

**THE CENTRAL BANK OF
THE REPUBLIC OF TÜRKİYE**

**FINANCIAL STATEMENTS AS OF AND FOR
THE YEAR ENDED DECEMBER 31, 2022
TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT**

(Convenience translation of a report and financial statements originally issued in Turkish)

Independent Auditor's Report

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

Audit of the Financial Statements

Opinion

We have audited the financial statements of the Central Bank of the Republic of Turkey ("the Bank"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Matter

As mentioned in Note 3.a, US Dollar amounts presented in the accompanying financial statements are translated from TL at the official US Dollar bid rates announced by the Bank at 31 December 2022 and 2021 for the statement of financial position; and the average of daily official US Dollar bid rates announced by the Bank for the years ended 31 December 2022 and 2021 for the statement of profit or loss, and they do not form part of these financial statements.

(Convenience translation of a report and financial statements originally issued in Turkish)

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

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

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

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

Auditors' Responsibilities for the Audit of Financial Statements

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

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

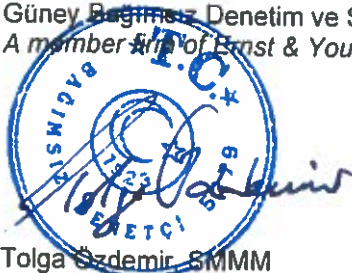
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting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

(Convenience translation of a report and financial statements originally issued in Turkish)

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

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

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



Tolga Özdemir, SMMM
Partner

March 22, 2023
Istanbul, Turkey

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

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THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2022

(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira ("TL") as of December 31, 2022 unless otherwise stated.)

	Notes	December 31, 2022 TL	December 31, 2021 TL	December 31, 2022 Million US Dollar (*)	December 31, 2021 Million US Dollar (*)
ASSETS					
Cash (foreign currency and coin)	31	179,583,803	85,163,644	9,604	6,562
Due from banks	6	1,439,420,962	2,100,565,800	76,982	161,863
Financial assets at fair value through profit or loss	7	271,201,568	296,675,401	14,504	22,861
Loans and advances to customers	8	263,333,789	325,614,138	14,083	25,091
Financial assets at fair value through other comprehensive income	9	5,889,960	7,172,536	315	553
Gold reserves	10	860,334,903	824,035,292	46,012	63,497
Property and equipment	11	10,813,693	7,856,900	578	605
Intangible assets	12	27,783	55,170	1	4
Other assets	13	17,492,344	41,893,797	936	3,228
Deferred tax asset	20	80,199,577	-	4,289	-
Total assets		3,128,298,382	3,689,032,678	167,304	284,264
LIABILITIES					
Currency in circulation	14	341,798,643	386,653,573	18,280	29,794
Due to banks	15	2,416,559,433	2,534,586,620	129,240	195,306
Other deposits	16	516,488,315	558,353,945	27,622	43,025
Financial liabilities at fair value through profit or loss	7	4,701,289	63,571,339	251	4,899
Due to international organizations	17	944,263	330,648	50	25
Other borrowed funds	18	15,809,982	9,876,687	846	761
Other liabilities	19	18,447,518	6,795,520	987	524
Tax liabilities	20	3,035,234	18,372,884	162	1,416
Deferred tax liability	20	-	463,685	-	36
Retirement benefit obligations	21	474,688	380,519	25	29
Total liabilities		3,318,259,365	3,579,385,420	177,463	275,815
EQUITY					
Paid-in share capital	29	436,696	436,696	23	34
Retained earnings		2,729,009	134,997,679	146	10,402
Reserves		(193,126,688)	(25,787,117)	(10,328)	(1,987)
Total equity		(189,960,983)	109,647,258	(10,159)	8,449
TOTAL LIABILITIES AND EQUITY					
		3,128,298,382	3,689,032,678	167,304	284,264

(*) US dollar amounts presented above are translated from TL for convenience purposes only, at the official US Dollar bid rates announced by the Bank on December 31, 2022 and 2021, and they do not form part of these financial statements (Note 3.a.).

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira ("TL") as of December 31, 2022 unless otherwise stated.)

		2022	2021	2022	2021
	Notes	TL	TL	Million US Dollar (*)	Million US Dollar (*)
Interest income	22	194,242,098	264,075,578	11,727	29,821
Interest expense	22	(31,323,453)	(51,467,937)	(1,891)	(5,812)
Net interest income	22	162,918,645	212,607,641	9,836	24,009
Fee and commission income	23	20,169,014	3,519,414	1,218	397
Fee and commission expense	23	(187,721)	(196,866)	(11)	(22)
Net fee and commission income	23	19,981,293	3,322,548	1,207	375
Dividend income	24	56,218	97,340	3	11
Profit/(loss) from financial assets at fair value through profit or loss	25	(73,486,923)	(20,315,190)	(4,437)	(2,294)
Foreign exchange gain/(loss), net	26	(575,228,032)	(347,438,179)	(34,728)	(39,235)
Other operating income		38,523	28,573	2	3
Impairment losses on loans	8	(11,285,335)	(17,045,827)	(681)	(1,925)
Other operating expenses	27	(6,491,866)	(4,117,744)	(392)	(465)
Monetary loss (gain)	2	430,713,683	188,427,983	26,003	21,278
Profit/(Loss) before income tax		(52,783,794)	15,567,145	(3,187)	1,758
Income tax credit/ (expense)	20	(2,610,285)	(12,820,067)	(158)	(1,448)
Net profit for the year		(55,394,079)	2,747,078	(3,345)	310

(*) US dollar amounts presented above are translated from TL for convenience purposes only, at the average of daily official US Dollar bid rates announced by the Bank for the years ended December 31, 2022 and 2021, and they do not form part of these financial statements (Note 3.a.).

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira ("TL") as of December 31, 2022 unless otherwise stated.)

	Notes	2022 TL	2021 TL
Net profit for the year		(55,394,079)	2,747,078
Other comprehensive income			
<i>Items those will not be reclassified subsequently to profit or loss</i>			
Increase/(decrease) of fair value of gold reserves		(227,391,981)	(48,724,126)
Deferred tax related to increase/ (decrease) on fair value of gold reserves	20	56,847,995	9,744,826
Changes in fair values of financial assets at fair value through other comprehensive income	9	(1,282,576)	1,388,681
Deferred tax on changes in fair values of financial assets at fair value through other comprehensive income	20	320,644	(277,736)
Total comprehensive income for the year		(226,899,997)	(35,121,277)

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira ("TL") as of December 31, 2022 unless otherwise stated.)

	Notes	Share Capital			Reserves					Retained earnings	Total
		Share capital	Adjustment to share capital	Total paid-in share capital	Items those will not be reclassified subsequently to profit or loss			Other Reserves			
					Changes in Fair Values of Financial Assets at Fair Value Through Other Comprehensive Income	Increase of fair value of gold reserves	Actuarial gain / (loss)				
Balance at January 1, 2021		25	436,671	436,696	-	-	5,566	14,817,136	206,639,242	221,898,640	
Cash dividends paid	29	-	-	-	-	-	-	-	(65,110,972)	(65,110,972)	
Total comprehensive income/(loss)		-	-	-	1,110,945	(38,979,300)	-	-	2,747,078	(35,121,277)	
<i>Net profit/(loss) for the year</i>		-	-	-	-	-	-	-	2,747,078	2,747,078	
<i>Other comprehensive income/(loss)</i>		-	-	-	1,110,945	(38,979,300)	-	-	-	(37,868,355)	
Transfer		-	-	-	-	-	-	9,277,669	(9,277,669)	-	
Paid to Treasury	29	-	-	-	-	-	-	(12,019,133)	-	(12,019,133)	
Balance at December 31, 2021		25	436,671	436,696	1,110,945	(38,979,300)	5,566	12,075,672	134,997,679	109,647,258	
Balance at January 1, 2022		25	436,671	436,696	1,110,945	(38,979,300)	5,566	12,075,672	134,997,679	109,647,258	
Cash dividends paid	29	-	-	-	-	-	-	-	(66,950,884)	(66,950,884)	
Total comprehensive income/(loss)		-	-	-	(961,932)	(170,543,986)	-	-	(55,394,079)	(226,899,997)	
<i>Net profit/(loss) for the year</i>		-	-	-	-	-	-	-	(55,394,079)	(55,394,079)	
<i>Other comprehensive income/(loss)</i>		-	-	-	(961,932)	(170,543,986)	-	-	-	(171,505,918)	
Transfer		-	-	-	-	-	-	9,923,707	(9,923,707)	-	
Paid to Treasury	29	-	-	-	-	-	-	(5,757,360)	-	(5,757,360)	
Balance at December 31, 2022		25	436,671	436,696	149,013	(209,523,286)	5,566	16,242,019	2,729,009	(189,960,983)	

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira ("TL") as of December 31, 2022 unless otherwise stated.)

	Notes	January 1 – December 31, 2022 TL	January 1 – December 31, 2021 TL
Cash flows (used in)/from operating activities			
Net profit for the year		(55,394,079)	2,747,078
Adjustment for:			
Depreciation of property and equipment	11	226,518	223,627
Amortization of intangible assets	12	31,771	21,974
Provision for retirement benefit obligations	21	301,957	95,014
Net interest income	22	(162,918,645)	(212,607,641)
Dividend income	24	(56,218)	(97,340)
Net commission income	23	19,981,293	3,322,548
Tax expense/(gain)	20	2,610,285	12,820,067
Unrealized foreign exchange loss/(gain), net	26	582,300,865	309,086,903
Monetary loss (gain)		682,236,231	992,414,396
Cash flows from operating profits before changes in operating assets and liabilities		1,069,319,978	1,108,026,626
Changes in operating assets and liabilities:			
Net change in gold reserves		(263,691,592)	(155,270,950)
Net change in financial assets at fair value through profit or loss		25,473,833	83,204,347
Net change in loans and advances to customers		77,566,658	(6,987,149)
Net change in other assets		24,401,453	(37,064,677)
Net change in currency in circulation		125,890,398	94,919,251
Net change in due to banks		(118,027,187)	824,402,451
Net change in other deposits		(41,865,630)	241,773,522
Net change in other liabilities		(1,014,436,217)	(636,741,352)
Used/ (Paid) bank loans, net		10,645,640	(18,686,660)
Taxes paid		(45,773,135)	(28,654,436)
Retirement benefits paid	21	(14,449)	(3,785)
Interest received		181,706,594	263,282,571
Interest paid		(30,008,024)	(56,804,795)
Commission received		(20,169,014)	(3,519,414)
Commission paid		187,721	196,866
Net cash from operating activities		(18,792,973)	1,672,072,416
Cash flows related to investing activities			
Purchase of property, equipment and intangible assets	11-12	(3,189,875)	(1,537,005)
Proceeds from sale of property, equipment and intangible assets		2,180	30,260
Dividends received	24	56,218	97,340
Net cash used in investing activities		(3,131,477)	(1,409,405)
Cash flows related to financing activities			
Dividends paid	29	(66,950,884)	(65,110,972)
Legal reserves paid to Treasury		(5,757,360)	(12,019,133)
Cash flows from/(used) in financing activities		(72,708,244)	(77,130,105)
Inflation effect on cash and cash equivalents		(868,842,976)	(1,127,229,953)
Effects of exchange-rate changes on cash and cash equivalents		396,750,990	399,393,653
Change in cash and cash equivalents		(566,724,680)	865,696,606
Cash and cash equivalents at the beginning of the year	31	2,185,729,445	1,320,032,839
Cash and cash equivalents at the end of the year	31	1,619,004,765	2,185,729,445

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira (“TL”) as of December 31, 2022 unless otherwise stated.)

