840
<b>Total</b>	<b>131,631,095</b>	<b>46,189,979</b>

#### (2) Interest Expense

	1 January – 31 December 2021	1 January – 31 December 2020
Interest paid to Treasury accounts	14,222,710	5,278,071
Interest paid to banks	11,036,835	1,885,441
Interest paid to interbank monetary policy operations	665,761	492,083
Interest paid to IMF general use of resources	20,863	13,635
<b>Total</b>	<b>25,946,169</b>	<b>7,669,230</b>

#### (3) Non-Interest Income

	1 January – 31 December 2021	1 January – 31 December 2020
Foreign exchange gains(*)	26,433,165	81,832,779
Other non-interest income(**)	8,669,492	60,346,507
Dividend	48,635	-
<b>Total</b>	<b>35,151,292</b>	<b>142,179,286</b>

(\*)Foreign Exchange Gains account consists of realized gains on foreign currency trading transactions during the year.

(\*\*) (Refer to: Not I. A (3))

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

### III. NOTES AND EXPLANATIONS TO THE STATEMENT OF PROFIT OR LOSS (Continued)

#### (4) Non-Interest Expenses

	<b>1 January - 31 December 2021</b>	<b>1 January - 31 December 2020</b>
Foreign exchange transaction losses(*)	46,805,974	39,015,216
Provision for non-performing loans	8,970,619	2,250,348
Losses on purchase and sale of securities and fair value decreases	1,920,996	2,161,143
Wages and salaries	1,289,768	1,231,663
General administrative and banknote expenses	462,211	500,091
Social security expenses	148,202	128,121
Depreciation expense	83,325	95,158
Other non-interest expenses(**)	8,621,582	96,510,569
<b>Total</b>	<b>68,302,677</b>	<b>141,892,309</b>

(\*) Foreign Exchange Losses account consists of realized losses on foreign currency trading transactions during the year.

(\*\*) (Refer to: Not I. A (3))

Provisions for non-performing loans consists of the provisions provided for the accrued interest income on non-performing loans amounting to TL 73,999 (2020: TL 57,113) and provision provided for the foreign exchange difference on non-performing loans amounting to TL 8,896,620 TL occurred due to fluctuations in foreign exchange rates during the year (2020: TL 2,193,234).

### IV. NOTES AND EXPLANATIONS TO CASH FLOW STATEMENT

#### (1) Cash and cash equivalents at the beginning of the period:

	<b>1 January 2021</b>	<b>1 January 2020</b>
Foreign Currency Banknotes	21,578,916	22,336,578
Coins	60,850	122,161
Foreign Correspondents / Deposit(*)	56,345,440	81,983,084
Foreign Correspondents / Other	222,479,106	160,375,796
Receivables from Money Market Operations(**)	289,587,000	14,689,000
<b>Cash and cash equivalents</b>	<b>590,051,312</b>	<b>279,506,619</b>

#### (2) Cash and cash equivalents at the end of the period:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Foreign Currency Banknotes	51,758,697	21,578,916
Coins	85,130	60,850
Foreign Correspondents / Deposit(*)	119,980,194	56,345,440
Foreign Correspondents / Other(**)	661,570,576	222,479,106
Receivables from Money Market Operations(***)	569,019,522	289,587,000
Domestic Bank	599,767	-
<b>Cash and cash equivalents</b>	<b>1,403,013,886</b>	<b>590,051,312</b>

(\*) Deposit accounts rediscount of TL 2,539 (31 December 2020: TL 1,214) is not included in the Foreign Banks/Deposit in balance sheet.

(\*\*) Other accounts rediscount TL 146,058 is not included in the foreign correspondents/Other

(\*\*\*) Receivables from money market operations interest accrual of TL 450.373 (December 31, 2020: TL 138.005) and interbank money market interest rediscount of TL 141.103 (December 31, 2020: TL 320.949) are not included in receivables from money market operations in balance sheet.

