

# **TÜRKİYE İHRACAT KREDİ BANKASI ANONİM ŞİRKETİ**

**Financial Statements as at and for the Year Ended 31  
December 2021 with Independent Auditor's Report Thereon**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Türkiye İhracat Kredi Bankası Anonim Şirketi

### 1) Opinion

We have audited the accompanying financial statements of Türkiye İhracat Kredi Bankası Anonim Şirketi (the "Bank") which comprise the unconsolidated statement of financial position as at December 31, 2021, statement of profit or loss and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the 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 unconsolidated financial position of the Bank as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### 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 Auditor's responsibilities for the audit of the financial statements section of our report. 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3) Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the unconsolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the unconsolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying unconsolidated financial statements.



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| Key Audit Matter   | How the Key Audit Matter is addressed in our audit   |
|--|--|
| <p><i>Financial impact of IFRS 9 “Financial Instruments” standard and recognition of impairment on financial assets and related important disclosures</i></p>  |  |
| <p>As disclosed in footnote IX of Section 3; the Bank measured expected credit losses for financial assets by IFRS 9 “Financial Instruments Standards” in financial statements. The rationale for selecting IFRS 9 impairment of financial assets as key audit matter are as follows;</p> <ul style="list-style-type: none"> <li>▪ Financial assets within balance-sheet and off-balance-sheet subject to IFRS 9 expected credit losses measurement have significant balance in the financial statements</li> <li>▪ The applications IFRS 9 are complex and comprehensive</li> <li>▪ The classification of financial instruments based on the Bank’s business models and the characteristics of contractual cash flows in line with IFRS 9 and requirement of important judgments to determine this business model and the characteristics of contractual cash flows</li> <li>▪ Risks related to the policies established by the management with the compliance and requirements of the legislation and other applications for the calculation of expected credit losses</li> <li>▪ The complexity and intensity of the control environment in the processes designed or reorganized for IFRS 9</li> <li>▪ Estimations and assumptions used in expected credit losses are important and complex</li> <li>▪ Complex and comprehensive disclosure requirements of IFRS 9.</li> </ul> | <p>Our audit procedures in addition to our current audit procedures:</p> <ul style="list-style-type: none"> <li>▪ Evaluation of the compliance of the accounting policies adopted with regard to IFRS 9, the Bank’s past performance, and local and global practices</li> <li>▪ Analysis and testing of processes, systems, and controls originated or re-designed in order to calculate expected credit losses by the Information Systems and Process Audit specialists</li> <li>▪ Evaluation of the key judgments, assumptions, methods used for calculation of expected credit loss determined by the management, and whether the data source is reasonable or not, and their compliance and standard requirements in light of industry and global practices</li> <li>▪ Testing criteria used for determining the contractual cash flows including interest payments with regard to solely principal and principal balance of financial assets on a sample basis and evaluation of Bank’s business model</li> <li>▪ Evaluation of significant increase in credit risk, definition of default, definition of restructuring, probability of default, loss given default, exposure at default and macro-economic variables, and related basic and significant estimates and assumptions determined for calculation process of expected credit loss and whether these assumptions determined by financial risk management are in line with the Bank’s historical performance, legislation, and reasonableness of the estimation process regarding future performance and investigation of credit risk portfolio on a sample basis</li> <li>▪ Evaluation of the accuracy and completeness of attributes of the data used for the calculation process of expected credit losses</li> <li>▪ Detailed testing of mathematical verification of expected credit losses’ calculation on a sample basis</li> <li>▪ Evaluating the necessity and accuracy of the updates made or required updates after the modeling process</li> <li>▪ Evaluating the impact of the Covid-19 outbreak, on macroeconomic variables in staging loans and calculating expected credit loss provision, together with important forward estimates and assumptions</li> <li>▪ Auditing of disclosures related to IFRS 9.</li> </ul> |



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| Key audit matter   | How the matter was addressed in our audit   |
|--|---|
| <p><b>Hedge Accounting</b></p> <p>As further explained in footnote VIII of Section 3, the Bank applies fair value hedge transactions to manage fixed interest rate risk due to securities issued at fixed rate with interest rate swap transactions.</p> <p>The Bank applies cash flow hedge transactions to manage foreign currency risk due to securities issued at fixed rate and loans and advances at floating rate with cross-currency swap transactions.</p> <ul style="list-style-type: none"> <li>The criteria for the application of the hedge accounting include defining, documenting and regularly testing the effectiveness of the hedge accounting transactions. Due to the fact that hedge accounting has complex structure and requires technical calculations, we considered this to be one of the key audit matters.</li> </ul> | <p>The audit procedures for testing hedge accounting included below;</p> <ul style="list-style-type: none"> <li>To examine the documentation and appropriateness of hedging relationships of cash flow hedge and fair value hedge transactions.</li> <li>To take into account the objective of the hedge accounting and its compliance with TFRS requirements. To test the management's assessment of effectiveness, measuring ineffectiveness and appropriateness of accounting records.</li> <li>To understand and test the hedge accounting controls, hedging relationship, the effectiveness controls at inception and at subsequent periods.</li> <li>To evaluate the adequacy of the unconsolidated financial statement disclosures related to hedge accounting.</li> </ul> |

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

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

In preparing the financial statements, 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 management 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.