NOTE 1 - GENERAL INFORMATION

The Central Bank of the Republic of Türkiye (the “Bank” or “CBRT”) was incorporated in Türkiye in 1931. It was established as a joint stock company with the exclusive privilege of issuing banknotes in Türkiye and is vested with the powers and duties set forth in the CBRT Law No. 1211 (the “CBRT Law”). The Head Office of the Bank is located in Ankara. The Bank’s registered head office is located at the following address: Hacıbayram District İstiklal Street 10 Ulus, 06050 Ankara, Türkiye. The Bank now operates a nationwide network of 21 branches and has no branches abroad. As of December 31, 2022, the Bank employed 3,775 people (December 31, 2021: 3,623).

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

The fundamental duties of the Bank are:

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

NOTE 2 – BASIS OF PRESENTATION

(a) Turkish Lira Financial Statements

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

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

The accompanying financial statements of the Central Bank of the Republic of Türkiye (“the Bank” or “CBRT”) as of December 31, 2022 have been approved by the Budget and Financial Reporting General Directorate and the Board and the General Assembly have the authority to modify the financial statements.

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira (“TL”) as of December 31, 2022 unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION (Continued)

(b) Financial Reporting in Hyperinflationary Economies

IAS 29 Financial Reporting in Hyperinflation Economies has been applied to the financial statements of The Central Bank of The Republic of Türkiye, because the functional currency of the bank (Turkish Lira) is the currency of a hyperinflationary economy as per IAS 29.

As per IAS 29 existence of hyperinflation in Turkish economy is firstly identified in the interim reporting period ending as of the 30 June 2022. Three-year cumulative increase in Consumer Price Index (CPI) as of June 2022 has been 136% in Türkiye according to inflation data published by Türkiye Statistical Institute on July 4, 2022.

Accordingly, the financial statements and the amounts for previous periods have been restated according to the changes in the general purchasing power of the Turkish lira and expressed in terms of the purchasing power of the Turkish lira as of December 31, 2022.

As of January 1, 2005, the evaluation of Türkiye as hyperinflationary ceased. Non-monetary items and equity items acquired or assumed prior to this date, measured at historical cost, are adjusted by applying the relevant index from January 1, 2005 to December 31, 2022.

On the application of IAS 29, The Central Bank of The Republic of Türkiye used the conversion coefficient derived from the CPI in the Türkiye published by Türkiye Statistical Institute. The CPI is for current and previous year periods and corresponding conversion factors since the time when the Türkiye previously ceased to be considered hyperinflationary, i.e., since January 1, 2005, were as follow:

Year end	Index Numbers	Index, %	Conversion Factor
2004	113.86	9.35%	9.91
2005	122.65	7.72%	9.20
2006	134.49	9.65%	8.39
2007	145.77	8.39%	7.74
2008	160.44	10.06%	7.03
2009	170.91	6.53%	6.60
2010	181.85	6.40%	6.21
2011	200.85	10.45%	5.62
2012	213.23	6.16%	5.29
2013	229.01	7.40%	4.93
2014	247.72	8.17%	4.56
2015	269.54	8.81%	4.19
2016	292.54	8.53%	3.86
2017	327.41	11.92%	3.45
2018	393.88	20.30%	2.86
2019	440.50	11.84%	2.56
2020	504.81	14.60%	2.24
2021	686.95	36.08%	1.64
2022	1.128.45	64.27%	1.00

To perform the required restatement of financial statements under IAS 29, assets and liabilities are separated into those that are monetary and non-monetary, with non-monetary items further divided into those measured on either a current or historical basis. Monetary items (other than index -linked monetary items) are not restated because they are already expressed in terms of measuring unit as of December 31, 2022. Non-monetary items (items which are not expressed in terms of measuring unit as of December 31, 2021) are restated by applying the relevant index. The restated amount of a non-monetary item is reduced, in accordance with appropriate IFRSs, when it exceeds its recoverable amount. Components of shareholders’ equity in the statement of financial position, all items in the statement of profit or loss and other comprehensive income and statements of cash flows also be restated by applying the relevant index.

NOTE 2 – BASIS OF PRESENTATION (Continued)

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira ("TL") as of December 31, 2022 unless otherwise stated.)

(b) Financial Reporting in Hyperinflationary Economies

The application of IAS 29 results in an adjustment for the loss of purchasing power of the Turkish Lira recognized in the profit or loss section of the statement of profit or loss and comprehensive income. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power and an entity with an excess of monetary liabilities over monetary assets gains purchasing power to the extent the assets and liabilities are not linked to a price level. This gain or loss on the net monetary position is derived as the difference resulting from the restatement of non-monetary assets, owners' equity and items in the statement of comprehensive income and the adjustment of index linked assets and liabilities.

Corresponding figures for the year ended December 31, 2021 have been restated so that they are presented in terms of the purchasing power of the Turkish Lira as of December 31, 2022.

In addition, in the first reporting period in which hyperinflation exists, the requirements of IAS 29 are applied as if the economy had always been hyperinflationary. Therefore, the statement of financial position at the beginning of the earliest comparative period, i.e as of January 1, 2021, is restated as the base of all subsequent reporting. Restated retained earnings/losses in the statement of financial position at the beginning of the earliest comparative period is derived as balancing figure in the restated statement of financial position.

(c) Change in Accounting Policies

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated.

(d) Change in Accounting Estimates and Errors

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

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira (“TL”) as of December 31, 2022 unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION (Continued)

(e) New and revised International Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2022. The effects of these standards and interpretations on the Bank financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2022 are as follows:

IFRS 3 Amendments – Amendment to References to the Conceptual Framework

In July 2020, POA issued amendments to IFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of IFRS 3. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments must be applied prospectively.

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

IAS 16 Amendments - Adaptation for intended use

In July 2020, POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

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

IAS 37 Amendments - Disadvantageous contracts - Costs to fulfill the contract

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

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

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NOTE 2 – BASIS OF PRESENTATION (Continued)

Annual Improvements – 2018–2020 Cycle

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

- *IFRS 1 First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.

- *IFRS 9 Financial Instruments* – Fees in the “10 per cent test” for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.

- *TAS 41 Agriculture* – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

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

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

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

IFRS 10 and IAS 28: Asset Sales or Contributions by Investor Entity to Associates or Joint Ventures - Amendment

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Bank will wait until the final amendment to assess the impacts of the changes.

IAS 8 Amendments – Definition of Accounting Estimates

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of ‘accounting estimates’. The amendments issued to IAS 8 are effective for annual periods beginning on or after January 1, 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted. The Bank is in the process of assessing the impact of the amendments on financial position or performance of the Bank.

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

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NOTE 2 – BASIS OF PRESENTATION (Continued)

IFRS 17 – New Insurance Contracts Standard

POA issued IFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after January 1, 2023; early application is permitted. The standard is not applicable for the Bank and did not have an impact on the financial position or performance of the Bank.

IAS 12 Amendments – Deferred tax on assets and liabilities arising from a single transaction

In August 2021, POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after January 1, 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

The effects of the said change on the Bank's financial position and performance are being evaluated.

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

In January 2020 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period (“future covenants”), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after January 1, 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa. The standard is not applicable for the Bank and did not have an impact on the financial position or performance of the Bank.

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

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NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

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NOTE 2 – BASIS OF PRESENTATION (Continued)

IFRS 16 Amendments – Lease liabilities on sale and leaseback transactions

In January 2023, POA issued amendments to IFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of IFRS 16 under "Subsequent measurement of the lease liability" heading after the commencement date in a sale and leaseback transaction, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency translation

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

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

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira ("TL") as of December 31, 2022 unless otherwise stated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Foreign currency translation (Continued)

Exchange rates

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
US Dollar ("USD")	18.6983	12.9775
Euro ("EUR")	19.9349	14.6823
Swiss Franc ("CHF")	20.2019	14.1207
Great Britain Pound ("GBP")	22.4892	17.4530
Japanese Yen ("JPY")	0.141301	0.112434
Special Drawing Rights ("SDR") (*)	24.9745	18.1694

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

US Dollar Amounts Presented in Financial Statements

For US Dollar amounts in statement of financial position prepared according to IFRS, the Bank used official buying exchange rates at December 31, 2022 and 2021 which are USD 1 = TL 18.6983 and USD 1 = TL 12.9775 respectively and for the USD amounts in statement of profit or loss the Bank used daily official buying exchange rates at 2022 and 2021 which are TL 16.5638 = USD 1 and TL 8.8854 = USD 1 on average, and they are not part of these financial statements.

(b) Interest income and expense

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

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

(c) Fee and commission income

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

(d) Income taxes

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

Current tax

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

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Income taxes (Continued)

Deferred tax

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

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

Current and deferred tax for the period

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

Corporate earnings are subject to 20% corporate tax. However, the corporate tax rate which is 20% pursuant to the temporary article 13 added to the Corporate Tax Law; It has been determined as 23% for corporate earnings for 2021 and 2022. Pursuant to the amendment made in Article 32 of the Corporate Tax Law with the Law No. 7394 published in the Official Gazette dated April 15, 2022 and numbered 31810, the corporate tax rate shall start from the declarations that must be submitted as of July 1, 2022, and shall apply to the taxation period starting from January 1, 2022. It has been determined as 25% to be valid for corporate earnings. 25% rate is used for Deferred Tax calculation.

(e) Gold reserves

Gold bullion

Gold bullion consists of the stocks of gold bars of international standard and non-international standard held at the Bank, at BIST and held with correspondents. Gold is held by the Bank as part of its foreign currency reserves and represents 35.56% 2022 (December 31, 2021: 34.66%) of aggregate foreign currency reserves. Related to reserve management, Bank performs direct purchase and sales transactions, gold custody accounts, gold depot transactions with maturity, gold against TL and TL against gold swap transactions, gold against foreign exchange or foreign exchange against gold swap transactions, location swaps and physical transportation of gold.

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

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NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Gold reserves(continued)

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

The gold deposited by banks and financing companies for the reserve requirement is followed by foreign banks and the BIST. Since there is no clear IFRS standard for the accounting of gold held for reserve requirement and held in the name of the Treasury in the gold accounts in assets and in liabilities to banks and other deposits in the financial statements, these transactions are valued at their fair value by the Bank in accordance with their essence and the profit is determined, reflected in the loss. As of December 31, 2022, there is no net effect on profit and loss since the gold held for the required reserve establishment and held on behalf of the Treasury is equal in assets and liabilities (December 31, 2021: None).

The exchange rate of gold bullion to TL as of December 31, 2022 was full 33,888 per troy ounce (December 31, 2021: full TL 23,620 per troy ounce).

Gold coin

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

(f) Financial Assets

Initial recognition of financial instruments

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

Initial measurement of financial instrument

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

Classification of financial instruments

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

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

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial Assets (continued)

Classification of financial instruments (continued)

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

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

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

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

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

The business model in which the Bank aims to hold financial assets both for the collection of contractual cash flows and for the sale of financial assets. Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Bank does not hold any securities, except for equity shares within this model as of December 31, 2022.

