

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

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

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

INDEPENDENT AUDITOR'S REPORT

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

A) Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with the Law of the Central Bank of the Republic of Turkey and related legislation (Note I. A. (2)).

Basis for Opinion

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

Other Matter

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

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

The Bank management is responsible for the preparation and fair presentation of the financial statements in accordance with the Law of the Central Bank of the Republic of Turkey and related legislation (Note I. A. (2)), and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Additional paragraph for convenience translation to English:

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

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of Ernst & Young Global Limited



Yaşar Bivas, SMMM
Partner

12 February 2021
İstanbul, Turkey

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

BALANCE SHEETS (FINANCIAL POSITION) AS OF 31 DECEMBER 2020 AND 2019

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

	Note (Section II)	Audited 31 December 2020	Audited 31 December 2019
1. GOLD RESERVES	1	319,703,047	160,904,576
1.1 International Standards		319,703,047	160,904,576
2. FOREIGN CURRENCY BANKNOTES		21,578,916	22,336,578
3. FOREIGN CORRESPONDENTS	2	344,003,969	443,311,532
3.1 Foreign Currency Securities		65,180,637	200,924,502
3.2 Deposit		56,344,226	82,011,234
3.3 Other		222,479,106	160,375,796
4. RESERVE TRANCHE POSITION	10	1,197,129	927,191
5. SECURITIES PORTFOLIO	3	89,499,890	19,407,464
5.1 Government Domestic Debt Securities		88,515,589	18,425,984
5.2 Other		984,301	981,480
6. RECEIVABLES FROM MONETARY POLICY OPERATIONS	3	290,045,954	14,698,176
6.1 Open Market Operations		99,343,998	11,527,206
6.2 Interbank Money Market Operations		190,701,956	3,170,970
7. DOMESTIC CORRESPONDENTS	4	-	-
8. LOANS	5	138,487,956	102,640,206
8.1 Domestic Loans		138,421,441	102,586,379
8.1.1 Discount Loans		137,639,820	102,586,379
8.1.2 Other Loans		781,621	-
8.2 Foreign Loans		66,515	53,827
9. EQUITY PARTICIPATIONS	6	2,587,397	1,760,394
10. TREASURY LIABILITIES DUE TO SDR ALLOCATION	10	11,372,379	8,808,044
11. FIXED ASSETS (NET)	7	942,523	621,220
12. LOANS UNDER LEGAL FOLLOW-UP (NET)	5	-	-
12.1 Loans Under Legal Follow-Up		11,544,249	9,293,902
12.2 Provision for Loans Under Legal Follow-Up (-)		(11,544,249)	(9,293,902)
13. OTHER ASSETS	8	24,576,120	10,597,822
13.1 Gold Reserve in Non-International Standards	1	1,264,079	823,825
13.2 Coins		60,850	122,161
13.3 Income Accruals		102,740	86,117
13.4 Other		23,148,451	9,565,719
TOTAL ASSETS		1,243,995,280	786,013,203

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

BALANCE SHEETS (FINANCIAL POSITION) AS OF 31 DECEMBER 2020 AND 2019

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

	Note (Section II)	Audited 31 December 2020	Audited 31 December 2019
1. CURRENCY IN CIRCULATION	9	188,369,447	153,362,376
2. PAYABLES DUE TO MONETARY POLICY OPERATIONS	3	13,007,785	4,768,788
2.1 Open Market Operations		11,095	475,137
2.2 Interbank Money Market Operations		12,996,690	4,293,651
2.3 Liquidity Bills		-	-
2.4 Other		-	-
3. DEPOSITS	11	853,888,366	488,704,993
3.1 Public Sector		112,093,991	73,654,995
3.1.1 Treasury, General and Annexed Budget Administrations		112,070,461	73,643,384
3.1.2 Other		23,530	11,611
3.2 Banking Sector		738,902,414	412,597,688
3.2.1 Domestic Banks		283,836,190	184,450,124
3.2.1.1 Cash		247,103,544	175,784,874
3.2.1.2 Guarantees		35,132,883	8,665,249
3.2.1.2.1 Cash		25,124,375	8,462,662
3.2.1.2.2 Gold		10,008,508	202,588
3.2.1.3 Gold		1,599,763	-
3.2.2 Foreign Banks		135,931,612	34,123,186
3.2.3 Reserve Requirements		319,134,612	194,024,378
3.2.3.1 Cash		242,289,279	153,105,049
3.2.3.2 Gold		76,845,333	40,919,329
3.2.4 Other		-	-
3.3 Other Deposits		2,891,961	2,452,310
3.3.1 Foreign Exchange Deposits By Citizens Abroad		2,574,406	2,137,782
3.3.2 International Institutions		153,496	138,101
3.3.3 Funds		163,668	175,870
3.3.4 Other		391	557
4. FOREIGN CORRESPONDENTS	17	26,183,011	11,967,963
5. RESERVE TRANCHE POSITION	10	1,197,129	927,191
6. SDR ALLOCATION	10	11,372,379	8,808,044
7. TAX LIABILITY	14	9,082,759	11,785,826
7.1 Taxes Payable		9,006,307	11,743,894
7.2 Deferred Tax Liabilities		76,452	41,931
8. PROVISIONS	13	429,519	452,601
9. SHARE CAPITAL AND LEGAL RESERVES	12	5,956,597	5,557,383
9.1 Paid-in Share Capital		25	25
9.2 Adjustment to Paid-in Share Capital		46,209	46,209
9.3 Legal Reserves		5,910,363	5,511,150
10. VALUATION ACCOUNT	15	69,351,880	50,660,801
11. PROFIT FOR THE YEAR		34,497,932	44,732,807
12. OTHER LIABILITIES	16	30,658,476	4,284,430
12.1 Treasury Gold		26,760,430	-
12.2 Letter of Credits		177,113	161,425
12.3 Expense Accruals		174,728	24,390
12.4 Other		3,546,205	4,098,615
TOTAL LIABILITIES		1,243,995,280	786,013,203

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENT OF PROFIT OR LOSS

FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

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

	Note	Audited 1 January - 31 December 2020	Audited 1 January - 31 December 2019
	(Section III)		
I- INTEREST INCOME	1	46,189,979	30,964,836
II- INTEREST EXPENSE	2	(7,669,230)	(11,996,210)
III- NET INTEREST INCOME / (EXPENSE)		38,520,749	18,968,626
IV- NET COMMISSION AND SERVICE		4,228,806	772,360
- Commission and Service Income		4,303,932	827,391
- Commission and Service Expenses		(75,126)	(55,031)
V- NON-INTEREST INCOME	3	142,179,286	72,665,391
VI- NON-INTEREST EXPENSES	4	(141,892,309)	(36,625,359)
VII- PROFIT BEFORE TAX {III+IV+V-VI}		43,036,532	55,781,018
VIII- TAX EXPENSE	Note 14 (Section II)	(8,538,600)	(11,048,211)
- Tax Provision		(8,530,907)	(11,051,921)
- Deferred Tax Income/(Expense)		(7,693)	3,710
IX- NET PROFIT FOR THE YEAR {VII-VIII}		34,497,932	44,732,807