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#### **5) Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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



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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 those charged with governance 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Fatma Ebru Yücel.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

*A member firm of Ernst & Young Global Limited*

Fatma Ebru Yücel, SMMM  
Partner

İstanbul, Türkiye  
April 29, 2022

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

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

|   | <i>Notes</i> | <b>Audited<br/>31 December 2021</b> | <b>Audited<br/>31 December 2020</b> |
|---|--------------|-------------------------------------|-------------------------------------|
| <b>ASSETS</b>   |              |                                     |                                     |
| Cash and due from banks   | 6            | 19,480,810                          | 11,681,430                          |
| Derivative financial instruments  | 7            | 40,982                              | 26,224                              |
| Derivative assets held for risk management  | 4            | 1,498,107                           | 466,113                             |
| Loans and advances  | 8            | 286,483,564                         | 177,630,921                         |
| Investment securities   |              |                                     |                                     |
| -Financial assets measured at fair value through profit or loss                     | 9            | 178,275                             | 153,454                             |
| -Financial assets measured at fair value through profit or loss pledged             | 9            | 111,458                             | 72,786                              |
| -Financial assets measured at fair value through other comprehensive income         | 9            | 1,391,467                           | 805,309                             |
| -Financial assets measured at fair value through other comprehensive income pledged | 9            | 750,209                             | 439,424                             |
| -Financial assets measured at amortized cost  | 9            | 9,955,982                           | 10,637,542                          |
| -Financial assets measured at amortized cost pledged                                | 9            | 9,824,729                           | 1,519,521                           |
| Subsidiaries (Net)  |              | 73,000                              | -                                   |
| Property and equipment  | 10           | 10,519                              | 17,566                              |
| Intangible assets   | 11           | 12,752                              | 10,185                              |
| Investment property   | 12           | 2,008                               | 2,111                               |
| Other assets  | 13           | 1,111,190                           | 1,637,715                           |
| <b>Total assets</b>   |              | <b>320,238,656</b>                  | <b>203,068,570</b>                  |
| <b>LIABILITIES</b>  |              |                                     |                                     |
| Funds borrowed  | 14           | 249,217,267                         | 160,095,708                         |
| Debt securities issued  | 15           | 37,284,304                          | 22,953,260                          |
| Interbank money market deposits   | 14           | 6,517,681                           | 1,375,566                           |
| Subordinated liabilities  | 16           | 5,523,837                           | 4,463,576                           |
| Other liabilities and provisions  | 18           | 6,987,729                           | 1,936,208                           |
| Lease liabilities   | 18           | 5,923                               | 12,533                              |
| Derivative financial instruments  | 7            | 638                                 | 114,929                             |
| Derivative liabilities held for risk management                                     | 4            | 116,339                             | 676,199                             |
| Retirement benefit obligations  | 19           | 33,824                              | 26,331                              |
| <b>Total liabilities</b>  |              | <b>305,687,542</b>                  | <b>191,654,310</b>                  |
| <b>EQUITY</b>   |              |                                     |                                     |
| - Share capital   | 20           | 10,800,000                          | 9,270,000                           |
| - Adjustment to share capital   |              | 38,091                              | 38,091                              |
| Total paid in share capital   |              | 10,838,091                          | 9,308,091                           |
| Legal reserves  |              | 569,768                             | 494,199                             |
| Hedging reserves  |              | 73,439                              | 33,017                              |
| Fair value reserves   |              | 6,856                               | 116,279                             |
| Retained earnings   |              | 3,062,960                           | 1,462,674                           |
| <b>Total equity</b>   |              | <b>14,551,114</b>                   | <b>11,414,260</b>                   |
| <b>Total liabilities and equity</b>   |              | <b>320,238,656</b>                  | <b>203,068,570</b>                  |

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

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

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

|  | <i>Notes</i> | <b>Audited<br/>1 January –<br/>31 December<br/>2021</b> | <b>Audited<br/>1 January –<br/>31 December<br/>2020</b> |
|--|--------------|---|---|
| Interest income  | 21           | 7,190,739   | 5,011,499   |
| Interest expense   | 21           | (4,388,430)   | (3,788,554)   |
| <b>Net interest income</b>                                     |              | <b>2,802,309</b>  | <b>1,222,945</b>  |
| Fees and commission income                                     |              | 924,520   | 573,966   |
| Fees and commission expense                                    |              | (493,868)   | (349,550)   |
| <b>Net fee and commission income</b>                           | 9            | <b>430,652</b>  | <b>224,416</b>  |
| Impairment losses on loans and advances                        | 9            | (134,190)   | (369,469)   |
| Foreign exchange gain/(losses), net                            | 22           | (1,380,172)   | 2,384,657   |
| Gains/(losses) on financial assets through profit or loss, net | 23           | 2,023,245   | (1,539,815)   |
| Dividend income  |              | 200   | 89  |
| Other operating income   |              | 28,683  | 14,766  |
| <b>Operating profit before operating expenses</b>              |              | <b>3,770,727</b>  | <b>1,937,589</b>  |
| Operating expenses   | 24           | (664,210)   | (426,201)   |
| <b>Net profit for the period</b>                               |              | <b>3,106,517</b>  | <b>1,511,388</b>  |