Other business model

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

Measurement categories of financial assets

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

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

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

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial Assets (continued)

Financial Assets Measured at Fair Value through Profit/Loss

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

Financial Assets Measured at Fair Value Through Other Comprehensive Income:

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

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

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

Financial Assets Measured at Amortized Cost

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

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

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial Assets (continued)

Loans

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

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

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

TL Settled Forward Foreign Exchange Sales

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

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

Swap Transactions

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

Impairment

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

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

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

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

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

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

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial Assets (continued)

Impairment (continued)

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

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

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

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

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

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

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

Definition of Default

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

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

Definition of Significant Increase in Credit Risk

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

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

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

(g) Financial liabilities

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

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

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira (“TL”) as of December 31, 2022 unless otherwise stated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial liabilities (continued)

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net present value on initial recognition.

(h) Sale and repurchase agreements

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

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

(i) Money issuance

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

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

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Banknotes in circulation

Currency in Circulation - Turkish Lira

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

Demonetized Currency - Turkish Lira and New Turkish Lira

With the Council of Ministers' decision issued in Official Gazette on May 5, 2007, it was decided that the phrase "New" on the New Turkish Lira and New Kuruş that were put into circulation on January 1, 2005, are removed as of January 1, 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 January 1, 2009 and December 31, 2009 along with Turkish Lira banknotes are expired as of December 31, 2009.

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

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

As of December 31, 2022, there are no banknotes in circulation that are out of circulation and expired but still outstanding.

(k) Property and equipment

Land and buildings comprise mainly branches of the Bank.

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

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

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

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

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

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

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

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(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira ("TL") as of December 31, 2022 unless otherwise stated.)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Intangible assets

Intangible assets acquired

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

Trademarks and licenses

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

Computer software

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

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

(m) Lease transactions

Leases in Accordance with IFRS 16

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

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Provisions

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

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

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

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

(o) Retirement benefit obligations

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

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

(p) Related parties

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

(r) Cash and cash equivalents

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

(s) Profit distribution

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

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

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Profit distribution (Continued)

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

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

(t) Fiduciary activities

The Bank commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals and financial institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets or income of the Bank. Fiduciary capacity at December 31, 2022 and 2021 is as follows:

	December 31, 2022	December 31, 2021
Securities held in custody	887,845,744	1,416,429,346
Total	887,845,744	1,416,429,346

NOTE 4 - FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

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

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

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

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira ("TL") as of December 31, 2022 unless otherwise stated.)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

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

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

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

The maximum credit risk exposure of the Bank as of December 31, 2022 and 2021 are presented in the table below according to different asset classes (classification according to external credit ratings is done based on the credit ratings published by Moody's):

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

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NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (continued)

	December 31, 2022		December 31, 2021	
	TL	Share (%)	TL	Share (%)
Due from banks	1,439,420,962	73	2,100,565,800	77
- Demand Deposits	1,086,514,007	55	1,086,729,910	40
Central Banks	899,669,389	45	879,445,288	32
International Institutions	149,887,315	8	164,449,589	6
Foreign Commercial Banks	36,957,303	2	42,835,033	2
- Time Deposits	169,138,207	9	198,087,084	7
Central Banks	92,225,625	5	160,072,060	6
International Institutions	48,358,406	2	12,148,841	<1
Foreign Banks	24,751,991	1	24,880,948	<1
Aaa	1,058,092	<1	-	-
Aa3	15,881,931	<1	17,595,996	<1
A1	3,810,375	<1	2,463,394	<1
A3	4,001,593	<1	4,821,558	<1
Domestic Commercial Banks	3,802,185	<1	985,235	<1
- Foreign Exchange Deposits against Turkish Lira Deposits	6,539,656	<1	-	-
- Securities purchased under agreements to resell(*)	146,055,499	7	619,888,551	23
Domestic Commercial Banks	146,055,499	7	619,888,551	23
- Due from interbank money markets	37,713,249	2	195,860,255	7
Financial assets at fair value through profit/loss	271,201,568	14	296,675,401	11
Foreign Country Treasuries	104,661,601	5	160,414,015	6
Aaa	47,070,887	2	80,929,288	3
Aa1	5,402,912	<1	12,012,884	<1
Aa2	2,206,724	<1	5,553,644	<1
Aa3	10,975,262	<1	14,487,473	<1
A1	39,005,816	1	47,430,726	2
International Institutions	6,809,063	<1	14,522,653	1
Treasury	151,051,858	8	121,738,733	4
Domestic Institutions	8,679,046	<1	-	-
Loans and advances to customers	263,333,789	13	325,614,138	11
Loans and advances to customers	263,333,789	13	325,614,138	11
Financial assets at fair value through other comprehensive income	5,889,960	<1	7,172,536	<1
International Institutions	5,798,257	<1	7,022,633	<1
Foreign Financial Institutions	1,160	<1	1,168	<1
Domestic Financial Institutions	90,543	<1	148,735	<1
Total	1,979,846,279		2,730,027,875	

(*)As of December 31, 2022, the Bank has receivables amounting to 146,055,499 (December 31, 2021: 619,888,551) placed with domestic commercial banks as part of securities purchased under agreements to resell. The fair value of the security collaterals obtained for the deposits placed under securities purchased under agreements to resell as of December 31, 2022 is TL 147,041,853 (December 31, 2021: TL 618,015,622)

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

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NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (continued)

As of December 31, 2022, and 2021, the security collaterals are the Turkish Government bonds issued by the Treasury.

The sectorial classifications of the Bank's credit exposure as of December 31, 2022 and 2021 are as follows:

	December 31, 2022						Total
	Foreign Country Treasury	Foreign Central Banks	International Financial Institutions	Domestic Financial Institutions	Foreign Financial Institutions	Treasury	
Due from banks	-	991,895,014	198,245,722	187,570,933	61,709,293	-	1,439,420,962
Financial assets at fair value through profit or loss	113,340,648	-	6,809,062	-	-	151,051,858	271,201,568
Loans and advances to customer	-	81,317	-	263,252,472	-	-	263,333,789
Financial assets at fair value through other comprehensive income	-	-	5,798,257	90,543	1,160	-	5,889,960
Total	113,340,648	991,976,331	210,853,041	450,913,948	61,710,453	151,051,858	1,979,846,279

	December 31, 2021						Total
	Foreign Country Treasury	Foreign Central Banks	International Financial Institutions	Domestic Financial Institutions	Foreign Financial Institutions	Treasury	
Due from banks	-	1,039,512,238	176,596,928	816,734,040	67,722,594	-	2,100,565,800
Financial assets at fair value through profit or loss	160,414,015	-	14,522,653	-	-	121,738,733	296,675,401
Loans and advances to customer	-	92,710	-	325,521,428	-	-	325,614,138
Financial assets at fair value through other comprehensive income	-	-	7,022,633	148,735	1,168	-	7,172,536
Total	160,414,015	1,039,604,948	198,142,214	1,142,404,203	67,723,762	121,738,733	2,730,027,875

As indicated above, the credit risk is mainly concentrated on foreign country treasury and central banks, international financial institutions, domestic financial institutions and Treasury as of December 31, 2022 and 2021.

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

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NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (continued)

Geographical concentrations of assets and liabilities of the Bank as of December 31, 2022 and 2021 are as follows:

	December 31, 2022					Total
	Türkiye	Other European Countries	Canada and US	South - East Asia	Other Countries	
Cash	179,583,803	-	-	-	-	179,583,803
Due from banks	187,570,933	524,513,291	260,930,510	119,237,004	347,169,224	1,439,420,962
Financial assets at fair value through profit or loss	151,051,858	51,756,052	29,387,842	39,005,816	-	271,201,568
Loans and advances to customers	263,252,472	-	-	-	81,317	263,333,789
Financial assets at fair value through other comprehensive income	90,543	5,612,434	-	186,983	-	5,889,960
Gold reserves	626,570,806	233,764,097	-	-	-	860,334,903
Property and equipment	10,813,693	-	-	-	-	10,813,693
Intangible assets	27,783	-	-	-	-	27,783
Deferred tax asset	80,199,577	-	-	-	-	80,199,577
Other assets	17,492,199	28	-	42	75	17,492,344
Total assets	1,516,653,667	815,645,902	290,318,352	158,429,845	347,250,616	3,128,298,382
Currency in circulation	341,798,643	-	-	-	-	341,798,643
Due to banks	1,818,118,175	1,170	2	104,555,003	493,885,083	2,416,559,433
Other deposits	512,986,683	3,495,431	5,684	337	180	516,488,315
Financial liabilities at fair value through profit or loss	4,701,289	-	-	-	-	4,701,289
Due to international organizations	-	-	911,917	-	32,346	944,263
Other borrowed funds	15,809,982	-	-	-	-	15,809,982
Other liabilities	11,461,396	715,550	6,258,053	4,252	8,267	18,447,518
Tax liabilities	3,035,234	-	-	-	-	3,035,234
Retirement benefit obligations	474,688	-	-	-	-	474,688
Equity	(189,960,983)	-	-	-	-	(189,960,983)
Total liabilities and equity	2,518,425,107	4,212,151	7,175,656	104,559,592	493,925,876	3,128,298,382

	December 31, 2021					Total
	Türkiye	Other European Countries	Canada and US	South - East Asia	Other Countries	
Cash	85,163,644	-	-	-	-	85,163,644
Due from banks	816,734,040	473,852,406	339,623,066	129,631,740	340,724,548	2,100,565,800
Financial assets at fair value through profit or loss	121,738,733	93,503,762	34,002,180	47,430,726	-	296,675,401
Loans and advances to customers	325,521,428	-	-	-	92,710	325,614,138
Financial assets at fair value through other comprehensive income	148,735	6,810,620	-	213,181	-	7,172,536
Gold reserves	677,988,092	146,047,200	-	-	-	824,035,292
Property and equipment	7,856,900	-	-	-	-	7,856,900
Intangible assets	55,170	-	-	-	-	55,170
Deferred tax asset	-	-	-	-	-	-
Other assets	41,861,937	15	1	24	31,820	41,893,797
Total assets	2,077,068,679	720,214,003	373,625,247	177,275,671	340,849,078	3,689,032,678
Currency in circulation	386,653,573	-	-	-	-	386,653,573
Due to banks	2,060,674,410	1,252	-	126,481,808	347,429,150	2,534,586,620
Other deposits	553,215,811	5,129,503	7,877	496	258	558,353,945
Financial liabilities at fair value through profit or loss	63,571,339	-	-	-	-	63,571,339
Due to international organizations	-	-	277,514	-	53,134	330,648
Other borrowed funds	9,876,687	-	-	-	-	9,876,687
Other liabilities	5,233,770	1,072,807	474,943	7,018	6,982	6,795,520
Tax liabilities	18,372,884	-	-	-	-	18,372,884
Deferred tax liabilities	463,685	-	-	-	-	463,685
Retirement benefit obligations	380,519	-	-	-	-	380,519
Equity	109,647,258	-	-	-	-	109,647,258
Total liabilities and equity	3,208,089,936	6,203,562	760,334	126,489,322	347,489,524	3,689,032,678

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira ("TL") as of December 31, 2022 unless otherwise stated.)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (continued)

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

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

There are no financial assets that are past due but not impaired at December 31, 2022 and 2021; therefore, there are no collaterals held against such past due financial assets.

As of December 31, 2022, and 2021, the Bank has no assets held for resale.