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

## NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

### V. SUPPLEMENTARY FINANCIAL STATEMENTS

#### Presentation of assets and liabilities according to their remaining maturities

CURRENT PERIOD (31 December 2021)	No Maturity	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 years	5 years and over	Undistributed	Total
<b>ASSET</b>								
Gold Reserves	389,585,033	109,899,977	-	-	-	-	-	499,485,010
Foreign Currency Banknotes	51,758,697	-	-	-	-	-	-	51,758,697
Foreign Correspondents	661,424,518	123,194,472	12,281,679	18,589,027	71,777,696	628,417	-	887,895,809
Reserve Tranche Position	2,049,054	-	-	-	-	-	-	2,049,054
Securities Portfolio	-	1,892,612	1,547,300	21,400,827	44,021,751	5,246,618	-	74,109,108
Receivables from Money Market Operations	-	569,610,998	-	-	-	-	-	569,610,998
Domestic Correspondents	-	599,767	-	-	-	-	-	599,767
Loans	117,594	18,269,340	42,023,229	135,550,401	-	2,319,949	-	198,280,513
Equity Participations	-	-	-	-	-	-	4,366,320	4,366,320
Treasury Liability due to SDR Allocation	100,592,854	-	-	-	-	-	-	100,592,854
Fixed Assets (Net)	-	-	-	-	-	-	925,593	925,593
Loans Under Legal Follow-up (net)	-	-	-	-	-	-	-	-
Deferred Tax Asset	-	-	-	-	-	-	-	-
Other Assets	106,373,172	-	9,156	-	-	-	160,445	106,542,773
<b>Total Assets</b>	<b>1,311,900,922</b>	<b>823,467,166</b>	<b>55,861,364</b>	<b>175,540,255</b>	<b>115,799,447</b>	<b>8,194,984</b>	<b>5,452,358</b>	<b>2,496,216,496</b>
<b>LIABILITY</b>								
Currency in Circulation	235,377,440	-	-	-	-	-	-	235,377,440
Payables due to Money Market Operations	-	6,012,486	-	-	-	-	-	6,012,486
Deposits	285,611,531	1,607,636,139	-	-	-	-	-	1,893,247,670
Foreign Correspondents	152,696	-	-	62,761,161	-	-	-	62,913,857
Reserve Tranche Position	2,049,054	-	-	-	-	-	-	2,049,054
SDR Allocation	100,592,854	-	-	-	-	-	-	100,592,854
Tax Liability	-	-	-	-	-	-	17,139,731	17,139,731
Provisions	-	-	-	-	-	-	474,700	474,700
Share Capital and Legal Reserves	-	-	-	-	-	-	4,684,659	4,684,659
Valuation Account	-	-	-	-	-	-	53,610,920	53,610,920
Profit for the Year	-	-	-	-	-	-	57,483,159	57,483,159
Other Liabilities	58,643,705	-	-	-	-	-	3,986,261	62,629,966
<b>Total Liabilities</b>	<b>682,427,280</b>	<b>1,613,648,625</b>	<b>-</b>	<b>62,761,161</b>	<b>-</b>	<b>-</b>	<b>137,379,430</b>	<b>2,496,216,496</b>
<b>Net Liquidity Position</b>	<b>629,473,642</b>	<b>(790,181,459)</b>	<b>55,861,364</b>	<b>112,779,094</b>	<b>115,799,447</b>	<b>8,194,984</b>	<b>(131,927,072)</b>	<b>-</b>

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

**NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2021**

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

**V. SUPPLEMENTARY FINANCIAL STATEMENTS (Continued)**

**Presentation of Assets and Liabilities according to their remaining maturities**

<b>PRIOR PERIOD(31 December 2020)</b>	<b>No Maturity</b>	<b>Up to 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 12 Months</b>	<b>1 - 5 years</b>	<b>5 years and over</b>	<b>Undistributed</b>	<b>Total</b>
<b>ASSET</b>								
Gold Reserves	232,849,207	86,853,840	-	-	-	-	-	319,703,047
Foreign Currency Banknotes	21,578,916	-	-	-	-	-	-	21,578,916
Foreign Correspondents	222,479,106	51,775,864	10,128,151	12,282,469	46,968,732	369,647	-	344,003,969
Reserve Tranche Position	1,197,129	-	-	-	-	-	-	1,197,129
Securities Portfolio	-	-	1,486,431	14,959,929	56,842,519	16,211,011	-	89,499,890
Receivables from Money Market Operations	-	290,045,954	-	-	-	-	-	290,045,954
Domestic Correspondents	-	-	-	-	-	-	-	-
Loans	66,515	6,913,712	16,136,430	81,114,673	33,475,006	-	781,620	138,487,956
Equity Participations	-	-	-	-	-	-	2,587,397	2,587,397
Treasury Liability due to SDR Allocation	11,372,379	-	-	-	-	-	-	11,372,379
Fixed Assets (Net)	-	-	-	-	-	-	942,523	942,523
Loans Under Legal Follow-up (net)	-	-	-	-	-	-	-	-
Deferred Tax Asset	-	-	-	-	-	-	-	-
Other Assets	24,446,931	-	1,797	-	-	-	127,392	24,576,120
<b>Total Assets</b>	<b>513,990,183</b>	<b>435,589,370</b>	<b>27,752,809</b>	<b>108,357,071</b>	<b>137,286,257</b>	<b>16,580,658</b>	<b>4,438,932</b>	<b>1,243,995,280</b>
<b>LIABILITY</b>								
Currency in Circulation	188,369,447	-	-	-	-	-	-	188,369,447
Payables due to Money Market Operations	-	13,007,785	-	-	-	-	-	13,007,785
Deposits	146,196,490	734,452,307	-	-	-	-	-	880,648,797
Foreign Correspondents	26,183,011	-	-	-	-	-	-	26,183,011
Reserve Tranche Position	1,197,129	-	-	-	-	-	-	1,197,129
SDR Allocation	11,372,379	-	-	-	-	-	-	11,372,379
Tax Liability	-	-	-	-	-	-	9,082,759	9,082,759
Provisions	-	-	-	-	-	-	429,519	429,519
Share Capital and Legal Reserves	-	-	-	-	-	-	5,956,597	5,956,597
Valuation Account	-	-	-	-	-	-	69,351,880	69,351,880
Profit for the Year	-	-	-	-	-	-	34,497,932	34,497,932
Other Liabilities	2,171,633	-	-	-	-	-	1,726,412	3,898,045
<b>Total Liabilities</b>	<b>375,490,089</b>	<b>747,460,092</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>121,045,099</b>	<b>1,243,995,280</b>
<b>Net Liquidity Position</b>	<b>140,671,727</b>	<b>(311,870,722)</b>	<b>27,752,809</b>	<b>108,357,071</b>	<b>137,286,257</b>	<b>16,580,658</b>	<b>(116,606,167)</b>	<b>-</b>