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

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

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

|   | Audited<br>1 January –<br>31 December<br>2021 | Audited<br>1 January –<br>31 December<br>2020 |
|---|---|---|
| <b>Net profit for the period</b>  | <b>3,106,517</b>                              | <b>1,511,388</b>                              |
| <b>Other comprehensive income</b>   | <b>(69,663)</b>                               | <b>71,845</b>                                 |
| <b>Total Comprehensive Income</b>   | <b>(662)</b>                                  | <b>-</b>                                      |
| <i>Items that will not be reclassified to profit or loss</i>  | <b>21,998</b>                                 | <b>206</b>                                    |
| Remeasurements of the defined benefit asset/(liability)   | <b>21,998</b>                                 | <b>206</b>                                    |
| <i>Items that are or may be reclassified to profit or loss</i>  | <b>(90,999)</b>                               | <b>71,639</b>                                 |
| Net change in fair values of financial assets measured at fair value through other comprehensive income | <b>(131,421)</b>                              | <b>87,621</b>                                 |
| Cash flow hedges - effective portion of changes in fair value   | <b>40,422</b>                                 | <b>(15,982)</b>                               |
| <b>Total comprehensive income for the period</b>  | <b>3,036,854</b>                              | <b>1,583,233</b>                              |

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

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

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

|  | Notes | Share capital     | Adjustment to share capital | Total paid-in share capital | Legal reserves | Other reserves | Hedging reserves | Fair value reserves | Retained earnings | Total equity      |
|--|-------|-------------------|-----------------------------|-----------------------------|----------------|----------------|------------------|---------------------|-------------------|-------------------|
| <b>Balance at 1 January 2020</b>             | 20    | <b>7,160,000</b>  | <b>38,091</b>               | <b>7,198,091</b>            | <b>422,618</b> | -              | <b>48,999</b>    | <b>28,658</b>       | <b>1,382,661</b>  | <b>9,081,027</b>  |
| Profit for the period                        |       | -                 | -                           | -                           | -              | -              | -                | -                   | 1,511,388         | 1,511,388         |
| Other comprehensive income for the period    |       | -                 | -                           | -                           | -              | -              | (15,982)         | 87,621              | 206               | 71,845            |
| <b>Total comprehensive income</b>            |       | <b>-</b>          | <b>-</b>                    | <b>-</b>                    | <b>-</b>       | <b>-</b>       | <b>(15,982)</b>  | <b>87,621</b>       | <b>1,511,594</b>  | <b>1,583,233</b>  |
| Capital increase                             | 20    | 2,110,000         | -                           | 2,110,000                   | -              | -              | -                | -                   | (1,360,000)       | 750,000           |
| Dividends to equity holders                  |       | -                 | -                           | -                           | -              | -              | -                | -                   | -                 | -                 |
| Transfers to legal reserves                  |       | -                 | -                           | -                           | 71,581         | -              | -                | -                   | (71,581)          | -                 |
| <b>(Audited) Balance at 31 December 2020</b> | 20    | <b>9,270,000</b>  | <b>38,091</b>               | <b>9,308,091</b>            | <b>494,199</b> | -              | <b>33,017</b>    | <b>116,279</b>      | <b>1,462,674</b>  | <b>11,414,260</b> |
| <b>Balance at 1 January 2021</b>             | 20    | <b>9,270,000</b>  | <b>38,091</b>               | <b>9,308,091</b>            | <b>494,199</b> | -              | <b>33,017</b>    | <b>116,279</b>      | <b>1,462,674</b>  | <b>11,414,260</b> |
| Profit for the period                        |       | -                 | -                           | -                           | -              | -              | -                | -                   | 3,106,517         | 3,106,517         |
| Other comprehensive income for the period    |       | -                 | -                           | -                           | -              | -              | 40,422           | (109,423)           | (662)             | (69,663)          |
| <b>Total comprehensive income</b>            |       | <b>-</b>          | <b>-</b>                    | <b>-</b>                    | <b>-</b>       | <b>-</b>       | <b>40,422</b>    | <b>(109,423)</b>    | <b>3,105,855</b>  | <b>3,036,854</b>  |
| Capital increase (*)                         |       | 1,530,000         | -                           | 1,530,000                   | -              | -              | -                | -                   | (1,430,000)       | 100,000           |
| Dividends to equity holders                  |       | -                 | -                           | -                           | -              | -              | -                | -                   | -                 | -                 |
| Transfers to legal reserves                  |       | -                 | -                           | -                           | 75,569         | -              | -                | -                   | (75,569)          | -                 |
| <b>(Audited) Balance at 31 December 2021</b> | 20    | <b>10,800,000</b> | <b>38,091</b>               | <b>10,838,091</b>           | <b>569,768</b> | -              | <b>73,439</b>    | <b>6,856</b>        | <b>3,062,960</b>  | <b>14,551,114</b> |

(\*) TL 100,000 was paid in cash by the Ministry of Treasury and Finance.