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENT OF OFF-BALANCE SHEET ACCOUNTS AS OF 31 DECEMBER 2020 AND 2019

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

OFF-BALANCE SHEET ACCOUNTS	31 December 2020				31 December 2019			
	TL	FC	FC	Unit	TL	FC	FC	Unit
		(Original Currency) (Thousand)	(TL Equivalent) (Thousand)			(Original Currency) (Thousand)	(TL Equivalent) (Thousand)	
A. Securities in Custody	317,637,504	251,810	954,408	24	298,703,858	68,297	371,024	70
1. Marketable Securities in Custody – Free	277,667,978	106,288	930,275	-	264,054,069	51,005	338,499	-
2. Deal Securities Government Debt Security Depot of Savings	11,111,625	-	-	8	13,889,529	-	-	55
3. Deposits Insurance Fund, Exempt from Income Tax	28,412,495	-	-	-	19,383,210	-	-	-
4. Other	445,406	145,522	24,133	16	1,377,049	17,292	32,525	15
B. Guarantees Received	146,308,815	53,711,408	163,412,233	209	42,840,499	33,694,844	110,396,433	209
1. Government Debt Security Depots of Bank under Foreign Exchange Market Guarantee	-	-	-	-	-	-	-	-
2. Bonds as Interbank Money Market Operations Guarantees	143,116,114	27,536,925	24,803,143	-	41,719,828	17,103,882	7,295,343	-
3. Other	3,192,701	26,174,483	138,609,090	209	1,120,671	16,590,962	103,101,090	209
C. Obsolete and Reserve Banknotes	128,832,564	-	-	-	112,816,150	-	-	-
1. Reserve Banknotes - Head Office	32,925,665	-	-	-	46,052,165	-	-	-
2. Reserve Banknotes – Branches, Banknotes Depots and Other Units	95,906,623	-	-	-	66,763,629	-	-	-
3. Obsolete Banknotes – Branches, Banknotes Depots and Other Units	276	-	-	-	355	-	-	-
D. Other	902,510,815	112,643,189	438,436,965	1,512,746	497,325,089	39,027,853	116,293,317	657,675
1. Repurchase Agreements Pledge Account	-	-	-	-	-	-	-	-
2. Bank Treasury Bonds Portfolio and Security Depots Received Through Repo Transactions	156,103,197	-	-	-	27,127,438	-	-	-
3. Customer Transactions Portfolio – Takasbank and MKK	248,345,682	-	-	-	360,999,184	-	-	-
4. Other	498,061,936	112,643,189	438,436,965	1,512,746	109,198,468	39,027,853	116,293,317	657,675
E. Unpublished Marketable Securities Depots in Electronic Marketable Security Transfer Recording	793,649,103	-	-	-	657,547,772	-	-	-
TOTAL (A+B+C+D+E)	2,288,938,801	166,606,407	602,803,606	1,512,979	1,609,233,368	72,790,994	227,060,774	657,954

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

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

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

	Share Capital	Capital Reserves Due to Inflation Accounting	Legal Reserves	Equity Participations Value Increase Fund (*)	Retirement Pay Actuarial Gains /(Losses) (*)	Retained Earnings/ (Accumulated Deficit) (*)	Net Profit For the Year	Total Shareholders' Equity
Balance at 1 January 2019	25	46,209	27,555,927	1,268,899	2,490	56,281,452	-	85,155,002
Fair Value Increase /(Decrease) in								
Equity Participations	-	-	-	260,573	-	-	-	260,573
<u>Profit Distribution</u>								
Dividends	-	-	-	-	-	(37,539,259)	-	(37,539,259)
- Treasury	-	-	-	-	-	(37,518,596)	-	(37,518,596)
- Other Shareholders	-	-	-	-	-	(3)	-	(3)
- Employees	-	-	-	-	-	(20,660)	-	(20,660)
Transferred to Equity Reserves	-	-	18,724,925	-	-	(18,724,925)	-	-
Paid to Treasury	-	-	(40,769,702)	-	-	-	-	(40,769,702)
Net Profit for the Year	-	-	-	-	-	-	44,732,807	44,732,807
Balance at 31 December 2019	25	46,209	5,511,150	1,529,472	2,490	17,268	44,732,807	51,839,421
Balance at 1 January 2020	25	46,209	5,511,150	1,529,472	2,490	44,750,075	-	51,839,421
Fair Value Increase /(Decrease) in								
Equity Participations	-	-	-	671,570	-	-	-	671,570
<u>Profit Distribution</u>								
Dividends	-	-	-	-	-	(39,133,833)	-	(39,133,833)
- Treasury	-	-	-	-	-	(39,109,540)	-	(39,109,540)
- Other Shareholders	-	-	-	-	-	(3)	-	(3)
- Employees	-	-	-	-	-	(24,290)	-	(24,290)
Transferred to Equity Reserves	-	-	5,576,195	-	-	(5,576,195)	-	-
Paid to Treasury	-	-	(5,349,978)	-	-	-	-	(5,349,978)
Net Profit for the Year	-	-	-	-	-	-	34,497,932	34,497,932
Other (**)	-	-	172,996	-	-	-	-	172,996
Balance at 31 December 2020	25	46,209	5,910,363	2,201,042	2,490	40,047	34,497,932	42,698,108

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

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

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

PROFIT DISTRIBUTION TABLES FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

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

	Audited 01.01. - 31.12.2020 (*)	Audited 01.01.- 31.12.2019(**)
A. DISTRIBUTION OF PROFIT FOR THE YEAR		
1. Profit for the year	43,036,532	55,781,018
2. Taxes Payable and Legal Liabilities	(8,538,600)	(11,048,211)
- Corporate Tax (Income Tax)	(8,530,907)	(11,051,921)
- Income Tax Deduction	-	-
- Other Taxes and Legal Liabilities	(7,693)	3,710
NET PROFIT FOR THE YEAR	34,497,932	44,732,807
3. Prior Year Profit/(Loss)	40,047	17,268
4. Legal Reserves	-	5,576,195
5. Other Legal Funds	-	-
DISTRIBUTABLE PROFIT FOR THE YEAR		
6. Dividends to Shareholders	-	3
7. Dividends to Employees	-	24,290
AMOUNT OF PAYABLE TO REPUBLIC OF TURKEY, MINISTRY OF TREASURY AND FINANCE ("TREASURY") ACCORDING TO THE CENTRAL BANK OF THE REPUBLIC OF TURKEY ("CBRT") LAW NO. 1211	-	39,109,540

(*) As of the date of these financial statements, there is no declared decision of the Board of the Bank related to the distribution of the profit for the year 2020. However, corporate tax provision is calculated based on the assumption that employees will be paid 2 months of salary as dividend. The profit distribution of the Bank for the year 2020 will be decided based on the resolution of the General Assembly to be held in 2021.

(**) Advance dividend payment is approved in the Extraordinary General Assembly Meeting of Central Bank of the Republic of Turkey held on 20 January 2020, it is decided to pay dividends in advance amounting to TL 35.2 billion, and reserves allocated from the profit for 2018 amounting to TL 5.3 billion is distributed to shareholders with respect to legislation.

Following the General Assembly Meeting of Central Bank of the Republic of Turkey, held in 2020, the dividend amounting to TL 3.9 billion, after the advance is deducted, is distributed to shareholders.