(c) Market risk

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

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

(d) Currency risk

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

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

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

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(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira ("TL") as of December 31, 2022 unless otherwise stated.)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk (continued)

The net foreign currency position of the Bank as of December 31, 2022 and 2021 is summarized at table below. The table presented below provides the Bank's assets, liabilities, and equity at carrying amounts, categorized by currency:

	December 31, 2022									
	Foreign currency									
	US Dollar	EUR	GBP	CHF	SDR	JPY	Other	Total	TL	TOTAL
Cash	79,248,229	98,859,483	1,002,306	284,649	-	53,952	111,585	179,560,204	23,599	179,583,803
Due from banks	134,969,417	484,763,865	50,554,666	153,012	138,202,566	178,464	446,596,265	1,255,418,255	184,002,707	1,439,420,962
Financial assets at fair value through profit or loss	33,956,748	25,524,779	9,829,380	-	-	-	50,838,803	120,149,710	151,051,858	271,201,568
Loans and advances to customers	32,540,059	45,928,773	-	-	-	-	566,810	79,035,642	184,298,147	263,333,789
Financial assets at fair value through other comprehensive income	5,548,512	1,160	-	-	249,745	-	-	5,799,417	90,543	5,889,960
Gold reserves	-	-	-	-	-	-	860,334,903	860,334,903	-	860,334,903
Property and equipment	-	-	-	-	-	-	-	-	10,813,693	10,813,693
Intangible assets	-	-	-	-	-	-	-	-	27,783	27,783
Deferred tax asset	-	-	-	-	-	-	-	-	80,199,577	80,199,577
Other assets	12,060,364	1,394	750	-	-	1,780	144	12,064,432	5,427,912	17,492,344
Total assets	298,323,329	655,079,454	61,387,102	437,661	138,452,311	234,196	1,358,448,510	2,512,362,563	615,935,819	3,128,298,382
Currency in circulation	-	-	-	-	-	-	-	-	341,798,643	341,798,643
Due to banks	1,060,299,416	665,433,935	12,433,581	-	-	-	17,708,288	1,755,875,220	660,684,213	2,416,559,433
Other deposits	205,420,820	19,832,747	10,155	71,819	135,463,719	5,695	6,852	360,811,807	155,676,508	516,488,315
Due to international organizations	4,701,289	-	-	-	-	-	-	4,701,289	-	4,701,289
Other borrowed funds	-	-	-	-	-	-	-	-	944,263	944,263
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	15,809,982	15,809,982
Other liabilities	1,376,621	645,984	20,335	35,668	-	4,252	29,181	2,112,041	16,335,477	18,447,518
Tax Liabilities	-	-	-	-	-	-	-	-	3,035,234	3,035,234
Retirement benefit obligations	-	-	-	-	-	-	-	-	474,688	474,688
Equity	-	-	-	-	-	-	-	-	(189,960,983)	(189,960,983)
Total liabilities and equity	1,271,798,146	685,912,666	12,464,071	107,487	135,463,719	9,947	17,744,321	2,123,500,357	1,004,798,025	3,128,298,382
Net balance sheet position	(973,474,817)	(30,833,212)	48,923,031	330,174	2,988,592	224,249	1,340,704,189	388,862,206	(388,862,206)	-
Net off-balance sheet position	(756,006,353)	(131,470,664)	-	-	-	-	(443,258,665)	(1,330,735,682)	1,323,579,188	(7,156,494)
Net foreign currency position	(1,729,481,170)	(162,303,876)	48,923,031	330,174	2,988,592	224,249	897,445,524	(941,873,476)	934,716,982	(7,156,494)

	December 31, 2021									
	Foreign currency									
	US Dollar	EUR	GBP	CHF	SDR	JPY	Other	Total	TL	TOTAL
Cash	54,027,040	29,013,498	1,703,296	141,750	-	23,278	114,941	85,023,803	139,841	85,163,644
Due from banks	191,621,668	474,153,207	4,113,932	836,840	164,416,455	233,092	448,669,703	1,284,044,897	816,520,903	2,100,565,800
Financial assets at fair value through profit or loss	54,920,417	44,989,213	12,969,422	-	-	-	62,057,616	174,936,668	121,738,733	296,675,401
Loans and advances to customers	136,660,323	170,787,218	1,597,026	-	-	19,202	168,636	309,232,405	16,381,733	325,614,138
Financial assets at fair value through other comprehensive income	6,724,166	1,168	-	-	298,468	-	-	7,023,802	148,734	7,172,536
Gold reserves	-	-	-	-	-	-	824,035,292	824,035,292	-	824,035,292
Property and equipment	-	-	-	-	-	-	-	0	7,856,900	7,856,900
Intangible assets	-	-	-	-	-	-	-	0	55,170	55,170
Deferred tax asset	-	-	-	-	-	-	-	-	-	-
Other assets	3,740	3,271	1,062	-	-	2,326	6,734	17,133	41,876,664	41,893,797
Total assets	443,957,354	718,947,575	20,384,738	978,590	164,714,923	277,898	1,335,052,922	2,684,314,000	1,004,718,678	3,689,032,678
Currency in circulation	-	-	-	-	-	-	-	-	386,653,573	386,653,573
Due to banks	1,230,455,211	777,014,380	557,056	-	-	-	14,391,892	2,022,418,539	512,168,081	2,534,586,620
Other deposits	238,351,132	9,356,818	8,278	95,808	161,891,471	14,860	6,823	409,725,190	148,628,755	558,353,945
Due to international organizations	-	-	-	-	-	-	-	-	330,648	330,648
Other borrowed funds	-	-	-	-	-	-	-	-	9,876,687	9,876,687
Financial liabilities at fair value through profit or loss	63,571,339	-	-	-	-	-	-	63,571,339	-	63,571,339
Other liabilities	483,076	1,216,487	58,285	19,885	1,972,175	7,018	27,834	3,784,760	3,010,760	6,795,520
Tax Liabilities	-	-	-	-	-	-	-	-	18,372,884	18,372,884
Deferred tax liabilities	-	-	-	-	-	-	-	-	463,685	463,685
Retirement benefit obligations	-	-	-	-	-	-	-	-	380,519	380,519
Equity	-	-	-	-	-	-	-	-	109,647,258	109,647,258
Total liabilities and equity	1,532,860,758	787,587,685	623,619	115,693	163,863,646	21,878	14,426,549	2,499,499,828	1,189,532,850	3,689,032,678
Net balance sheet position	(1,088,903,404)	(68,640,110)	19,761,119	862,897	851,277	256,020	1,320,626,373	184,814,172	(184,814,172)	-
Net off-balance sheet position	(906,168,642)	(42,689,839)	-	-	-	-	(444,411,076)	(1,393,269,557)	1,390,323,840	(2,945,717)
Net foreign currency position	(1,995,072,046)	(111,329,949)	19,761,119	862,897	851,277	256,020	876,215,297	(1,208,455,385)	1,205,509,668	(2,945,717)

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

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(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira ("TL") as of December 31, 2022 unless otherwise stated.)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk (continued)

In order to measure the sensitivity of the foreign exchange gain/loss against volatility in exchange rates, foreign currency net position values were re-calculated under the assumption of the appreciation of the TL by 10% against all foreign currencies. The hypothetical gain that would occur in the total market value of the net foreign currency positions of the Bank as of December 31, 2022 and 2021 under such an assumption is presented in the tables below:

Sensitivity of the net foreign currency position:

	December 31, 2022							
	Foreign currency							Total
	US Dollar	EUR	GBP	CHF	JPY	SDR	Other	
Total assets	298,323,329	655,079,454	61,387,102	437,661	138,452,311	234,196	1,358,448,510	2,512,362,563
Total liabilities	1,271,798,146	685,912,666	12,464,071	107,487	135,463,719	9,947	17,744,321	2,123,500,357
Net balance sheet position	(973,474,817)	(30,833,212)	48,923,031	330,174	2,988,592	224,249	1,340,704,189	388,862,206
Net off-balance sheet position	(756,006,353)	(131,470,664)	-	-	-	-	(443,258,665)	(1,330,735,682)
Net foreign currency position	(1,729,481,170)	(162,303,876)	48,923,031	330,174	2,988,592	224,249	897,445,524	(941,873,476)
Scenario of 10% appreciation of TL	172,948,117	16,230,387	(4,892,303)	(33,017)	(298,859)	(22,425)	(89,744,552)	94,187,348

	December 31, 2021							
	Foreign currency							Total
	US Dollar	EUR	GBP	CHF	JPY	SDR	Other	
Total assets	443,957,354	718,947,575	20,384,738	978,590	164,714,923	277,898	1,335,052,922	2,684,314,000
Total liabilities	1,532,860,758	787,587,685	623,619	115,693	163,863,646	21,878	14,426,549	2,499,499,828
Net balance sheet position	(1,088,903,404)	(68,640,110)	19,761,119	862,897	851,277	256,020	1,320,626,373	184,814,172
Net off-balance sheet position	(906,168,642)	(42,689,842)	-	-	-	-	(444,411,076)	(1,393,269,560)
Net foreign currency position	(1,995,072,046)	(111,329,952)	19,761,119	862,897	851,277	256,020	876,215,297	(1,208,455,388)
Scenario of 10% appreciation of TL	199,507,205	11,132,995	(1,976,112)	(86,290)	(85,128)	(25,602)	(87,621,530)	120,845,538

(e) Interest rate risk

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

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

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(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira ("TL") as of December 31, 2022 unless otherwise stated.)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(e) Interest rate risk (continued)

The tables below summarize the Bank's exposure to interest rate risk at December 31, 2022 and 2021, for TL and foreign currency denominated assets and liabilities. Presented in the tables are the Bank's assets and liabilities in carrying amounts classified in terms of time remaining to contractual re-pricing dates or maturity.

	December 31, 2022														
	Foreign currency							TL							Total
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	FC Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	TL Total	
Cash	-	-	-	-	-	179,560,204	179,560,204	-	-	-	-	-	23,599	23,599	179,583,803
Due from banks	165,649,601	3,488,607	-	-	-	1,086,280,047	1,255,418,255	183,768,747	-	-	-	-	233,960	184,002,707	1,439,420,962
Financial assets at fair value through profit or loss	11,565,580	28,070,058	66,610,496	13,903,576	-	-	120,149,710	12,188,329	75,426,283	63,437,246	-	-	-	151,051,858	271,201,568
Loans and advances to customers	3,254,837	31,004,030	44,188,024	507,434	-	81,317	79,035,642	2,891,314	6,836,797	142,670,966	6,151,719	25,747,351	-	184,298,147	263,333,789
Financial assets at fair value through other comprehensive income	-	-	-	-	-	5,799,417	5,799,417	-	-	-	-	-	90,543	90,543	5,889,960
Gold reserves	-	-	-	-	-	860,334,903	860,334,903	-	-	-	-	-	-	-	860,334,903
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	10,813,693	10,813,693	10,813,693
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	27,783	27,783	27,783
Deferred tax asset	-	-	-	-	-	-	-	-	-	-	-	-	80,199,577	80,199,577	80,199,577
Other asset	-	-	-	-	-	8,227	8,227	-	-	-	-	-	17,484,117	17,484,117	17,492,344
Total assets	180,470,018	62,562,695	110,798,520	14,411,010	-	2,132,064,115	2,500,306,358	198,848,390	82,263,080	206,108,212	6,151,719	25,747,351	108,873,272	627,992,024	3,128,298,382
Currency in circulation	-	-	-	-	-	-	-	-	-	-	-	-	341,798,643	341,798,643	341,798,643
Due to banks	-	6,074,041	165,815,483	-	-	1,583,985,696	1,755,875,220	207,821,280	-	-	-	-	452,862,933	660,684,213	2,416,559,433
Other deposits	285,751,338	-	-	-	-	75,060,469	360,811,807	153,026,435	2,156,476	-	-	-	493,597	155,676,508	516,488,315
Financial liabilities at fair value through other comprehensive income	4,701,289	-	-	-	-	-	4,701,289	-	-	-	-	-	-	-	4,701,289
Due to international organizations	-	-	-	-	-	-	-	-	-	-	-	-	944,263	944,263	944,263
Other borrowed funds	-	-	-	-	-	-	-	15,809,982	-	-	-	-	-	15,809,982	15,809,982
Other liabilities	-	-	-	-	-	2,112,041	2,112,041	-	-	-	-	-	16,335,477	16,335,477	18,447,518
Tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	3,035,234	3,035,234	3,035,234
Retirement benefit obligations	-	-	-	-	-	-	-	-	-	-	-	-	474,688	474,688	474,688
Equity	-	-	-	-	-	-	-	-	-	-	-	-	(189,960,983)	(189,960,983)	(189,960,983)
Total liabilities and equity	290,452,627	6,074,041	165,815,483	-	-	1,661,158,206	2,123,500,357	376,657,697	2,156,476	-	-	-	625,983,852	1,004,798,025	3,128,298,382
Net repricing gap	(109,982,609)	56,488,654	(55,016,963)	14,411,010	-	470,905,909	376,806,001	(177,809,307)	80,106,604	206,108,212	6,151,719	25,747,351	(517,110,580)	(376,806,001)	-