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

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

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

|   | <i>Notes</i> | <b>Audited<br/>1 January –<br/>31 December<br/>2021</b> | <b>Audited<br/>1 January –<br/>31 December<br/>2020</b> |
|---|--------------|---|---|
| <b>Cash flows from operating activities:</b>  |              |   |   |
| Net profit for the period   |              | 3,106,517   | 1,511,388   |
| <b>Adjustments:</b>   |              |   |   |
| Depreciation and amortization   | 25           | 12,133  | 10,602  |
| Provision for loan losses   | 8            | 134,190   | 369,469   |
| Provision for employment termination benefits   | 25           | 6,830   | -   |
| Provision for unused vacation   | 18           | 2,062   | 51  |
| Net gain on sale of property and equipment  |              | 110   | -   |
| Interest paid   |              | (2,028,392)   | (2,080,658)   |
| Interest received   |              | 6,344,756   | 4,836,662   |
| Unrealized foreign exchange differences   |              | (7,127,954)   | (1,604,561)   |
| Remeasurement of derivative financial instruments   |              | (1,720,903)   | 1,603,599   |
| <b>Net Cash flows from operating activities</b>   |              | <b>(1,270,651)</b>                                      | <b>4,646,552</b>  |
| Net decrease/(increase) in loans and advances   |              | (108,986,833)   | (35,658,318)  |
| Net decrease/(increase) in financial assets at measured fair value through profit or loss |              | (24,821)  | (153,454)   |
| Net decrease/(increase) in other assets   |              | 2,858,876   | 808,324   |
| Net increase in other liabilities   |              | (1,149,244)   | (5,183,274)   |
| <b>Net cash from operating activities</b>   |              | <b>(108,572,673)</b>                                    | <b>(35,540,170)</b>                                     |
| <b>Cash flows from/(used in) investing activities:</b>                                    |              |   |   |
| Acquisition of property and equipment, net  | 10           | (1,003)   | (3,427)   |
| Acquisition of financial assets measured at amortized cost                                | 9            | (1,500)   | (1,724,460)   |
| Proceeds from financial assets measured at amortized cost                                 | 9            | 6,423,913   | -   |
| Increase from financial assets measured at fair value through other comprehensive income  |              | 233,582   | 1,649,507   |
| Decrease from financial assets measured at fair value through other comprehensive income  |              | (146,505)   | (976,841)   |
| Acquisition of intangible assets  | 11           | (5,062)   | (4,567)   |
| <b>Net cash used in investing activities</b>  |              | <b>6,503,425</b>  | <b>(1,059,788)</b>                                      |
| <b>Cash flows from/(used in) financing activities:</b>                                    |              |   |   |
| Proceeds from borrowings  |              | 357,395,256   | 33,222,947  |
| Repayments of borrowings  |              | (269,432,699)   | (2,084,517)   |
| Proceeds from interbank money market deposits   | 14           | 5,142,115   | 1,375,566   |
| Proceeds from issue of debt securities  |              | 14,115,991  | 3,812,142   |
| Increase/(decrease) due to issue of subordinated liabilities                              |              | -   | -   |
| Repayment of debt securities  |              | (2,076,959)   | (1,682,468)   |
| Dividends paid  | 20           | -   | -   |
| Proceeds from capital increase  | 20           | 100,000   | 750,000   |
| Purchase of the subsidiaries  |              | (73,000)  | -   |
| <b>Net cash from/(used in) financing activities</b>                                       |              | <b>105,170,704</b>                                      | <b>35,393,670</b>                                       |
| Effects of exchange-rate changes on cash and cash equivalents                             |              | 5,879,648   | 3,655,583   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                               |              | <b>7,808,788</b>  | <b>1,681,808</b>  |
| Cash and cash equivalents at the beginning of the year                                    | 6            | 11,670,056  | 9,988,248   |
| <b>Cash and cash equivalents at the end of the period</b>                                 | 6            | <b>19,478,844</b>                                       | <b>11,670,056</b>                                       |

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

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

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### 1 GENERAL INFORMATION ABOUT THE BANK

Türkiye İhracat Kredi Bankası A.Ş. (the "Bank" or "Eximbank") was established as Turkey's "Officially Supported Export Credit Agency" on 25 March 1987 as a development and investment bank and accordingly, the Bank does not accept deposits. The Bank's head office is located at Saray Mahallesi, Ahmet Tevfik İleri Caddesi 19 Ümraniye İstanbul/Turkey. As of 31 December 2021, the Bank has 3 regional directorates in Ankara, İstanbul and in İzmir, 20 branches and 11 liaison offices. As of 31 December 2021, the Bank has 734 employees (31 December 2020: 740 employees).

The Bank's objective is to improve foreign trade, diversify exported goods and services, create new markets for the exported commodities, increase the share of exporters, entrepreneurs and contractors in international trade by providing assurance to increase their competitiveness, encourage and support the manufacturing and sale export or foreign currency gaining investment products.

As a means of aiding export development services, the Bank provides loan, guarantee and insurance services in order to financially support export and foreign currency earning services. While performing the above-mentioned operations, the Bank provides short, medium or long term, domestic and foreign currency lending funded by borrowings from domestic and foreign money and capital markets and from its own sources.

On the other hand, the Bank also performs fund management (treasury) operations related to its core banking operations. These operations are domestic and foreign currency capital market operations, domestic and foreign currency money market operations, foreign currency market operations, derivative transactions, all of which are approved by the Board of Directors.