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

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

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

	Note (Section II. III. IV)	Audited 1 January – 31 December 2020	Audited 1 January – 31 December 2019
Cash flows (used in) / from operations			
Net profit for the year		34,497,932	44,732,807
Adjustments:			
Depreciation of fixed assets and amortization expenses	III. 4	95,280	65,259
Retirement pay provision	II. 13	35,103	40,896
Net interest income		(38,520,749)	(18,968,626)
Dividend income	III. 3	-	(14,429)
Net commission income		(4,228,806)	(772,360)
Tax expense/income	II. 14	8,538,600	11,048,211
Increase/decrease in value of financial assets, net		(1,660,166)	4,021,417
(Profit) / loss resulting from fixed asset sales		15	(980)
Other		7,710,263	(12,506,121)
Cash flows from operating income before changes in operating assets and liabilities		6,467,472	27,646,074
Changes in operating assets and liabilities:			
Changes in gold reserves		(123,881,017)	(58,006,148)
Changes in marketable securities		27,576,206	(61,486,829)
Net change in loans and advances given		(20,554,757)	(16,282,193)
Net change in other assets		(28,596,361)	(23,610)
Net change in currency in circulation		35,007,071	21,100,654
Changes in liabilities due to money market operations		8,238,997	(8,806,745)
Net change in deposits		252,157,647	37,294,754
Net change in other liabilities		93,621,843	1,249,884
Taxes paid		(8,804,092)	(10,084,900)
Retirement payments made	II. 13	(58,185)	(4,956)
Interest received		45,724,882	30,861,206
Interest paid		(7,689,746)	(11,374,852)
Commissions received		4,303,932	827,391
Commissions paid		(75,126)	(55,033)
Cash flows from / (used in) operations, net		283,438,766	(47,145,303)
Cash flows related to investments activities			
Fixed asset purchases		(443,898)	(153,693)
Cash generated from fixed asset sales		27,314	10,173
Dividend received	III. 3	-	14,429
Cash flows used in investments activities, net		(416,584)	(129,091)
Cash flows related to financing activities			
Dividends paid		(39,133,833)	(37,539,259)
Legal reserves paid to Treasury		(5,349,978)	(40,769,702)
Net cash used in financing activities, net		(44,483,811)	(78,308,961)
Effect of changes in exchange rates on cash and cash equivalents		72,006,322	36,957,385
Changes in cash and cash equivalents		310,544,693	(88,625,970)
Cash and cash equivalents at the beginning of the year	IV. 1	279,506,619	368,132,589
Cash and cash equivalents at the end of the year	IV. 2	590,051,312	279,506,619

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

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2020

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

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

A. Notes and explanations related to current year

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

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

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

i. Basis of Presentation of the Financial Statements

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

Additional paragraph for convenience translation into English

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

ii. Accounting Principles

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

a. Accounting of Income and Expenses

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

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

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

The difference between the acquisition costs and fair values of financial assets those are classified as fair value through profit or loss (FVtPL), swap fair value differences, TL-settled foreign exchange transactions value increases and decreases, gold and foreign currency trading income / expenses and general expenses; are followed under non-interest income / expenses item.

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2020

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

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

a. Accounting of Income and Expenses (continued)

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

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

In accordance with the article 61 of the CBRT Law amended with the Law No:6009 on 23 July 2010, in the event of a change in the value of the TL against the foreign currencies and a change in the gold prices in the international markets, the unrealized gains and losses arising from the revaluation of gold, foreign exchange and other assets and liabilities of the Bank those are originated in foreign currencies are classified into "Valuation Account" which is a transitory account on the balance sheet.

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

b. Foreign Currency Transactions

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

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

c. Gold Reserves

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

Gold is initially recorded with the prices prevailing at the date of acquisition and is valued with fair value in subsequent periods. Fair value is determined on the last business day of the week and month, based on the gold price quoted at the London Bullion market exchange at 10:30 (2019: based on the gold price quoted at the London Bullion market exchange at 10:30) (2020: 1.891,10 US Dollars/2019: 1.523,00 US Dollars) and on the basis of 1 ounce being equal to 31.1035 grams, presented on the balance sheet after being converted to Turkish Lira. Fair value changes of gold reserves both arising from changes in price and exchange rates are accounted for as unrealized gains or losses under "Valuation Account" in accordance with the Article 61 of the CBRT Law. Realized gains and losses are transferred to statement of profit or loss.

As of the end of year 2020, gold rate used in the valuation is TL/ounce 13.882 (2019: TL/ounce 9.047).

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2020

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

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

d. Financial Instruments

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

Securities Portfolio

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

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

Open Market Operations - Securities Purchased Under Agreements to Resell

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

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

Open Market Operations - Securities Sold Under Agreements to Repurchase

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

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2020

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

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

d. Financial Instruments (Continued)

Foreign Exchange Deposits Operations Against Turkish Lira Deposits

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

TL Settled Forward Foreign Exchange Sales

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

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

Bilateral Currency Swap Transactions

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

Swap Transactions

The purchase / sale of the relevant assets (TL, foreign exchange, gold) is carried out on the date of swap transactions made at the CBRT and BIST. At value date, foreign currency buy/sell commitments and liabilities/receivables are recognized under the off-balance sheet items. The fair value increases/decrease are followed in balance sheet under "13. Other Assets / 13.4 Other" / "12. Other Liabilities / 12.4 Other" and in the statement of profit or loss at the end of each month gain and interest income/expense, arising from the transaction are reflected to the statement of profit / loss at the maturity.

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2020

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

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

d. Financial Instruments (Continued)

Loans and Impairment

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

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

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

Impairment

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

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

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

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

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

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

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

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

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2020

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

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

d. Financial Instruments (Continued)

Impairment (continued)

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.

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2020

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

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

d. Financial Instruments (Continued)

Equity Participations

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

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

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

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

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

Financial Liabilities

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

e. Banknotes in Circulation

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

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

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

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

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

e. Banknotes in Circulation (Continued)

Demonetized Currency - Turkish Lira and New Turkish Lira

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

f. Fixed Assets

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

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

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

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

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

The depreciation rates of the fixed assets are as follows:

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

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2020

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

g. Provisions

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

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

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

Retirement Bonus and Severance Payments

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

h. Taxes

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

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

The law numbered 7061 on amendment on certain taxes and laws and other acts was published on the Official Gazette dated 5 December 2017 and numbered 30261, the 20% corporate tax rate, will be applied as 22% for entities' corporate income belonging to the taxation periods of 2018, 2019 and 2020 as amended in the provisional clause of article 10 of the Law. Current year tax liabilities, are paid as the amount after offsetting prepaid taxes. Tax amounts deducted from the repo-reverse repo income and deducted from temporary tax and temporary tax amounts paid are recognised in the balance sheet under “13. Other Assets / 13.4 Other ”.

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

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

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2020

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

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

h. Taxes (continued)

Deferred tax liability or asset is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit by using balance sheet method and by using prevailing tax rates. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. According to article 61 of CBRT Law, deferred tax is not calculated for "valuation account" which is not subjected to corporate tax base.