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

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NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(e) Interest rate risk (continued)

	December 31, 2021															
	Foreign currency							TL								
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	FC Total	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	TL	Total	
Cash	-	-	-	-	-	85,023,802	85,023,802	-	-	-	-	-	139,842	139,842	85,163,644	
Due from banks	184,618,932	12,906,572	-	-	-	1,086,519,394	1,284,044,898	816,310,386	-	-	-	-	210,516	816,520,902	2,100,565,800	
Financial assets at fair value through profit or loss	32,296,636	46,540,600	80,693,773	15,405,659	-	-	174,936,668	14,898,469	39,768,040	67,072,224	-	-	-	121,738,733	296,675,401	
Loans and advances to customers	30,010,970	69,031,388	210,097,337	-	-	92,710	309,232,405	-	-	12,570,761	-	3,810,972	-	16,381,733	325,614,138	
Financial assets at fair value through other comprehensive income	-	-	-	-	-	7,023,801	7,023,801	-	-	-	-	-	148,735	148,735	7,172,536	
Gold reserves	-	-	-	-	-	824,035,292	824,035,292	-	-	-	-	-	-	-	824,035,292	
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	7,856,900	7,856,900	7,856,900	
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	55,170	55,170	55,170	
Deferred tax asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other asset	-	-	-	-	-	17,133	17,133	-	-	-	-	-	41,876,664	41,876,664	41,893,797	
Total assets	246,926,538	128,478,560	290,791,110	15,405,659	-	2,002,712,132	2,684,313,999	831,208,855	39,768,040	79,642,985	-	3,810,972	50,287,827	1,004,718,679	3,689,032,678	
Currency in circulation	-	-	-	-	-	-	-	-	-	-	-	-	386,653,573	386,653,573	386,653,573	
Due to banks	-	-	103,097,507	-	-	1,919,321,031	2,022,418,538	121,668,860	-	-	-	-	390,499,222	512,168,082	2,534,586,620	
Other deposits	332,664,894	-	-	-	-	77,060,295	409,725,189	147,253,742	-	-	-	-	1,375,014	148,628,756	558,353,945	
Financial liabilities at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	63,571,339	63,571,339	63,571,339	
Due to international organizations	-	-	-	-	-	-	-	-	-	-	-	-	330,648	330,648	330,648	
Other borrowed funds	-	-	-	-	-	-	-	9,876,687	-	-	-	-	-	9,876,687	9,876,687	
Other liabilities	-	-	-	-	-	3,784,760	3,784,760	-	-	-	-	-	3,010,760	3,010,760	6,795,520	
Tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	18,372,884	18,372,884	18,372,884	
	-	-	-	-	-	-	-	-	-	-	-	-	463,685	463,685	463,685	
Retirement benefit obligations	-	-	-	-	-	-	-	-	-	-	-	-	380,519	380,519	380,519	
Equity	-	-	-	-	-	-	-	-	-	-	-	-	109,647,258	109,647,258	109,647,258	
Total liabilities and equity	332,664,894	-	103,097,507	-	-	2,000,166,086	2,435,928,487	278,799,289	-	-	-	-	974,304,902	1,253,104,191	3,689,032,678	
Net repricing gap	(85,738,356)	128,478,560	187,693,603	15,405,659	-	2,546,046	248,385,512	552,409,566	39,768,040	79,642,985	-	3,810,972	(924,017,075)	(248,385,512)	-	

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira ("TL") as of December 31, 2022 unless otherwise stated.)

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(e) Interest rate risk (continued)

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

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

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

Within this framework, based on the average modified durations of foreign currency and TL assets as of December 31, 2022 and 2021, the prospective decline in the market values of the assets in case of a 1% rise in the related interest rates are presented below. The 1% increase scenario is based on the assumption that the yield curves for the related currencies shift 1% upwards in all maturities simultaneously.

Sensitivity of the market value of assets to interest rates;

	December 31, 22								
	US Dollar (TL Equivalent)	CNY (TL Equivalent)	EUR (TL Equivalent)	CAD (TL Equivalent)	GBP (TL Equivalent)	AUD (TL Equivalent)	TL	Total	
Market value of the foreign currency assets	33,956,748	39,005,816	25,524,779	7,856,461	9,829,380	3,976,526	151,051,858	271,201,568	
Effect of the scenario of 1% increase in interest rates	(432,784)	(838,642)	(347,308)	(126,598)	(190,903)	(72,807)	(2,766,882)	(4,775,924)	

	December 31, 22								
	US Dollar (TL Equivalent)	CNY (TL Equivalent)	EUR (TL Equivalent)	CAD (TL Equivalent)	GBP (TL Equivalent)	AUD (TL Equivalent)	TL	Total	
Market value of the foreign currency assets	54,920,417	47,430,726	44,989,213	9,674,058	12,969,422	4,952,832	121,738,733	296,675,401	
Effect of the scenario of 1% increase in interest rates	(619,127)	(969,438)	(861,112)	(157,036)	(232,510)	(102,850)	(985,841)	(3,927,914)	

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

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NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(e) Interest rate risk (continued)

The tables below set out the average effective interest rates by major currencies for monetary financial instruments at December 31, 2022 and 2021:

	December 31, 2021(*)							
	US Dollar (%)	Canadian Dollar (%)	EUR (%)	Australian Dollar (%)	GBP (%)	CNY (%)	QAR (%)	TL (%)
Assets								
Due from banks	5.01	-	1.50	-	2.87	-	3.11	9.00
Financial assets at fair value through profit or loss	4.65	4.14	2.69	3.46	3.79	2.44	-	14.95
Loans and advances to customers	2.09	-	0.60	-	-	4.12	-	10.36
Liabilities								
Due to banks	-	-	-	-	-	-	-	7.50
Other deposits	4.96	-	2.28	-	4.00	-	-	-

	December 31, 2021(*)							
	US Dollar (%)	Canadian Dollar (%)	EUR (%)	Australian Dollar (%)	GBP (%)	CNY (%)	QAR (%)	TL (%)
Assets								
Due from banks	0.18	-	(0.50)	-	-	-	0.36	14.00
Financial assets at fair value through profit or loss	0.50	0.89	(0.50)	0.71	0.61	2.40	-	12.29
Loans and advances to customers	0.35	-	-	-	0.11	4.48	-	11.71
Liabilities								
Due to banks	-	-	-	-	-	-	-	12.50
Other deposits	0.05	-	-	-	-	-	-	18.54

(*) Weighted average cost of the CBRT funding as of December 31, 2022 and 2021.

(f) Liquidity risk

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

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

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NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity risk (continued)

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

	December 31, 2022															
	Foreign currency								TL							
	Demand	Up to 1 month	1 to 3 Months	3 months to 1 year	1 to 5 years	More than 5 years	Undistributed	FC Total	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undistributed	TL Total
Cash	179,560,204	-	-	-	-	-	-	179,560,204	23,599	-	-	-	-	-	-	23,599
Due from banks	1,086,280,047	161,653,787	3,488,607	3,995,814	-	-	-	1,255,418,255	233,960	183,768,747	-	-	-	-	-	184,002,707
Financial assets at fair value through profit or loss	-	1,029,399	8,601,314	20,414,957	90,048,140	55,900	-	120,149,710	-	4,138,698	2,385,803	33,631,262	96,219,346	14,676,749	-	151,051,858
Loans and advances to customers	81,317	3,254,837	31,004,030	44,188,024	507,434	-	-	79,035,642	-	2,891,314	6,836,797	142,670,965	6,151,719	25,747,352	-	184,298,147
Financial assets at fair value through other comprehensive income	5,799,417	-	-	-	-	-	-	5,799,417	90,543	-	-	-	-	-	-	90,543
Gold reserves	688,772,090	171,562,813	-	-	-	-	-	860,334,903	-	-	-	-	-	-	-	860,334,903
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,813,693	10,813,693
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,783	27,783
Deferred tax asset	-	-	-	-	-	-	-	-	80,199,577	-	-	-	-	-	-	80,199,577
Other assets	8,227	-	-	-	-	-	-	8,227	17,484,117	-	-	-	-	-	-	17,484,117
Total assets	1,960,501,302	337,500,836	43,093,951	68,598,795	90,555,574	55,900	-	2,500,306,358	98,031,796	190,798,759	9,222,600	176,302,227	102,371,065	40,424,101	10,841,476	627,992,024
Currency in circulation	-	-	-	-	-	-	-	-	341,798,643	-	-	-	-	-	-	341,798,643
Due to banks	405,895,974	1,178,089,723	6,074,041	165,815,482	-	-	-	1,755,875,220	452,862,933	207,821,280	-	-	-	-	-	660,684,213
Other deposits	75,959,175	284,852,632	-	-	-	-	-	360,811,807	964,006	154,712,502	-	-	-	-	-	155,676,508
Financial liabilities at fair value through profit or loss	-	4,701,289	-	-	-	-	-	4,701,289	-	-	-	-	-	-	-	-
Due to international organizations	-	-	-	-	-	-	-	-	944,263	-	-	-	-	-	-	944,263
Other borrowed funds	-	-	-	-	-	-	-	-	-	15,809,982	-	-	-	-	-	15,809,982
Other liabilities	-	1,452,652	-	-	-	-	24,651	1,477,303	16,214,271	-	750,878	-	-	-	5,066	16,970,215
Tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,035,234	3,035,234
Retirement benefit obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	474,688	474,688
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(189,960,983)	(189,960,983)
Total liabilities and equity	481,855,149	1,469,096,296	6,074,041	165,815,482	-	-	24,651	2,122,865,619	812,784,116	378,343,764	750,878	-	-	-	(186,445,995)	1,005,432,763
Net balance sheet position	1,478,646,153	(1,131,595,460)	37,019,910	(97,216,687)	90,555,574	55,900	(24,651)	377,440,739	(714,752,320)	(187,545,005)	8,471,722	176,302,227	102,371,065	40,424,101	197,287,471	(377,440,739)
Net off-balance sheet position	-	(703,987,262)	(169,952,187)	(456,796,233)	-	-	-	(1,330,735,682)	-	702,677,567	170,547,012	450,354,609	-	-	-	(7,156,494)

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

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NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity risk (continued)