The losses due to the political risks arising on loan, guarantee and insurance operations of the Bank, are transferred to the Undersecretariat of Treasury ("Turkish Treasury") according to article 4/c of Act number 3332 that was appended by Act numbered 3659 and according to Act regarding the Public Financing and Debt Management, numbered 4749, dated 28 March 2002.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

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### **2 BASIS OF PREPARATION**

#### **2.1 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (“IASB”).

The Bank maintains its books of account and prepares its statutory financial statements in Turkish Lira (“TL”) in accordance with the accounting practices as promulgated by the Banking Regulation and Supervision Agency (“BRSA”), the Turkish Commercial Code and the Turkish Tax Legislation.

These financial statements have been prepared in accordance with IFRS. They were authorized for issue by the Bank’s Board of Directors on 29 March 2022.

As of 31 December 2020, in preparation of the financial statements of the Bank, the same accounting policies and methods of computation have been followed compared to the most recent annual financial statements. New IFRS/IAS amendments in effect do not have significant impact on the accounting policies, financial position and performance of the Bank.

#### **2.2 Basis of measurement**

The financial statements have been prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2005, except for the following assets and liabilities which are stated at their fair values if reliable measures are available: financial assets measured at fair value through profit or loss, derivative financial assets and liabilities and financial assets measured at fair value through other comprehensive income.

#### **2.3 Functional and reporting currency**

These financial statements are presented in TL, which is the Bank’s functional currency. Except as indicated, the financial information presented in TL has been rounded to the nearest thousand.

#### **2.4 Accounting in hyperinflationary countries**

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the Turkish Lira based on IAS 29 – Financial Reporting in Hyperinflationary Economies as at 31 December 2005. IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous years be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. The cumulative three-year inflation rate in Turkey was 35.61% as at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by the Turkish Statistical Institute (“TURKSTAT”). This, together with the sustained positive trend in quantitative factors, such as the stabilization in capital and money markets, decrease in interest rates and the appreciation of TL against the USD and other hard currencies have been taken into consideration to categorize Turkey as a non-hyperinflationary economy under IAS 29 effective from 1 January 2006.

According to the decision of Public Oversight Accounting and Auditing Standards Authority in Turkey released on 20 January 2022, it has been stated that there is no need to make any adjustments within the scope of Turkish Accounting Standards (“TAS”) 29 Financial Reporting in Hyperinflationary Economies in the financial statements of 2021, of enterprises that apply IFRS. In this context, while preparing the financial statements dated 31 December 2021, no inflation adjustment was made according to IAS 29.

Total capital amount and capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks”, “Regulation on Measurement and Assessment of Capital Adequacy of Banks” and “Board Decisions” in Turkey. The Bank’s and its financial subsidiaries’ regulatory capital position on a consolidated basis as at 31 December 2021 and 31 December 2020 is as follows:

**NOTES TO THE FINANCIAL STATEMENTS  
AS AT 31 DECEMBER 2021**

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

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**2 BASIS OF PREPARATION (continued)**

**2.5 Use of estimates and judgments**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Coronavirus pandemic, which has recently emerged in China, spread to various countries around the world affects global economic conditions negatively, as well as causing malfunctions in operations, especially in countries exposed to the epidemic. As a result of the spread of COVID-19 throughout the world, various measures have been taken in Turkey as well as in the world and still continue to be taken in order to prevent the transmission of the virus. In addition to these measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in Turkey and worldwide. The necessary measures are evaluated by the bank management to keep the negative effects that may arise under control and to live at the minimum level.

Particularly, information about significant areas at estimation, uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described below:

- Note 4 – Derivative instruments held for risk management
- Note 6 – Cash and due from banks
- Note 7 – Derivative financial assets and liabilities
- Note 8 – Loans and advances
- Note 13 – Other assets
- Note 16 – Other liabilities and provisions

**2.6. Changes in accounting policies**

The accounting policies adopted in preparation of the financial statements as at December 31, 2021 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2021. The effects of these standards and interpretations on the bank's financial position and performance have been disclosed in the related paragraphs.

**The new standards, amendments and interpretations which are effective as at 1 January 2021 are as follows:**

**i) Standards issued but not yet effective and not early adopted**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
AS AT 31 DECEMBER 2021**

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

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**2 BASIS OF PREPARATION (continued)**

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

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. In accordance with amendments issued in December 2021, entities have transition option for a “classification overlay” to avoid possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17. The Bank is in the process of assessing the impact of the standard on financial position or performance of the Bank.

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

23 January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments issued to IAS 1 which are effective for periods beginning on or after 1 January 2022, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted. The Bank is in the process of assessing the impact of the amendments on financial position or performance of the Bank.

**Amendments to IAS 8 - Definition of Accounting Estimates**

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

**Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies**

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to IAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term ‘significant’ in IFRS, the Board decided to replace it with ‘material’ in the context of disclosing accounting policy information. ‘Material’ is a defined term in IFRS and is widely understood by the users of financial statements, according to the Board. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added. The Bank is in the process of assessing the impact of the amendments on financial position or performance of the Bank.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

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### 2 BASIS OF PREPARATION (continued)

#### **Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to IAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The Bank is in the process of assessing the impact of the amendments on financial position or performance of the Bank.

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

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

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

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

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

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

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### 2 BASIS OF PREPARATION (continued)

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

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

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

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

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

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

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

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

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

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### 2 BASIS OF PREPARATION (continued)

#### Relief from discontinuing hedging relationships

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

#### Separately identifiable risk components

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

#### Additional disclosures

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

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. The amendments did not have a significant impact on the financial position or performance of the Bank.