Deferred tax liability or asset are indicated at financial statements considering their estimated effects on increase or decrease rate of tax amount that will pay future period which no temporary differences. Deferred tax asset is accounted when the probability of providing tax advantages are occurred in future period. When it is understood as being utilized that deducting from related assets made provision.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority intends to settle its current tax assets and liabilities on a net basis.

i. Custody Operations

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

j. Comparative Information and Restatement of Prior Year Financial Statements

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

k. Change in Accounting Estimates and Errors

If changes in accounting estimates are related to only one period, they are applied in the period when changes in estimates are made. If the changes are related to future periods, they are applied both in the period when changes in estimates are made and future periods prospectively. There is no significant change in accounting estimates of Bank in current year. Significant changes in accounting policy are applied retrospectively and prior period financial statements are restated. There is no significant accounting error identified by the Bank in current year.

l. Changes in Accounting Policies

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

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

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

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

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

There is no change in accounting policies in the current period.

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

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

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

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

	31 December 2020	31 December 2019
(1 Euro = TL)	TL 9,0079	TL 6,6506
(1 US Dollar = TL)	TL 7,3405	TL 5,9402

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

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

	31 December 2020	31 December 2019
Euro	TL 9,0079	TL 6,6506
US Dollar	TL 7,3405	TL 5,9402

	31 December 2020	31 December 2019
Prior to Balance Sheet Date (Euro)		
Bid rate of the 1st Day	TL 9,0079	TL 6,6506
Bid rate of the 2nd Day	TL 9,0697	TL 6,6117
Bid rate of the 3rd Day	TL 9,1370	TL 6,5759
Bid rate of the 4th Day	TL 9,2037	TL 6,5755
Bid rate of the 5th Day	TL 9,2948	TL 6,5773

	31 December 2020	31 December 2019
Prior to Balance Sheet Date (US Dollar)		
Bid rate of the 1st Day	TL 7,3405	TL 5,9402
Bid rate of the 2nd Day	TL 7,4063	TL 5,9370
Bid rate of the 3rd Day	TL 7,4738	TL 5,9302
Bid rate of the 4th Day	TL 7,5517	TL 5,9293
Bid rate of the 5th Day	TL 7,6190	TL 5,9364

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2020

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

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

	<u>31 December 2020</u>		<u>31 December 2019</u>	
	Thousand TL	Million US Dollar	Thousand TL	Million US Dollar
<u>I- Foreign Currency Assets</u>				
1) Gold Reserves	319,703,047	43,553	160,904,576	27,087
2) Foreign Currency Banknotes	21,578,916	2,940	22,336,578	3,760
3) Foreign Correspondents	344,003,969	46,864	443,311,532	74,629
4) Reserve Tranche Position	1,197,129	163	927,191	156
5) Securities Portfolio	-	-	-	-
6) Receivables from Monetary Policy Operations	-	-	-	-
7) Domestic Correspondents	-	-	-	-
8) Loans	127,976,126	17,434	102,640,206	17,279
9) Equity Participations	2,496,854	340	1,760,394	296
Treasury Liabilities Due to SDR				
10) Allocation	11,372,379	1,549	8,808,044	1,483
11) Fixed Assets (Net)	-	-	-	-
12) Loans Under Legal Follow-Up (Net)	-	-	-	-
13) Deferred Tax Assets	-	-	-	-
14) Other Assets	10,371	1	857,259	145
Total Foreign Currency Assets	828,338,791	112,844	741,545,780	124,835
<u>II- Foreign Currency Liabilities</u>				
1) Currency in Circulation	-	-	-	-
2) Payables Due to Monetary Policy Operations	-	-	-	-
3) Deposits	618,623,320	84,276	405,436,314	68,253
a) Public Sector	70,731,827	9,636	40,794,985	6,868
b) Banking Sector	545,316,788	74,289	362,503,496	61,025
c) Other Deposits	2,574,705	351	2,137,833	360
4) Foreign Correspondents	26,183,011	3,567	11,967,963	2,015
5) Reserve Tranche Position	1,197,129	163	927,191	156
6) SDR Allocation	11,372,379	1,549	8,808,044	1,483
7) Tax Liability	-	-	-	-
8) Provisions	-	-	-	-
9) Share Capital and Legal Reserves	-	-	-	-
10) Valuation Account	-	-	-	-
11) Profit for the Year	-	-	-	-
12) Other Liabilities	28,208,588	3,843	1,852,978	312
Total Foreign Currency Liabilities	685,584,427	93,398	428,992,490	72,219
Net Balance Sheet Foreign Currency Position	142,754,364	19,446	312,553,290	52,616

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

	31 December 2020				31 December 2019			
	Cost	Accumulated depreciation	Net book value	Insurance Coverage (*)	Cost	Accumulated depreciation	Net book value	Insurance Coverage (*)
Furniture	561,072	351,166	209,906	7,942	491,952	273,338	218,614	284,524
Fixture								
Property	916,630	184,013	732,617	375,771	576,093	173,487	402,606	333,588
	1,477,702	535,179	942,523	383,713	1,068,045	446,825	621,220	618,112

(*) Refers to the insured value amount.

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

As of 31 December 2020, there is a few legal proceedings outstanding against the Bank amounting to TL 11,118, and EUR 102,678 (full) (31 December 2019: TL 10,500, US Dollar 703,582 (full) and EUR 114,650 (full)). No provisions are provided in the accompanying financial statements for such legal proceedings based on the views of legal counsel.

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

Valuation Account

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

B. Other notes and explanations

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

At the Ordinary General Assembly Meeting to be held in March 2021, taking into account the provisions of Article 60 of the CBRT Law No. 1211 and Article 64 of the Turkish Commercial Code No. 6102 as amended by Law No. 6355, the Bank's Tax No. 213, the remaining amount after deducting the amount calculated on the basis of the percentages specified in paragraphs (b), (c) and (d) of Article 60 of the CBRT Law from the base profit of 2020, amounting to TL 43,042,567, included in the book records kept in accordance with the provisions of the Procedural Law the issue of transferring it to the Treasury will be resolved.

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

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

The financial statements for the year ended 31 December 2020 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. ("A member firm of Ernst & Young Global Limited"). The independent auditors' report is presented in front of the financial statements and notes to the financial statements.

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

(1) Gold Reserves

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

As of 31 December 2020, the Bank has 716,334,553 grams pure gold which meets international standards (31 December 2019: 553,193,013), 2,832,327 grams pure gold which does not meet the international standards. All of the gold reserve which does not meet the international standards is kept in Bank's Head Office and belongs to Bank as of 31 December 2020 (All of the gold reserve which does not meet the international standards is kept in Bank's Head Office and belongs to Bank as of 31 December 2019).

The gold reserve as of 31 December 2020 is valued with the gold prices quoted in the London Bullion Market at 10:30 a.m. (2019: the gold prices quoted in the London Bullion Market at 10:30 a.m.) and on the basis of 1 ounce being equal to 31.1035 grams.