	December 31, 2021																
	Foreign currency								TL								
	Demand	Up to 1 month	1 to 3 Months	3 months to 1 year	1 to 5 years	More than 5 years	Undistributed	FC Total	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undistributed	TL Total	Total
Cash	85,023,802	-	-	-	-	-	-	85,023,802	139,842	-	-	-	-	-	-	139,842	85,163,644
Due from banks	1,086,519,394	184,618,932	12,906,572	-	-	-	-	1,284,044,898	210,516	816,310,386	-	-	-	-	-	816,520,902	2,100,565,800
Financial assets at fair value through profit or loss	-	18,190,826	7,268,492	30,536,120	117,908,932	1,032,298	-	174,936,668	-	3,108,986	2,541,742	35,155,053	72,314,353	8,618,599	-	121,738,733	296,675,401
Loans and advances to customers	92,710	30,010,970	69,031,388	210,097,336	-	-	-	309,232,404	-	-	-	12,570,762	-	3,810,972	-	16,381,734	325,614,138
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	7,023,801	7,023,801	-	-	-	-	-	-	148,735	148,735	7,172,536
Gold reserves	643,503,041	180,532,251	-	-	-	-	-	824,035,292	-	-	-	-	-	-	-	-	824,035,292
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,856,900	7,856,900	7,856,900
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	55,170	55,170	55,170
Deferred tax asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	17,133	-	-	-	-	-	-	17,133	41,613,101	-	-	-	-	-	263,563	41,876,664	41,893,797
Total assets	1,815,156,080	413,352,979	89,206,452	240,633,456	117,908,932	1,032,298	7,023,801	2,684,313,998	41,963,459	819,419,372	2,541,742	47,725,815	72,314,353	12,429,571	8,324,368	1,004,718,680	3,689,032,678
Currency in circulation	-	-	-	-	-	-	-	-	386,653,573	-	-	-	-	-	-	386,653,573	386,653,573
Due to banks	-	1,919,321,030	-	103,097,507	-	-	-	2,022,418,537	390,499,221	121,668,862	-	-	-	-	-	512,168,083	2,534,586,620
Other deposits	77,060,296	332,664,894	-	-	-	-	-	409,725,190	1,375,014	147,253,741	-	-	-	-	-	148,628,755	558,353,945
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	-	63,571,339	-	-	-	-	-	63,571,339	63,571,339
Due to international organizations	-	-	-	-	-	-	-	-	330,648	-	-	-	-	-	-	330,648	330,648
Other borrowed funds	-	-	-	-	-	-	-	-	9,876,687	-	-	-	-	-	-	9,876,687	9,876,687
Other liabilities	3,561,760	-	-	-	-	-	223,000	3,784,760	2,591,890	3,010,760	-	-	-	-	418,870	6,795,520	6,795,520
Tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,372,884	18,372,884	18,372,884
Deferred tax liability	-	-	-	-	-	-	-	-	463,685	-	-	-	-	-	-	463,685	463,685
Retirement benefit obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	380,519	380,519	380,519
Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	109,647,258	109,647,258	109,647,258
Total liabilities and equity	80,622,056	2,251,985,924	-	103,097,507	-	-	223,000	2,435,928,487	781,914,031	342,370,629	-	-	-	-	128,819,531	1,253,104,191	3,689,032,678
Net balance sheet position	1,734,534,024	(1,838,632,945)	89,206,452	137,535,949	117,908,932	1,032,298	6,800,801	248,385,511	(739,950,572)	477,048,743	2,541,742	47,725,815	72,314,353	12,429,571	(120,495,163)	(248,385,511)	-
Net off-balance sheet position	-	(468,060,648)	(205,194,695)	(720,014,217)	-	-	-	(1,393,269,560)	-	506,397,954	211,606,813	672,319,073	-	-	-	1,390,323,840	(2,945,720)

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

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NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity risk (continued)

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

	December 31, 2022							Total
	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undistributed	
Currency in circulation	341,798,643	-	-	-	-	-	-	341,798,643
Due to banks	858,758,907	1,385,911,002	6,074,041	165,815,483	-	-	-	2,416,559,433
Other deposits	76,923,181	439,565,134	-	-	-	-	-	516,488,315
Due to international organizations	944,263	-	-	-	-	-	-	944,263
Other borrowed funds	-	15,809,982	-	-	-	-	-	15,809,982
Total financial liabilities	1,278,424,994	1,841,286,118	6,074,041	165,815,483	-	-	-	3,291,600,636
Net off balance sheet position	-	(1,309,695)	594,825	(6,441,624)	-	-	-	(7,156,494)

	December 31, 2021							Total
	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undistributed	
Currency in circulation	386,653,573	-	-	-	-	-	-	386,653,573
Due to banks	390,499,222	2,040,989,891	-	103,097,507	-	-	-	2,534,586,620
Other deposits	78,435,310	479,918,635	-	-	-	-	-	558,353,945
Due to international organizations	330,648	-	-	-	-	-	-	330,648
Other borrowed funds	-	9,876,687	-	-	-	-	-	9,876,687
Total financial liabilities	855,918,753	2,530,785,213	-	103,097,507	-	-	-	3,489,801,473
Net off balance sheet position	-	38,337,306	6,412,118	(47,695,144)	-	-	-	(2,945,720)

(g) Operational risk

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

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

The Bank has left primary management of operational risk to the departments' own responsibility. However, for the purpose of management of operational and regulatory compliance risks with an institutional scale and integrative point of view, Corporate Risk Management ("CRM"), operates in coordination with other departments. CRM compiles risk calculations analysis of departments and reports by following operations of departments and action plans that department have prepared in order to reduce their risks in this framework. The assessment of risks in terms of their effects and probabilities (including operational risk) and the adequacy, effectiveness and efficiency of the controls established to mitigate the risks are made via audits conducted by the Audit Department ("AD") of the Bank that reports directly to the Governor.

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

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NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(g) Operational risk (continued)

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

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

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

(h) Fair value of financial instruments

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

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

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

	Carrying value		Fair value	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Financial assets (*)				
Cash and gold reserves	1,039,918,706	909,198,936	1,039,918,706	909,198,936
Due from banks	1,439,420,962	2,100,565,800	1,440,407,317	2,029,576,655
Loans and advances	263,333,789	325,614,138	266,462,934	313,383,666
Financial liabilities (*)				
Currency in circulation	341,798,643	386,653,573	341,798,643	386,653,573
Due to banks	2,416,559,433	2,534,586,620	2,416,559,433	2,534,586,620
Other deposits	516,488,315	558,353,945	516,485,373	558,353,945
Other borrowed funds	15,809,982	9,876,687	15,809,982	9,876,687

(*) The financial assets and liabilities listed above are classified as level 2.

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

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NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(h) Fair value of financial instruments (continued)

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

(i) Financial assets

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

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

(ii) Financial liabilities

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

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

The following table summarizes the fair values of those financial assets presented on the Bank's balance sheet based on the hierarchy of valuation technique as of December 31, 2022 and 2021:

December 31, 2022	Level 1 (*)	Level 2 (**)	Level 3 (***)	Total
Financial assets at fair value through profit and loss				
-Debt securities	271,201,568	-	-	271,201,568
Financial assets at fair value through other comprehensive income				
-Equity securities	-	-	5,889,960	5,889,960
Total assets	271,201,568	-	5,889,960	277,091,528
Financial liabilities at fair value through				
-Swap transactions - Not designated	-	4,701,289	-	4,701,289
Total liabilities	-	4,701,289	-	4,701,289

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

(**) Other than quoted prices specified in Level I, inputs which are used to determining fair value of financial assets and liabilities, are based on directly or indirectly observable market prices.

(***) Inputs, which are used in determining fair value of financial assets and liabilities are not based on observable market data.

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

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NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

(h) Fair value of financial instruments (continued)

December 31, 2021	Level 1 (*)	Level 2 (**)	Level 3 (***)	Total
Financial assets at fair value through profit and loss				
-Debt securities	296,675,401	-	-	296,675,401
Financial assets at fair value through other comprehensive income				
-Equity securities	-	-	7,172,536	7,172,536
Total assets	296,675,401	-	7,172,536	303,847,937
Financial liabilities at fair value through profit and loss				
-Swap transactions - Not designated hedging instrument	-	63,571,339	-	63,571,339
Total liabilities	-	63,571,339	-	63,571,339

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

(**) Other than quoted prices specified in Level I, inputs which are used to determining fair value of financial assests and liabilities, are based on directly or indirectly observable market prices.

(***) Inputs, which are used in determining fair value of financial assets and liabilities, are not based on observable market data.

The movement of financial assets in Level 3

	2022	2021
Opening balance, January 1	7,172,536	5,783,855
Changes in fair value	(1,282,576)	1,388,681
Closing balance, December 31	5,889,960	7,172,536

(i) Capital management

The Bank's shareholders' equity as at December 31, 2022 and 2021 comprises:

	December 31, 2022	December 31, 2021
Paid-in capital	436,696	436,696
Retained earnings	2,729,009	134,997,679
Reserves	(193,126,688)	(25,787,117)
Total Equity	(189,960,983)	109,647,258

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

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

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

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NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

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

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

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

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

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

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

NOTE 6 - DUE FROM BANKS

	December 31, 2022	December 31, 2021
Funds lent under securities purchased under agreements to resell	146,055,499	619,888,551
Time deposits	165,336,022	197,101,850
Due from interbank money market operations	37,713,249	195,860,255
Demand deposits	1,086,514,007	1,086,729,910
Conversation to Turkish Lira time deposit operations	3,802,185	985,234
Total	1,439,420,962	2,100,565,800

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

As of December 31, 2022, and 2021, analysis of quality of due from banks is below:

December 31, 2022	Stage 1	Stage 2	Stage 3
Stage 1 - low credit risk	1,439,420,962	-	-
Stage 2 - under close monitoring	-	-	-
Stage 3 - non performing	-	-	-
Total	1,439,420,962	-	-

December 31, 2021	Stage 1	Stage 2	Stage 3
Stage 1 - low credit risk	2,100,565,800	-	-
Stage 2 - under close monitoring	-	-	-
Stage 3 - non performing	-	-	-
Total	2,100,565,800	-	-

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

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

	December 31, 2022		December 31, 2021	
	Cost	Carrying Amount	Cost	Carrying Amount
Turkish government bonds, treasury bills and lease certificates	118,989,285	151,051,858	114,316,206	121,738,733
Foreign government bonds	122,779,104	120,149,710	175,462,534	174,936,668
Total	241,768,389	271,201,568	289,778,740	296,675,401

As of December 31, 2022, financial liabilities at fair value through profit and loss amounted to TL 4,701,289 which are swap transactions that are not designated hedging instrument (2021: 63,571,339.)