In order to manage the transition to RFRs the Bank has prepared a detail action plan where related units within the Bank are entitled to their duties which are explained in detail and are scheduled. Decisions and announcements by the financial authorities are closely kept up with and integrated into the transition management within the Bank.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

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### 2 BASIS OF PREPARATION (continued)

#### **Amendments to IFRS 16 - Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions beyond 30 June 2021**

In May 2020, the IASB amended IFRS 16 to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic (2020 amendment). The 2020 amendment does not apply to lessors. In March 2021, the Board amended IFRS 16 to extend the availability of the practical expedient by one year (2021 amendment). The practical expedient in the 2021 amendment applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 31 December 2022, provided the other conditions for applying the practical expedient are met. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

The amendments did not have a significant impact on the financial position or performance of the Bank.

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

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

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

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

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

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Bank to prior periods presented in these financial statements.

#### 3.1 Foreign currency

##### i) Foreign currency transactions

Transactions are recorded in TL, which is the Bank's functional currency. Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies on the reporting date are retranslated to the functional currency at the exchange rate on that date. Foreign currency differences arising on retranslation are recognized in profit or loss and other comprehensive income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The official TL exchange rates used by the Bank for foreign currency translation are as follows:

|                  | EUR / TL | USD / TL |
|------------------|----------|----------|
| 31 December 2021 | 14.9047  | 13.1865  |
| 31 December 2020 | 9.0512   | 7.3647   |

##### ii) Foreign currency operations

The assets and liabilities are translated into presentation currency of the Bank at the rate of exchange ruling at the reporting date.

#### 3.2 Interest income and expense

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income and expense presented in the statement of profit or loss and other comprehensive income:

- interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis;
- interest for financial assets measured at fair value through other comprehensive income calculated on an effective interest basis,

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

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### 3 SIGNIFICANT ACCOUNTING POLICIES (*continued*)

#### 3.3 Fees and commission and premium income and expense

Fees and commission income and expenses that are integral to the effective rate on a financial asset or liability are included in the measurement of the effective rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commissions, placement fees and syndication fees, are recognized as the related services are performed in accordance with IFRS 15 Revenue from contracts with customers. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognized on a straight-line basis over the commitment period.

##### *Premium income and expense*

Insurance programs of the Bank are composed of two schemes: short-term export credit insurance and medium and long-term export credit insurance. Premium income of the Bank under these two schemes represents premiums on policies written during the year, net of cancellations.

In addition, since commencement of the insurance facility, the Bank has sought to reinsure the major portion (currently 60%) of its underwritten short-term commercial risks based on a quota-share treaty concluded with a group of domestic and overseas reinsurance companies. Accordingly, expenses include the premiums paid to reinsurance companies. Premium income and expense representing reinsurer's share of the premium are recognized in the financial statements on accrual basis over the period of related policy.

##### *Reinsurance commissions*

Reinsurance commission income received in relation to ceded premiums is recognized on an accrual basis.

#### 3.4 Net trading income

Net trading income is composed of realized and unrealized net gains and losses due to the changes in the fair values of trading assets and liabilities, except for the unrealized gains of financial assets measured at fair value through other comprehensive income.

#### 3.5 Dividends

Dividend income is recognized when the right to receive the income is established.

#### 3.6 Leases

IFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, a balance sheet based single accounting model similar to the accounting of finance leases is set forth. For lessors, the accounting stays almost the same. For lessees, the accounting continues similarly to the present applications on a significant level. At the date of initial application, this standard is applied with a modified retrospective approach recognizing the cumulative effect of initially applying the standard. In this context, comparative information is not restated.

A lease liability and a right-of-use asset are recognized at the date of initial application for leases previously classified as an operating lease in accordance with IAS 17. The mentioned lease liability is measured at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate at the date of initial application. Besides, that right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

Leases with a period equal or less than twelve months are evaluated in the scope of the exception given by the standard and payments made according to related contracts are still being accounted as expense in the period of the payments.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

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### 3 SIGNIFICANT ACCOUNTING POLICIES (*continued*)

#### 3.7 Income tax expense

According to Act number 3332 and article 4/b of Act number 3659, dated 25 March 1987 and 26 September 1990, respectively, the Bank is exempt from Corporate Tax. Due to the 3<sup>rd</sup> Article of the same act; the above-mentioned exemption became valid from 1 January 1988. In accordance with clause 9 of the Provisional Article 1 of Corporate Tax Law No. 5520, which states "The provision of Article 35 shall not apply to exemptions, allowances and deductions included in other laws in relation to Corporation Tax prior to the effective date of the Law No. 5520", the exemption from Corporation Tax continues. Accordingly, current tax and deferred tax are not recognized in these financial statements.

#### 3.8 Explanations on forward transactions, options and derivative instruments

The Bank uses derivative financial instruments in order to avoid exposure to foreign currency and interest rate risks.

As of the balance sheet date, there are outstanding currency and interest rate swap purchase and sales contracts and forward transactions in TL and foreign currency.

Derivatives are initially recorded in profit or loss with their fair values and related transaction costs as of the contract date. In the following periods of initial reporting, they are measured at their fair values. The result of this assessment, offsetting debit and credits stemming from each contract are netted off and reflected to the financial statements as a contract-based single asset and liability. The method of accounting the formed gain or loss changes according to the whether the related derivative transaction is hedge purposed or not and the content of the item subject to hedge accounting.