Gold	31 December 2020		31 December 2019	
	Pure Gram	Amount	Pure Gram	Amount
Gold in International Standards	716,334,553	319,703,047	553,193,013	160,904,576
CBRT's own gold	458,189,589	204,491,891	411,815,077	119,782,659
<i>Held at BOE</i>	<i>45,551,642</i>	<i>20,329,883</i>	<i>5,939,152</i>	<i>1,727,492</i>
<i>Held at CBRT</i>	<i>34,015,936</i>	<i>15,181,452</i>	<i>34,015,937</i>	<i>9,894,050</i>
<i>Held at BIST</i>	<i>378,622,011</i>	<i>168,980,556</i>	<i>371,859,988</i>	<i>108,161,117</i>
Required reserves of the banks	172,181,552	76,845,333	140,681,436	40,919,329
<i>Held at BOE</i>	<i>53,914,217</i>	<i>24,062,136</i>	<i>42,959,521</i>	<i>12,495,428</i>
<i>Held at BIST</i>	<i>118,267,335</i>	<i>52,783,197</i>	<i>97,721,915</i>	<i>28,423,901</i>
Given as collateral	22,425,310	10,008,508	696,500	202,588
<i>Held at BIST</i>	<i>22,425,310</i>	<i>10,008,508</i>	<i>696,500</i>	<i>202,588</i>
Banks gold depository	3,578,020	1,596,885	-	-
<i>Held at BIST</i>	<i>3,578,020</i>	<i>1,596,885</i>	-	-
Treasury's gold	59,960,082	26,760,430	-	-
<i>Held at BIST</i>	<i>59,960,082</i>	<i>26,760,430</i>	-	-
Gold in Non-International Standard	2,832,327	1,264,079	2,832,327	823,825
CBRT	2,832,327	1,264,079	2,832,327	823,825
<i>Held at CBRT</i>	<i>2,832,327</i>	<i>1,264,079</i>	<i>2,832,327</i>	<i>823,825</i>

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

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

(2) Foreign Correspondents

	31 December 2020		31 December 2019	
	Thousand TL	Million US Dollar	Thousand TL	Million US Dollar
Foreign currency securities	65,180,637	8,880	200,924,502	33,825
Deposit	56,344,226	7,676	82,011,234	13,806
Other	222,479,106	30,308	160,375,796	26,998
~ Demand deposits	212,105,600	28,895	152,437,298	25,662
~ SDR holdings account	10,371,679	1,413	7,935,977	1,336
~ Other	1,827	-	2,521	-
Total	344,003,969	46,864	443,311,532	74,629

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

As of 31 December 2020, foreign currency securities held for reserve purpose amounting to TL 65,180,637 (31 December 2019: TL 200,924,502) are valued with the prices quoted in the international markets where they are traded at the balance sheet date.

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

(a) Information on Securities Portfolio

As of 31 December 2020, securities portfolio amounting to TL 89,499,890 consists of government bonds with outright purchase. (As of 31 December 2019: securities portfolio amounting to TL 19,407,464 consists of government bonds with outright purchase.)

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

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

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AS OF 31 DECEMBER 2020

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

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

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

(a) Information on Securities Portfolio (continued)

As of 31 December 2020, the nominal values of TL securities acquired by outright purchases amounts to TL 79,949,000. (31 December 2019: TL 19,374,000)

Breakdown of securities portfolio as of 31 December 2019 are as follows:

	31 December 2019			
	Acquisition Cost	Accrual (net)	Carrying Amount	Fair Value
<u>Purchases under Agreements to Resell:</u>				
Treasury Bills and Government Bonds				
1. Fixed Income	-	-	-	-
2. Indexed to Inflation	-	-	-	-
3. Indexed to Foreign Currency	-	-	-	-
4. Foreign Currency	-	-	-	-
5. Floating Rate	-	-	-	-
<u>Outright Purchases:</u>				
Treasury Bills and Government Bonds				
1. Fixed Income	17,087,584	2,319,880	19,407,464	19,407,464
2. Indexed to Inflation	-	-	-	-
3. Indexed to Foreign Currency	-	-	-	-
4. Foreign Currency	-	-	-	-
5. Floating Rate	-	-	-	-
TOTAL	17,087,584	2,319,880	19,407,464	19,407,464

(b) Receivables/Payables Due to Monetary Policy Operations

As of 31 December 2020, breakdown of the securities purchased under agreement to resell recognized in off-balance sheet is as follows:

	31 December 2020	
	Nominal	Fair value
<u>Purchases under Agreements to Resell:</u>		
Treasury Bills and Government Bonds		
1 Fixed Income	76,165,412	100,209,053
2 Inflation-Indexed	-	-
3 Indexed	-	-
4 Foreign Currency	-	-
5 Floating Rate	-	-
TOTAL	76,165,412	100,209,053
	31 December 2019	
	Nominal	Fair value
<u>Purchases under Agreements to Resell:</u>		
Treasury Bills and Government Bonds		
1 Fixed Income	8,177,300	11,592,471
2 Inflation-Indexed	-	-
3 Indexed	-	-
4 Foreign Currency	-	-
5 Floating Rate	-	-
TOTAL	8,177,300	11,592,471

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

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

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

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

Receivables Due to Monetary Policy- Open Market Operations at the asset side of the balance sheet as of 31 December 2020 – Securities purchased under agreements to resell presented under Open Market Operations consists of TL 99,343,998 of cost and the accrued interest income (31 December 2019: TL 11,527,206). As of 31 December 2020, the accrued interest on securities purchased under agreements to resell amounting to TL 138,005 (31 December 2019: TL 4,872) is presented in the Receivables from Monetary Policy Operations - Open Market Operations.

In addition, as of 31 December 2020, there is TL 190,701,956 of Money Market receivable including income accruals due from the transactions which the Bank entered into on its behalf (31 December 2019: TL 3,170,970). Interest income accrual amounting to TL 320,949 (31 December 2019: TL 4,303) are accounted in the same account.

As of 31 December 2020, securities sold under agreements to repurchase which is followed under the monetary policy transactions-Open Market Transactions in the liabilities of the balance sheet consists of the sum of transaction cost and expense accrual amounting to TL 11,095 (31 December 2019: 475,137). As of 31 December 2020, 5 TL expense accrual from the securities sold under agreements to repurchase, is followed under the open market transactions in monetary policy transactions (31 December 2019: TL 137).

As of 31 December 2020, the monetary policy transactions amount of TL 12,996,690 which is received by the Bank from Interbank Money Market including expense accruals as the counterparty of the transaction is accounted under the liabilities as a Monetary Policy Operations-Interbank Money Market Operations (31 December 2019: TL 4,293,651). Accrued interest expense of this liability; TL 5,590 (31 December 2019: TL 1,252) is also accounted in the same account.

There is no balance in the foreign exchange deposits transactions against TL as of 31 December 2020 (31 December 2019: None).

(4) Domestic Correspondents

Under domestic correspondents' caption, CBRT foreign currency deposit operations and Turkish Lira depots and TL deposit equivalent foreign currency deposits are represented and as of 31 December 2020 there is not any amount in this account (31 December 2019: None)

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

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

5) Loans

(a) Information on domestic loans:

As of 31 December 2020, loans to domestic banks comprised of discount loans amounting to TL 137,639,820 (31 December 2019: TL 102,586,379) and other loans amounting to TL 781,621 (31 December 2019: None).

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

None (31 December 2019: None).

(c) Information on Foreign Loans:

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

As of 31 December 2020, foreign loans, amounting to TL 66,515 (2019: TL 53,827), in accordance with bilateral agreements with central banks of other countries compromised for tracking the commercial transactions into opened bank account.