NOTE 8 - LOANS AND ADVANCES TO CUSTOMERS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Loans and advances to corporate entities:		
Foreign country loans	81,317	92,710
Domestic loans	263,252,472	325,521,428
Total performing loans	263,333,789	325,614,138
Impaired loans	29,799,179	33,800,153
Loans and advances to customers (gross)	293,132,968	359,414,291
Less: Allowance for loan losses	(29,799,179)	(33,800,153)
Net loans and advances to customers	263,333,789	325,614,138

As of December 31, 2022, analysis of quality of credits of loans and advances given is below:

	Stage 1	Stage 2	Stage 3
Stage 1 - Low credit risk	263,252,472	-	-
Stage 2 - Under close monitoring	-	169,433	-
Stage 3 - Non performing	-	-	29,711,063
Total	263,252,472	169,433	29,711,063
Expected credit loss	-	(88,116)	(29,711,063)
Net loans and advances given	263,252,472	81,317	-

As of December 31, 2021, analysis of quality of credits of loans and advances given is below:

	Stage 1	Stage 2	Stage 3
Stage 1 - Low credit risk	325,521,428	-	-
Stage 2 - Under close monitoring	-	193,172	-
Stage 3 - Non performing	-	-	33,699,691
Total	325,521,428	193,172	33,699,691
Expected credit loss	-	(100,462)	(33,699,691)
Net loans and advances given	325,521,428	92,710	-

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

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NOTE 8 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Movement of allowance for loan losses is as follows:

	<u>2022</u>	<u>2021</u>
Balance at January 1	33,800,153	25,883,289
Provision charge/(reversal) for the year (*)	11,285,335	17,045,827
Inflation effect	(15,286,309)	(9,128,963)
Balance at December 31	29,799,179	33,800,153

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

As of December 31, 2022, the restructured loans and advances of the Bank amounted to TL 81,317 (December 31, 2021: TL 92,710). In accordance with the restructuring agreement of the Bank regarding the above-mentioned restructured loans, the Bank forwent TL 88,116 (US\$ 4,712,512) (December 31, 2021: TL 100,462 (US\$ 7,741,224)) of its interest receivable which will accrue again if the counterparty fails to meet the conditions stated in the restructuring agreement. As of December 31, 2022, and 2021, the Bank provided allowance for such contingent interest receivable.

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

The details of financial assets measured at fair value through other comprehensive income as of December 31, 2022 and 2021 are as follows:

Name	Nature of business	<u>Ownership (%)</u>		<u>Amount</u>	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Bankalararası Kart Merkezi A.Ş. (BKM)	Domestic Clearing and Settlement Service	51.01	51.01	90,543	148,735
BIS	Banking Supervision	1.41	1.41	5,611,274	6,809,452
International Islamic Liquidity Management Corporation	Liquidity Management	13.33	13.33	186,983	213,181
SWIFT	Electronic Fund Transfer Services	0.007	0.007	1,160	1168
Total				5,889,960	7,172,536

The shares of BIS have a par value of SDR 5,000 each and are paid up to SDR 1,250 each. The balance of SDR 3,750 per share is callable at three months' notice by the decision of the BIS Board and the total amount of commitment is disclosed under contingencies and commitments as of December 31, 2022 and 2021 (Note 28).

As of December 31, 2022 and 2021, the Bank's investment in shares issued by the BIS is valued at fair value, which is calculated as being 70% of the Bank's interest in BIS's net asset value in SDR, as of December 31, 2022 and 2021, converted to TL at the year-end TL/SDR exchange rate. This valuation method has previously been used to establish the appropriate price for purchase and repurchase transactions in BIS share.

In accordance with the decision of the Board of the Bank No. 10857/20456, dated March 3, 2020 the Bank acquired a 51.01% share of BKM by paying TL 90,543 on April 30, 2020. Since the effect of BKM on the financial statements is less than 1%, consolidated financial statements have not been prepared.

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

	<u>2022</u>	<u>2021</u>
Opening balance, January 1	7,172,536	5,783,855
Fair value changes	(1,282,576)	1,388,681
Closing balance, December 31	5,889,960	7,172,536

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

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NOTE 10 - GOLD RESERVES

	December 31, 2022	December 31, 2021
Gold bullion - International standards	857,249,028	820,502,015
Gold bullion and coins - Non-International standards	3,085,875	3,533,277
Total	860,334,903	824,035,292

Gold bullion at International standards include TL 171,562,813 (December 31, 2021: TL 175,877,584) worth of gold kept by the Bank which belongs to the banks those deposited gold in order to meet their reserve requirement.

As of December 31, 2022, gold bullion amount of international standard includes gold held in the Bank on behalf of the Treasury in the amount of TL 54,596,175 (December 31, 2021: TL 55,296,645).

December 31, 2022	Level 1 (*)	Level 2 (**)	Level 3 (***)	Total
-Gold	860,334,903	-	-	860,334,903
Total	860,334,903	-	-	860,334,903

December 31, 2021	Level 1 (*)	Level 2 (**)	Level 3 (***)	Total
-Gold	824,035,292	-	-	824,035,292
Total	824,035,292	-	-	824,035,292

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

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

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

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

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NOTE 11 - PROPERTY AND EQUIPMENT

	Land and Buildings	Machines and Equipment	Construction in Progress	Total
Year ended December 31, 2021				
Opening net book value	2,810,300	555,868	3,236,605	6,602,773
Additions	40,551	75,520	1,391,943	1,508,014
Transfers	-	-	-	-
Disposals (net)	-	(30,260)	-	(30,260)
Depreciation charge (Note 27)	(55,265)	(168,362)	-	(223,627)
Closing net book value	2,795,586	432,766	4,628,548	7,856,900
At December 31, 2021				
Cost	2,850,851	601,128	4,628,548	8,080,527
Accumulated depreciation	(55,265)	(168,362)	-	(223,627)
Net book value	2,795,586	432,766	4,628,548	7,856,900
Year ended December 31, 2022				
Opening net book value	2,795,586	432,766	4,628,548	7,856,900
Additions	51,684	329,135	2,804,672	3,185,491
Transfers	-	-	-	-
Disposals (net)	-	(2,180)	-	(2,180)
Depreciation charge (Note 27)	(54,161)	(172,357)	-	(226,518)
Closing net book value	2,793,109	587,364	7,433,220	10,813,693
At December 31, 2022				
Cost	2,847,270	759,721	7,433,220	11,040,211
Accumulated depreciation	(54,161)	(172,357)	-	(226,518)
Net book value	2,793,109	587,364	7,433,220	10,813,693

NOTE 12 - INTANGIBLE ASSETS

	Cost	Accumulated amortisation	Net book value
Opening balance at January 1, 2021	375,029	(326,876)	48,153
Additions/(amortization charge for the period) (Note 27)	28,991	(21,974)	7,017
Balance at December 31, 2021	404,020	(348,850)	55,170
Opening balance at January 1, 2022	404,020	(348,850)	55,170
Additions/(amortization charge for the period) (Note 27)	4,384	(31,771)	(27,387)
Balance at December 31, 2022	408,404	(380,621)	27,783

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

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NOTE 13 - OTHER ASSETS

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Currency exchange guarantees of swap transaction	16,708,400	40,683,707
Raw material and work-in-progress of banknote printing office	134,712	236,588
Charges and commissions due from Treasury (*)	109,502	104,672
Electronic Fund Transfer ("EFT") commission income accrual	115,949	117,193
Prepaid expenses	35,622	40,408
Consumables and other stores	22,690	26,974
Other	365,469	684,255
Total	17,492,344	41,893,797

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

NOTE 14 - CURRENCY IN CIRCULATION

	<u>2022</u>	<u>2021</u>
Balance at January 1	386,653,573	421,080,212
Banknotes issued into circulation	174,399,610	207,436,860
Banknotes withdrawn from circulation and destroyed	(48,509,213)	(112,517,608)
Inflation effect	(170,745,327)	(129,345,891)
Balance at December 31	341,798,643	386,653,573

NOTE 15 - DUE TO BANKS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deposits for reserve requirement obligations	943,078,275	1,130,981,613
<i>Foreign currency</i>	771,515,462	955,104,029
<i>Gold</i>	171,562,813	175,877,584
Current accounts of banks	1,473,481,158	1,403,605,007
Total	2,416,559,433	2,534,586,620

Required reserves are calculated over total domestic liabilities of banks according to the banking legislation effective in Türkiye, after deductions determined in the Communiqué, No. 2005/1 on Required Reserves and deposit/participation funds accepted by banks in Türkiye on behalf of foreign branches and loan amounts provided by banks and followed up in foreign branches and are deposited to the Bank. Furthermore, the same rates determined in accordance with the same Communiqué have been used. Interest has been started to be paid for the required reserves denominated in Turkish Lira as of November 3, 2014 and for the required reserve denominated in foreign currency as of May 5, 2015. However, since September 19, 2019, interest payments to foreign currency required reserve is abolished. Between January 24 and November 27, 2020, a commission was received on foreign currency required reserves. The application for receiving commissions has started again as of the period of required reserves dated December 24, 2021.

December 31, 2022	Level 1 (*)	Level 2 (**)	Level 3 (***)	Total
-Gold	171,562,813	-	-	171,562,813
Total	171,562,813	-	-	171,562,813
December 31, 2021	Level 1 (*)	Level 2 (**)	Level 3 (***)	Total
-Gold	175,877,584	-	-	175,877,584
Total	175,877,584	-	-	175,877,584

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

(**) Other than quoted prices specified in Level I, inputs which are used to determining fair value of financial assests and liabilities, are based on directly or indirectly observable market prices.

(***) Inputs, which are used in determining fair value of financial assets and liabilities, are not based on observable market data.

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

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NOTE 16 - OTHER DEPOSITS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deposits of Turkish Treasury and public (*)	509,601,387	552,198,288
Deposits by citizens abroad (**)	3,976,250	5,836,751
Deposits of state-owned funds and financing institutions	2,910,678	318,906
Total	516,488,315	558,353,945

(*) Deposits by citizens abroad are demand deposits. TL 155,182,911 (December 31, 2021: TL 147,253,742) of deposits of government related institutions including Treasury are interest bearing and remaining is non-interest bearing. In addition, as of December 31, 2022, the Treasury has gold deposits equivalent to TL 54,596,175 (December 31, 2021: TL 55,296,645).

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

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

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	Interest rate (%)	TL	Interest rate (%)	TL
EUR	-	3,745,957	-	5,523,273
US\$	-	153,236	-	211,840
CHF	-	72,896	-	95,037
GBP	-	4,065	-	6,483
Other	-	96	-	118
Total		3,976,250		5,836,751

NOTE 17 - DUE TO INTERNATIONAL ORGANIZATIONS

Due to IMF denominated in SDR is included under due to international organizations. Due to international organizations includes borrowings related to Türkiye's IMF quota for the year ending December 31, 2022 and 2021. The balance also includes amount due to Africa Development Bank. As of December 31, 2022, and 2021, borrowings related to Türkiye's IMF quota are non-interest bearing with no stated maturity.

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

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

NOTE 18 - OTHER BORROWED FUNDS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Funds borrowed from interbank money market	15,409,818	9,876,687
Open market transactions	400,164	-
Total	15,809,982	9,876,687

NOTE 19 - OTHER LIABILITIES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Foreign money transfers with future value date	1,828,654	1,155,853
Taxes and withholdings payable	750,878	445,306
Payables from forward value currency sales	560,500	-
Import transfer orders and deposits	87,997	315,269
Expense accruals	25,699	809,361
Bills and money transfer payables	9,289	778
Other	15,184,501	4,068,953
Total	18,447,518	6,795,520

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

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NOTE 20 - TAXATION

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Corporate tax	21,345,116	27,463,253
Prepaid taxes	(18,309,882)	(9,090,369)
Income taxes liability- net	3,035,234	18,372,884

Corporate Tax

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

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

The prevailing tax rate in 2022 is 25%. (2021:25%).

Corporate earnings are subject to 20% corporate tax. However, the corporate tax rate which is 20% pursuant to the temporary article 13 added to the Corporate Tax Law; It has been determined as 23% for corporate earnings for 2021 and 2022. Pursuant to the amendment made in Article 32 of the Corporate Tax Law with the Law No. 7394 published in the Official Gazette dated April 15, 2022, and numbered 31810, the corporate tax rate shall start from the declarations that must be submitted as of July 1, 2022 and shall apply to the taxation period starting from January 1, 2022. It has been determined as 25% to be valid for corporate earnings.