##### a.) Financial assets measured at fair value through profit or loss

###### a.1.) Derivative financial assets

Derivative financial instruments other than derivative instruments intended for the fair value hedging and cash flow hedge purposes of the Bank are accounted for as "trading purpose", economically providing effective protection against risks for the Bank. Liabilities and receivables arising from derivative transactions are recorded in off-balance sheet accounts at contractual amounts. Derivative financial instruments are measured at fair value in subsequent periods and if the fair value is positive, they are classified under "derivative financial assets measured at fair value through profit or loss". If fair value is negative derivative transactions are classified under "derivative financial liabilities measured at fair value through profit or loss". After valuation, differences of changes in fair value are reflected in the statement of profit or loss.

###### a.2.) Derivative financial assets held for hedging purpose

The Bank notifies in written the relationship between hedging instrument and related account, risk management aims of hedge and strategies and the methods using to measure of the hedge effectiveness.

The Bank evaluates the method of hedge whether to be effective on the expected changes in fair values in this process or not or each result of hedge effectiveness whether to be between the range of 80% and 125%.

Changes in fair values of derivative transactions under fair value hedges are recorded in profit or loss together with changes in hedging asset or liability. The difference in current values of derivative transactions fair value hedge is shown in "Gains/Losses on derivative financial instruments" account. In the statement of financial position, change in fair value of hedged asset or liability during the hedge accounting to be effective is shown with the related asset or liability. In case of inferring hedge accounting, corrections made to the value of hedge account using straight-line amortization method within the days to maturity are reflected to "Income/losses from derivative financial instruments" account in the statement of profit or loss.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

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### **3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **b.) Financial assets measured at fair value through other comprehensive income**

##### **b.1.) Derivative financial instruments held for hedging**

The Bank hedges its cash flow risk arising from floating-rate liabilities in foreign currency and TL by cross-currency swaps. In this context, the fair value changes of the effective portion of the hedging instruments are accounted under the "hedging reserves" account within equity. In the period in which the cash flows affect the statement of profit or loss for the hedged item, the hedging instrument relating to the profit/loss is extracted from equity and recognized in the statement of profit or loss.

The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. While expiring, sale, discontinuing cash flow hedge accounting or when no longer effective, the cumulative gains/losses recognized in shareholders' equity and presented under hedging reserves are continued to be kept in this account. When the cash flows of hedged item incur, the gain/losses accounted for under shareholders' equity are transferred to statement of profit or loss.

Effectiveness tests are performed at the beginning of the hedge accounting period and at each reporting period. The hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness.

IFRS 9 permits to defer application of IFRS 9 hedge accounting and continue to apply hedge accounting in accordance with IAS 39 as a policy choice. Accordingly, the Bank continues to apply hedge accounting in accordance with IAS 39 in this context.

#### **3.9 Explanations on financial assets**

The Bank recognizes and classifies its financial assets as "Financial Assets Measured at Fair Value Through Profit/Loss", "Financial Assets Measured at Fair Value Through Other Comprehensive Income" or "Financial Assets Measured at Amortized Cost".

At initial recognition, financial assets are measured at fair value. If financial assets are not measured at fair value through profit or loss, transaction costs are added to or deducted from their fair value. During the initial recognition of a financial asset into the financial statements, business model determined by the Bank management and the nature of contractual cash flows of the financial asset are taken into consideration.

**NOTES TO THE FINANCIAL STATEMENTS  
AS AT 31 DECEMBER 2021**

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

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Classification and measurement of financial instruments**

The classification of financial instruments at the time of initial recognition depends on the characteristics of the relevant business model and contractual cash flows used for management.

In accordance with IFRS 9, if a financial asset is held under a business model with the purpose of collecting contractual cash flows or is held under a business model with the purpose of collecting contractual cash flows and intending to sell financial assets, this financial asset is classified based on the characteristics of the contractual cash flows.

During the transition period to Financial Instruments: IFRS 9, the Bank conducted the test of whether "Contractual Cash Flows are Comprised Only of Interest and Principal" on all of its financial assets and has evaluated the asset classifications under the framework of its business model.

**Business model Evaluation**

In accordance with IFRS 9, the business model is determined at a level that demonstrates how the financial asset groups are managed together to achieve a specific management objective.

**Measurement categories of financial assets and liabilities**

As of the effective date of IFRS 9 standard; 1 January 2018, the Bank started to classify its' financial assets based on the business model it uses to manage these assets. Three main categories to classify financial assets are:

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

***Financial assets measured at fair value through profit/loss***

Financial assets measured at fair value through profit or loss are financial assets that are managed with the business model other than the business model that aims to collect and sell the contractual cash flows and the contractual terms of the financial assets, do not result in cash flows that include interest payments arising only from the principal and principal balance at specific dates; are financial assets that are acquired in order to generate profits from fluctuations in prices and similar factors in the short term in the market or are part of a portfolio aimed at achieving profit in the short term regardless of the reason for the acquisition.

Financial assets measured at fair value through profit or loss are initially recognized at cost in the financial statements. All regular way purchases and sales of financial assets are recognized and derecognized at the settlement date.