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

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

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

	31 December 2020		31 December 2019	
	Thousand TL	Thousand US Dollar	Thousand TL	Thousand US Dollar
Opening balance	9,293,902	1,564,577	8,188,811	1,556,542
- Increases during the Period (+) (*)	57,113	8,102	45,682	8,035
- Transfers from Other Follow-up Accounts (+)	-	-	-	-
- Transfers to Other Follow-up Accounts (-)	-	-	-	-
- Collections during the Period (-)	-	-	-	-
- Write-offs (-)	-	-	-	-
- Foreign Exchange Differences	2,193,234	-	1,059,409	-
Closing balance	11,544,249	1,572,679	9,293,902	1,564,577
- Allowance (-)	(11,544,249)	(1,572,679)	(9,293,902)	(1,564,577)
Net balance after allowance	-	-	-	-

(*) As of 31 December 2020, TL 57,113 of increase during the period (31 December 2019: TL 45,682) represents accrued interest on the loans and receivables under follow-up.

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

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

6) Equity Participations

As of 31 December 2020 and 2019, the Bank's equity participations are as follows:

Title	Share rate (%)	31 December 2020 Acquisition Cost	31 December 2019 Acquisition Cost	31 December 2020 Carrying Value	31 December 2019 Carrying Value
Bank for International Settlements (BIS) (*) (**)	1,41	(*)10,000,000	(*)10,000,000	2,423,038	1,700,705
International Islamic Liquidity Management Corporation (IILM)	13,33	10,000,000	10,000,000	73,405	59,402
S.W.I.F.T.	0,007	45,640	43,120	411	287
Bankalararası Kart Merkezi (BKM)	51,01	90,543	-	90,543	-
Total Equity Participations				2,587,397	1,760,394

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

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

The Bank carries the investments in BIS and SWIFT, at their fair value in the financial statements. The Bank recognizes revaluated cost of IILM as its fair value. In current year, TL 736,460 of valuation increase; which is TL 38,063 the foreign currency valuation difference; was accounted for in the "Valuation Account"; and the remaining TL 698,397 after deducting deferred tax effect of TL 26,827 and amounting to TL 671,570 was accounted for as "Fair value increase/(decrease) in equity participations" under "Other Liabilities". (Refer to Note II. 16)

The Bank accounted TL 90,543 in the "Equity Participations" account within the assets due to the acquisition of BKM.

Movement of equity participations	2020	2019
Opening balance (1 January)	1,760,394	1,468,827
Acquired during the year	90,543	-
Change in fair value for the year	698,397	275,739
The effect of foreign currency valuation for the year	38,063	15,828
Ending Balance (31 December)	2,587,397	1,760,394

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.

No dividends were received from equity participations in 2020 (2019: TL 14.429).

(7) Fixed Assets

As of 31 December 2020, the cost of property and related accumulated depreciation amounts to TL 916,630 (31 December 2019: TL 576,093) and TL 184.013 (31 December 2019: TL 173,487) respectively, whereas the cost of furniture and fixture and related accumulated depreciation amounts to TL 561,072 (31 December 2019: TL 491,952) and TL 351,166 (31 December 2019: TL 273,338) respectively.

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AS OF 31 DECEMBER 2020**

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

The movements of fixed assets as of 31 December 2020 and 2019 are as below:

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

	Immovables	Fixture	Software	Total
Net balance sheet value as of 1 January 2019	377,085	137,062	27,832	541,979
Purchases	42,176	90,329	21,188	153,693
Disposals (net) (*)	(8,921)	(272)	-	(9,193)
Current year charge	(7,734)	(46,892)	(10,633)	(65,259)
Net balance sheet value as of 31 December 2019	402,606	180,227	38,387	621,220

(*) Disposals are presented at net amounts.

(8) Other Assets

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

	31 December 2020	31 December 2019
Temporary tax to be deducted from corporate tax	3,826,277	6,074,106
Taxes to be deducted from income tax withholding	1,037,504	79,200
Construction in progress expenses	955,752	1,105,552
Banknote printing inventory	122,580	83,030
Collection banknote depot	4,179	3,794
Letter of credit expenses of banknote printing office	3,376	23,140
Other materials and warehouses	519	5,325
Receivables from foreign exchange sales with future value date	-	2,097,169
Medallion depot	112	112
Other	17,198,152	94,291
Total	23,148,451	9,565,719

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

(8) Other Assets (Continued)

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

	31 December 2020	31 December 2019
Commissions and expenses to be collected from Treasury (*)	62,262	47,236
EFT commission income accrual	38,676	27,522
Other	1,802	11,359
Total Interest and Income Accruals	102,740	86,117

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

(9) Currency in circulation

According to the article 1 of CBRT Law, the Bank has the exclusive privilege of issuing banknotes in Turkey. As of 31 December 2020, the banknotes in circulation amount to TL 188,369,447 (31 December 2019: TL 153,362,376).

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

(10) Reserve Tranche Position

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

As of 31 December 2020, Reserve Tranche Position represents the prepayment of SDR 112,775,000 for the total IMF quota of SDR 4,658,600,000 and is recorded in the "Foreign Currency Reserves - Reserve Tranche Position" under the assets and in the "Reserve Tranche Position" under liabilities. As of 31 December 2020, the balance of the account amounts to TL 1,197,129 (31 December 2019: TL 927,191).

SDR 112,307,000 (31 December 2019: SDR 112,307,000) allocated to Turkey in accordance with the protocol signed with the IMF has been used by the Treasury and is classified as "Treasury Liabilities due to SDR Allocation" under assets and as "SDR Allocation" under liabilities. Additionally, as of 28 August 2009 and 9 September 2009, the amounts of SDR 883,122,365 and SDR 75,900,364 have been allocated as General SDR allocation and Special SDR allocation respectively to the Treasury by IMF where the Bank act as an intermediary institution and are accounted for as explained. As of 31 December 2020, the balance is TL 11,372,379 (31 December 2019: TL 8,808,044).

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

(11) Deposits

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

Public Sector and Banking Sector Deposits

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

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

In between the dates of January 24, 2020 - November 27, 2020, commission on foreign currency mandatory reserves were received.

Deposits by citizens abroad

As of 31 December 2020, deposits by citizens abroad amounting to TL 2,574,406 (31 December 2019: TL 2,137,782) consist of deposits by Turkish citizens living abroad.

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

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

	31 December 2020		31 December 2019	
	Foreign Currency Balance (000)	Thousand TL Equivalent	Foreign Currency Balance (000)	Thousand TL Equivalent
Foreign Currency				
Euro	271,848	2,448,776	303,910	2,021,186
US Dollar	11,409	83,745	14,149	84,047
CHF	4,787	39,658	5,056	30,808
Other	229	2,227	229	1,741
Total		2,574,406		2,137,782

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

(11) Deposits (Continued)

Deposits by International Institutions

Deposits by the international institutions represents the TL thousand equivalent of the balance transferred to the Bank by the IMF as "special drawing rights" ("SDR"). The Bank is designated as "the depositor" to regulate the relations of the Treasury and the IMF. As of 31 December 2020, TL 111,158 (31 December 2019: TL 95,763) which represents the minimum quota amount denominated in SDR is recorded as the deposit balance of IMF. In addition to this, the balance of the amount of TL 36 is used for tracking revenues such as IMF's sales revenues of publication and administrative expenses which took place within the limits of a member country and used only in the currency of the member country (31 December 2019: TL 28). In addition, as of 31 December 2020, there is TL 42,302 of deposit belonging to African Development Bank (AfDB) within the Bank's deposits by international institutions account (31 December 2019: TL 32,346).