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

In Türkiye, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2022 is 25% (2021: 25%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

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

For the years ended December 31, 2022 and 2021, income taxes are summarized as follows;

	<u>2022</u>	<u>2021</u>
- Corporate tax	26,104,908	34,528,712
- Deferred tax expense / (income)	(23,494,623)	(21,708,645)
Tax expense/(income)	2,610,285	12,820,067

Deferred tax

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

For calculation of deferred tax asset and liabilities, the rate of 25% (2021: 20%) is used.

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

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NOTE 20 - TAXATION (Continued)

The breakdown of such cumulative temporary differences and deferred tax assets/(liabilities) at December 31, 2022 and 2021 by using enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Retirement benefit obligations	474,687	380,519	118,672	76,104
Turkish Lira-settled foreign exchange account	-	89,870	-	17,974
Foreign exchange commitment	15,420,109	1,526,426	3,855,027	305,285
Foreign exchange transactions with future value date	-	2,007,365	-	401,473
Fair value differences of swap transactions	-	86,893,697	-	17,378,739
Valuation account (*)	328,537,596	-	82,134,399	-
Other	100,276	115,197	25,069	23,040
Total Assets	344,532,668	91,013,074	86,133,167	18,202,615
Fair value differences of swap transactions	(16,917,234)	-	(4,229,308)	-
Valuation account (*)	-	(88,066,442)	-	(17,613,290)
Net differences between carrying value and tax base of property and equipment and intangible assets	(5,476,184)	(2,907,206)	(1,369,046)	(727,461)
Fair value differences of financial assets	(5,361,529)	(6,510,985)	(335,096)	(325,549)
Foreign exchange transactions with future value date	(561)	-	(140)	-
Total Liabilities	(27,755,508)	(97,484,633)	(5,933,590)	(18,666,300)
Net Liability	316,777,160	(6,471,559)	80,199,577	(463,685)

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

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

	2022	2021
Balance at January 1	(463,685)	(31,639,420)
Deferred tax recognized in statement of profit or loss, net	23,494,623	21,708,645
Deferred tax recognized in the OCI	57,168,639	9,467,090
Balance at December 31	80,199,577	(463,685)

The reconciliation for taxation charge is stated below:

	%	2022	%	2021
Profit / (loss) before income taxes		(52,783,794)		15,567,145
Theoretical tax charge calculated at the prevailing tax rate	25	(13,195,949)	25	3,891,786
Tax exempt income	5	(2,856,523)	(24)	(3,752,877)
Non-deductible expenses	(1)	514,246	-	64,336
The effect of change in tax rate	-	-	110	17,192,193
Other	-	38,099	-	53,709
Inflation effect	(24)	12,889,842	(193)	(30,269,214)
Income tax expense / (income)	5	(2,610,285)	(82)	(12,820,067)

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira ("TL") as of December 31, 2022 unless otherwise stated.)

NOTE 21 - RETIREMENT BENEFIT OBLIGATIONS

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

As of December 31, 2022, the amount payable consists of one month's salary limited to a maximum of TL 15,371 (full) (2021: TL 8,285 (full)) for each year of service.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate (%)	1.28	1.28
Rate to estimate the probability of retirement (%)	99	99

As the maximum liability is revised semi-annually, the maximum amount of TL 15,371 (full) effective from July 1, 2022 (July 1, 2021: TL 8,285 (full)), has been taken into consideration in calculating the reserve for the retirement benefit obligation of the Bank.

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

	<u>2022</u>	<u>2021</u>
At January 1	380,519	416,817
Interest and service cost	301,957	95,014
Paid during the year	(14,449)	(3,785)
Inflation effect	(193,339)	(127,527)
Balance at December 31	474,688	380,519

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira ("TL") as of December 31, 2022 unless otherwise stated.)

NOTE 22 - NET INTEREST INCOME

	<u>2022</u>	<u>2021</u>
Interest income		
Interest from financial assets at fair value through profit or loss	124,932,984	150,728,536
Interest from securities purchased under agreements to resell	38,657,705	73,278,065
Interest from interbank money market transactions	13,621,443	37,862,264
Interest from loans and advances to customers	10,986,292	2,111,262
Interest from banks	6,043,674	95,451
Total	194,242,098	264,075,578
Interest expense		
Interest paid to Treasury (**)	17,688,695	28,212,779
Interest paid to banks (*)	10,139,098	21,602,069
Interest paid to IMF	1,762,884	41,384
Interest paid to the interbank money market transactions	882,781	1,320,633
Interest paid to financial assets at fair value through profit or loss	835,336	250,764
Interest paid to securities sold under agreements to repurchase	14,659	40,308
Total	31,323,453	51,467,937
Net interest income	162,918,645	212,607,641

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

(**) According to article 41 of the CBRT Law, deposits of the public institutions are non-interest bearing except for the deposits of the Treasury. With the amendment in article 41 of CBRT Law numbered 1211 as of February 13, 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 Türkiye Ministry of Finance and Treasury in Custody of the Central Bank of Republic of Türkiye" is signed as of October 12, 2011 and the interest is started to be charged on the deposits of Treasury in custody of the Bank.

NOTE 23 - NET FEE AND COMMISSION INCOME

	<u>2022</u>	<u>2021</u>
Fee and commission income:		
Foreign currency required reserve commission income (****)	17,087,766	395,002
EFT commission income	1,412,554	1,528,325
Commissions accrual due from Treasury (***)	1,310,207	1,233,871
Gold custody fee	173,848	201,124
Commissions charged from the bank teller operations center	130,472	93,906
Commissions from foreign exchange and effective market transactions	2,492	3,350
Other	51,675	63,836
Total	20,169,014	3,519,414
Fee and commission expense:		
Correspondent bank accounts	8,922	8,417
Other	178,799	188,449
Total	187,721	196,866
Net fee and commission income	19,981,293	3,322,548

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

(****) Between January 24, 2020 – November 27, 2020, commission was received on foreign currency required reserves. The application for receiving commissions has started again as of the required reserves dated December 24, 2021.

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

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(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira ("TL") as of December 31, 2022 unless otherwise stated.)

NOTE 24 - DIVIDEND INCOME

	<u>2022</u>	<u>2021</u>
From financial assets at fair value through other comprehensive income	56,218	97,340
Total	56,218	97,340

NOTE 25 – PROFIT/ (LOSS) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS

	<u>2022</u>	<u>2021</u>
Profits/ (loss) from derivatives	(91,342,208)	(22,883,722)
Loss from trading securities and increase/(decrease) in value	17,981,746	(3,515,396)
Gold trading profit / (loss)	(126,461)	6,083,928
Total	(73,486,923)	(20,315,190)

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

	<u>2022</u>	<u>2021</u>
Foreign exchange gain/(loss), net		
- translation gain/(loss), net*	(582,300,865)	(309,086,903)
- transaction gain, net	7,072,833	(38,351,276)
Total	(575,228,032)	(347,438,179)

(*) As of December 31, 2022, and 2021, translation gain/(loss) include the unrealized foreign exchange gain/(loss).

NOTE 27 - OTHER OPERATING EXPENSES

	<u>2022</u>	<u>2021</u>
Wages and salaries	2,778,862	2,585,033
Administrative expenses	1,562,636	953,277
Social security costs	479,165	305,657
Depreciation and amortization (Notes 11 and 12)	258,289	245,601
Other	1,412,914	28,176
Total	6,491,866	4,117,744

The average number of personnel employed by the Bank during the year 2022 is 3,775. (2021: 3,623).

NOTE 28 - COMMITMENTS AND CONTINGENT LIABILITIES

	<u>December 31, 2022</u>	<u>December 31,</u> <u>2021</u>
Guarantees received	697,728,084	730,229,042
BIS shares call option (Note 9)	749,235	895,404
Total	698,477,319	731,124,446

As of December 31, 2022, there are a number of legal proceedings outstanding against the Bank amounting to TL 10,087 and EUR 37,318 (full amount) (December 31, 2021: TL 12,386 and EUR 210,474 (full amount)). The bank has not provided any provision in financial tables since the professional opinion states that probability of a significant loss from mentioned litigations.

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira ("TL") as of December 31, 2022 unless otherwise stated.)

NOTE 29 - SHARE CAPITAL

The shareholder structure of the Bank as at December 31, 2022 and 2021 is as follows:

	December 31, 2022		December 31, 2021	
	TL	Share %	TL	Share %
Treasury	14	55	14	55
T.C. Ziraat Bankası A.Ş.	5	19	5	19
MERVAK İç ve Dış Ticaret A.Ş.	1	5	1	5
Türkiye Garanti Bankası A.Ş.	1	2	1	2
Türkiye İş Bankası A.Ş.	1	2	1	2
Other	3	17	3	17
Paid-in capital	25	100	25	100
Inflation adjustment on paid-in capital	436,671		436,671	
Total paid-in capital	436,696		436,696	

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

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

According to decision taken in the Ordinary General Assembly Meeting of Central Bank of the Republic of Türkiye held on March 29, 2022, dividend amounting to TL 66.9 billion and the entire reserve fund amounting to TL 5.7 billion which was allocated from the profit of 2020 have been distributed to shareholders with respect to the related legislation.

NOTE 30 - RETAINED EARNINGS AND OTHER RESERVES

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

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

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

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

Banks' other reserves consists of reserve fund amounting to TL 9,923,707 (December 31, 2021: TL TL 9,277,669).

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

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NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

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NOTE 31 - CASH AND CASH EQUIVALENTS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash	179,583,803	85,163,645
Due from banks (excluding accrued interest)	1,439,420,962	2,100,565,800
Total	1,619,004,765	2,185,729,445

NOTE 32 - RELATED PARTY BALANCES AND TRANSACTIONS

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

(i) Balances with related parties

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Assets:		
Financial assets measured at fair value through profit or loss ⁽¹⁾	151,051,858	121,738,733
Due from banks ⁽²⁾	131,439,784	561,976,223
Liabilities:		
Due to banks ⁽³⁾	1,096,809,161	1,249,347,801
Other deposits ⁽⁴⁾	509,790,303	552,517,036

(1) Includes government bonds and lease certificates issued by Treasury.

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

(3) Includes required reserve deposits of shareholders.

(4) Includes deposits of state-controlled entities, Treasury deposits and Treasury gold deposits.

(ii) Transactions with related parties

	<u>2022</u>	<u>2021</u>
Salaries and other benefits to key management	27,088	30,779
Interest income ⁽¹⁾	30,272,215	13,618,061
Interest expense ⁽²⁾	24,045,971	34,700,719
Fee and commission income ⁽³⁾	2,283,141	2,078,804
Dividends paid to shareholders	59,192,190	60,968,089
Paid to Treasury	9,277,669	12,019,133
Dividends paid to employees	17,882	27,156

(1) Includes interest income of government bonds issued by Treasury.

(2) Includes interest expense paid on deposits of shareholders.

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

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

THE CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

(Amounts are expressed in thousand TL on the basis of purchasing power of thousand Turkish lira (“TL”) as of December 31, 2022 unless otherwise stated.)

NOTE 33 – SUBSEQUENT EVENTS

The remaining amount, after deducting the amount calculated based on the percentages specified in paragraphs (b), (c) and (d) of Article 60 of the CBRT Law, from the 2022 profit amounting to TL 93,300,805 in the book records kept in accordance with the provisions of the Procedural Law, is transferred to the shareholders distribution will be decided with the decision of Ordinary General Assembly meeting of the Bank's General Assembly to be held in March 2023, 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.

An earthquake occurred in Türkiye that affected many of our cities. No significant impact is expected on the Bank's operations and financial condition.

Donations were made in order to provide aid due to the earthquake disaster in Türkiye.