Deposits of Funds

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

(12) Share Capital and Legal Reserves

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

The representation of Bank's capital between 31 December 2020 and 2019:

	31 December 2020	31 December 2019
Nominal capital	25	25
Inflation adjustment to share capital	46,209	46,209
Total capital	46,234	46,234

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

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

(12) Share Capital and Legal Reserves (continued)

The list of Bank's shareholders is presented below:

	31 December 2020		31 December 2019	
	Share Amount TL (*)	Share Rate %	Share Amount TL (*)	Share Rate %
Treasury	13,780	55	13,780	55
T.C. Ziraat Bankası A.Ş.	4,806	19	4,806	19
Mervak İç ve Dış Ticaret A.Ş.	1,280	5	1,280	5
Türkiye Garanti Bankası A.Ş.	621	2	621	2
Türkiye İş Bankası A.Ş.	582	2	582	2
T.C. Sosyal Güvenlik Kurumu	422	2	422	2
Türkiye Kızılay Derneği	301	1	301	1
Türkiye Halk Bankası A.Ş.	277	1	277	1
Other	2,931	12	2,931	12
Total nominal capital	25,000	100	25,000	100

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

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

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

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

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

(13) Provisions

Retirement Bonus and Severance Payments

As of 31 December 2020, the Bank calculated retirement pay provision amounting to TL 186,463 (31 December 2019: TL 209,545) and recorded the full provision under the provision account.

Movement of employment termination is presented below:	<u>2020</u>	<u>2019</u>
1 January balance	209,545	173,605
Interest and service cost	35,103	40,896
Paid during the year	(58,185)	(4,956)
31 December balance	186,463	209,545

Insurance Provision for Money in Transit

As of 31 December 2020, the Bank, calculated provision for the transfer insurance of banknotes, cash and securities amounting to TL 243,056 (31 December 2019: TL 243,056) and recorded the provision amount under the provision account.

(14) Tax Liability

Corporate Tax

	<u>31 December 2020</u>	<u>31 December 2019</u>
Corporate tax	8,530,907	11,051,921
Other taxes (*)	475,400	691,973
Tax obligation – net	9,006,307	11,743,894

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

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

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

As of 31 December 2020, the legal tax rate is 22% (2019: 22%).

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NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

(14) Tax Liability (Continued)

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

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

Tax expense for the years 2020 and 2019 is as follows:

	<u>1 January – 31 December 2020</u>	<u>1 January – 31 December 2019</u>
- Corporate tax (expense)	(8,530,907)	(11,051,921)
- Deferred tax income/(expense)	(7,693)	3,710
Tax expense	(8,538,600)	(11,048,211)

Deferred Tax

As of 31 December 2020, and 31 December 2019, the details of temporary differences and calculated deferred tax assets/ (liabilities) are presented below:

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

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

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

(14) Tax Liability (continued)

	Total temporary differences	Deferred tax assets/(liabilities)
	31 December 2019	31 December 2019
Employee benefit obligation	209,545	46,100
Fixed asset depreciation adjustment	4,481	986
Fair value increase/(decrease) of equity participations	(1,618,490)	(89,017)
Net Assets		(41,931)

As of 31 December 2020, and 2019, movement of deferred tax assets is presented below:

	2020	2019
1 January balance	(41,931)	(30,474)
Deferred tax associated with the income statement, net	(7,693)	3,710
Deferred tax associated with other liabilities (*)	(26,828)	(15,167)
31 December Balance	(76,452)	(41,931)

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

Reconciliation of tax expense is presented below:

	%	2020	%	2019
Profit before tax		43,036,532		55,781,018
Provision calculated over the corporate tax rate	22	9,468,037	22	12,271,824
Tax free income	(2,3)	(971,911)	(2,1)	(1,232,240)
Undeductible expenses	-	33,484	-	16,560
Other	-	8,990	-	(7,933)
Tax expense/(income)		8,538,600		11,048,211

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

(15) Valuation Account

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

(16) Other Liabilities

As of 31 December 2020, the Other Liabilities include the gold amounting to TL 26,760,430 in international standard stored in BIST on behalf of the Treasury (2019: None).

Breakdown of other liabilities – other is presented below:

	31 December 2020	31 December 2019
Increase /(decrease) in equity participants	2,201,128	1,529,540
Account transactions with subsequent dates	1,188,178	367,411
Prior year's gains / (losses)	40,047	17,269
Interests waiting because of its being under the limit	28,774	21,288
Payments to heirs as a result of death	19,530	15,389
Amounts waiting for the application of beneficiaries	13,828	11,213
Debts from bonds waiting for court decisions	6,904	5,555
Money to be liquidated to the following period	3,854	24,970
Retirement pay provision actuarial gain	2,490	2,490
Seized and prudent money	303	639
Payables due to foreign exchange sales with future value date	-	2,084,261
Other	41,169	18,590
Total	3,546,205	4,098,615

Breakdown of other liabilities accrual expenses is presented below:

	31 December 2020	31 December 2019
IMF payments	1,971	11,451
Other	172,757	12,939
Total Accrual Expenses	174,728	24,390

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

(17) Foreign Banks

As of 31 December 2020, and 31 December 2019, foreign bank balances are presented below:

	2020		2019	
	TL	Thousand US Dollar	TL	Thousand US Dollar
Foreign banks	26,183,011	3,566,925	11,967,963	2,014,741

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

(1) Interest Income

	1 January – 31 December 2020	1 January – 31 December 2019
Interest received from banks	19,328,354	12,560,047
Interests received from transactions of purchases under agreements to resell	9,799,613	6,056,498
Interest received from interbank monetary policy operations	8,084,161	7,628,827
Interests received from TL and FC securities	8,018,011	3,733,945
Interest received from loans	959,840	985,519
Total	46,189,979	30,964,836

(2) Interest Expense

	1 January – 31 December 2020	1 January – 31 December 2019
Interest paid to Treasury accounts	5,278,071	5,029,131
Interest paid to banks	1,885,441	5,871,865
Interest paid to interbank monetary policy operations	492,083	1,011,000
Interest paid to IMF general use of resources	13,635	84,214
Total	7,669,230	11,996,210

(3) Non-Interest Income

	1 January – 31 December 2020	1 January – 31 December 2019
Foreign exchange gains	81,832,779	45,039,038
Other non-interest income	60,346,507	27,611,924
Dividend	-	14,429
Total	142,179,286	72,665,391

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

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NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

(4) Non-Interest Expenses

	1 January - 31 December 2020	1 January - 31 December 2019
Foreign exchange transaction losses	39,015,216	5,632,188
Losses on purchase and sale of securities and fair value decreases	2,161,143	1,126,275
Provision for non-performing loans	2,250,348	1,105,091
Wages and salaries	1,231,663	954,076
Loss from Turkish Lira-settled forward foreign exchange transactions	-	32,155
General administrative and banknote expenses	500,091	374,177
Social security expenses	128,121	129,205
Depreciation expense	95,158	65,677
Other non-interest expenses	96,510,569	27,206,515
Total	141,892,309	36,625,359

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

Provisions for non-performing loans consists of the provisions provided for the accrued interest income on non-performing loans amounting to TL 57,113 (2019: TL 45,682) and provision provided for the foreign exchange difference on non-performing loans amounting to TL 2,193,234 TL occurred due to fluctuations in foreign exchange rates during the year (2019: TL 1,059,409).

IV. NOTES AND EXPLANATIONS TO CASH FLOW STATEMENT

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

	1 January 2020	1 January 2019
Foreign Currency Banknotes	22,336,578	18,069,286
Coins	122,161	83,670
Foreign Correspondents / Deposit	81,983,084	49,244,446
Foreign Correspondents / Other	160,375,796	185,506,622
Receivables from Money Market Operations	14,689,000	109,000,001
Domestic Correspondents	-	6,228,564
Cash and cash equivalents	279,506,619	368,132,589

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

	31 December 2020	31 December 2019
Foreign Currency Banknotes	21,578,916	22,336,578
Coins	60,850	122,161
Foreign Correspondents / Deposit	56,345,440	81,983,084
Foreign Correspondents / Other	222,479,106	160,375,796
Receivables from Money Market Operations	289,587,000	14,689,000
Cash and cash equivalents	590,051,312	279,506,619

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

V. SUPPLEMENTARY FINANCIAL STATEMENTS

Presentation of assets and liabilities according to their remaining maturities

CURRENT PERIOD (31 December 2020)	No Maturity	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 years	5 years and over	Undistributed	Total
ASSET								
Gold Reserves	232,849,207	86,853,840	-	-	-	-	-	319,703,047
Foreign Currency Banknotes	21,578,916	-	-	-	-	-	-	21,578,916
Foreign Correspondents	222,479,106	51,775,864	10,128,151	12,282,469	46,968,732	369,647	-	344,003,969
Reserve Tranche Position	1,197,129	-	-	-	-	-	-	1,197,129
Securities Portfolio	-	-	1,486,431	14,959,929	56,842,519	16,211,011	-	89,499,890
Receivables from Money Market Operations	-	290,045,954	-	-	-	-	-	290,045,954
Domestic Correspondents	-	-	-	-	-	-	-	-
Loans	66,515	6,913,712	16,136,430	81,114,673	33,475,006	-	781,620	138,487,956
Equity Participations	-	-	-	-	-	-	2,587,397	2,587,397
Treasury Liability due to SDR Allocation	11,372,379	-	-	-	-	-	-	11,372,379
Fixed Assets (Net)	-	-	-	-	-	-	942,523	942,523
Loans Under Legal Follow-up (net)	-	-	-	-	-	-	-	-
Deferred Tax Asset	-	-	-	-	-	-	-	-
Other Assets	24,446,931	-	1,797	-	-	-	127,392	24,576,120
Total Assets	513,990,183	435,589,370	27,752,809	108,357,071	137,286,257	16,580,658	4,438,932	1,243,995,280
LIABILITY								
Currency in Circulation	188,369,447	-	-	-	-	-	-	188,369,447
Payables due to Money Market Operations	-	13,007,785	-	-	-	-	-	13,007,785
Deposits	119,436,059	734,452,307	-	-	-	-	-	853,888,366
Foreign Correspondents	26,183,011	-	-	-	-	-	-	26,183,011
Reserve Tranche Position	1,197,129	-	-	-	-	-	-	1,197,129
SDR Allocation	11,372,379	-	-	-	-	-	-	11,372,379
Tax Liability	-	-	-	-	-	-	9,082,759	9,082,759
Provisions	-	-	-	-	-	-	429,519	429,519
Share Capital and Legal Reserves	-	-	-	-	-	-	5,956,597	5,956,597
Valuation Account	-	-	-	-	-	-	69,351,880	69,351,880
Profit for the Year	-	-	-	-	-	-	34,497,932	34,497,932
Other Liabilities	28,932,064	-	-	-	-	-	1,726,412	30,658,476
Total Liabilities	375,490,089	747,460,092	-	-	-	-	121,045,099	1,243,995,280
Net Liquidity Position	138,500,094	(311,870,722)	27,752,809	108,357,071	137,286,257	16,580,658	(116,606,167)	-

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES AND EXPLANATIONS TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

FV. SUPPLEMENTARY FINANCIAL STATEMENTS (Continued)

Presentation of Assets and Liabilities according to their remaining maturities

PRIOR PERIOD(31 December 2019)	No Maturity	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 years	5 years and over	Undistributed	Total
ASSET								
Gold Reserves	119,985,247	40,919,329	-	-	-	-	-	160,904,576
Foreign Currency Banknotes	22,336,578	-	-	-	-	-	-	22,336,578
Foreign Correspondents	160,375,796	81,320,150	27,777,073	71,412,365	102,046,872	379,276	-	443,311,532
Reserve Tranche Position	927,191	-	-	-	-	-	-	927,191
Securities Portfolio	-	1,415,016	2,082,350	1,911,544	9,649,572	4,348,982	-	19,407,464
Receivables from Money Market Operations	-	14,698,176	-	-	-	-	-	14,698,176
Domestic Correspondents	-	-	-	-	-	-	-	-
Loans	53,827	9,441,864	28,813,536	64,330,979	-	-	-	102,640,206
Equity Participations	-	-	-	-	-	-	1,760,394	1,760,394
Treasury Liability due to SDR Allocation	8,808,044	-	-	-	-	-	-	8,808,044
Fixed Assets (Net)	-	-	-	-	-	-	621,220	621,220
Loans Under Legal Follow-up (net)	-	-	-	-	-	-	-	-
Deferred Tax Asset	-	-	-	-	-	-	-	-
Other Assets	10,523,199	-	10,317	-	-	-	64,306	10,597,822
Total Assets	323,009,882	147,794,535	58,683,276	137,654,888	111,696,444	4,728,258	2,445,920	786,013,203
LIABILITY								
Currency in Circulation	153,362,376	-	-	-	-	-	-	153,362,376
Payables due to Money Market Operations	-	4,768,788	-	-	-	-	-	4,768,788
Deposits	235,288,851	253,416,142	-	-	-	-	-	488,704,993
Foreign Correspondents	7,147,947	4,820,016	-	-	-	-	-	11,967,963
Reserve Tranche Position	927,191	-	-	-	-	-	-	927,191
SDR Allocation	8,808,044	-	-	-	-	-	-	8,808,044
Tax Liability	-	-	-	-	-	-	11,785,826	11,785,826
Provisions	-	-	-	-	-	-	452,601	452,601
Share Capital and Legal Reserves	-	-	-	-	-	-	5,557,383	5,557,383
Valuation Account	-	-	-	-	-	-	50,660,801	50,660,801
Profit for the Year	-	-	-	-	-	-	44,732,807	44,732,807
Other Liabilities	2,573,706	-	-	-	-	-	1,710,724	4,284,430
Total Liabilities	408,108,115	263,004,946	-	-	-	-	114,900,142	786,013,203
Net Liquidity Position	(85,098,233)	(115,210,411)	58,683,276	137,654,888	111,696,444	4,728,258	(112,454,222)	-