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

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

The government bonds and treasury bills included in financial assets measured at fair value through profit/loss which are traded on Borsa Istanbul (“BIST”) are valued with their weighted average prices settled on BIST as of the reporting date, and government bonds and treasury bills traded on BIST but are not subject to trading on BIST as of the reporting date are valued with their weighted average prices at the latest trading date.

The financial assets classified under this group and whose fair values cannot be measured reliably are carried at amortized cost using the “effective yield method”. The difference between the purchase cost and the amortized cost at the selling date is recorded as interest income.

If the selling price of a financial asset measured at fair value through profit/loss is above its amortized cost as of the sale date, the positive difference between the selling price and the amortized cost is recognized as income under trading gains on securities and if the selling price of a trading security is lower than its amortized cost as of the sale date, the negative difference between the selling price and the amortized cost is recognized as expense under trading expense in the statement of profit or loss.

***Financial assets at fair value through other comprehensive income***

In accordance with IFRS 9, if all of the following conditions are met, the related financial assets are measured at fair value through other comprehensive income.

- Management of financial assets through a business model aimed at collecting and selling their contractual cash flows and
- The contractual terms of the financial asset leading to cash flows that include solely interest payments caused by the principal and principal balance on certain dates.

Financial assets measured at fair value through other comprehensive income are valued at their fair values in the periods subsequent to their acquisition. If the price formations which are a basis for fair values are not realized in active market conditions, it is accepted that the fair value cannot be determined reliably and financial assets at fair value through other comprehensive income are valued with their amortized costs using the effective interest rate method, and are accounted by means of allocating provisions for impairment and discounting.

Difference between the fair value of financial assets at fair value through other comprehensive income and their amortized costs, in other words unrealized profits and losses, is not shown on the statement of profit or loss of the period until the value of the financial asset is collected, sold, disposed of or impaired and it is followed under the account “other comprehensive income and expenses to be reclassified to profit or loss” in equity. When the values of these marketable securities are collected or when they are disposed of, the accumulated fair value differences reflected in the shareholder’s equity before are transferred to the profit or loss statement.

Along with this the Bank, at initial recognition on financial statements, may irrevocably choose the method of reflecting changes in fair value to other comprehensive income for specific investments on equity instruments that would normally be measured at fair value through profit or loss.

Marketable securities classified as financial assets at fair value through other comprehensive income which represent share in capital are accounted with their fair values. As an exception, the cost may be an appropriate estimation method for the determination of fair value. This is only possible when there is not enough recent information on the measurement of fair value or when the fair value can be measured by more than one method and it is certain that among these methods the cost represents the fair value estimation in the best way.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

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### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Securities classified as irrevocable under other comprehensive income and financial assets of fair value are as follows:

- Garanti Faktoring A.Ş.
- Kredi Garanti Fonu A.Ş.
- Borsa İstanbul A.Ş.
- JCR Avrasya Derecelendirme A.Ş.

#### Financial assets measured at amortized cost

The Bank may keep its financial assets at amortized cost as long as the following conditions are met.

- Retention of the financial asset in the context of a business model aimed at collecting contractual cash flows
- The contractual terms of the financial asset lead to cash flows that include interest payments on principal and principal balances on certain dates.

Financial assets measured at amortized cost are initially recorded at acquisition cost values with the addition of transaction costs and are measured at amortized cost using effective interest rate method after being recorded.

Interest income obtained from financial assets measured at amortized cost is accounted in statement of profit or loss.

Loans are financial assets that have fixed or determinable payments and are not quoted in an active market. These loans are initially recognized at cost of acquisition with the addition of transaction costs and are measured at amortized cost using "the effective interest rate (internal rate of return) method" after their recognition.

The Bank has been tested "whether contractual cash flows consist of only interest and principal or not" in its the all loan portfolio and after all portfolio has passed the test, the Bank has started to measure all the loans at amortized cost.

#### Explanations on impairment of financial assets

The Bank recognizes provisions for impairment in accordance with IFRS 9 requirements. Equity instruments are not subject to impairment assessment.

At each reporting date, it shall be assessed whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the change in the risk of a default occurring for the financial instrument is used.

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

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Explanations on expected credit losses**

The expected credit losses are estimated to be unbiased, weighted according to probabilities, and include information that can be supported about past events, current conditions and future economic conditions. Risk parameters used in IFRS 9 calculations are included in the future macroeconomic information.

Probability of default (PD): It expresses the probability of default of credit in a certain period of time. The PD and LGD parameters used in the calculation of the expected credit loss are calculated as including both current and expected loop changes as instant PD (point in time, PIT). The Bank uses two different default probability values to calculate expected credit losses in accordance with IFRS 9.

- 12-month default probability: Estimation of default probability within 12 months after the reporting date,
- Lifetime default probability: Estimation of default probability over the expected life of the financial instrument.

Lost Given Default (LGD): If the borrower is in default, it refers to the economic loss caused by the loan. The ratio is expressed as.

Exposure at Default (EAD): Represents the outstanding balance of cash loans as of the date of the report. In non-cash loans and commitments, it is the value calculated by applying the credit conversion rate.

Financial assets are divided into the following three categories based on the increase in the credit risks observed since the initial acquisition of financial assets:

**12-month expected credit losses (Stage 1):** For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition this instruments are impaired at an amount equal to 12-month expected credit losses (resulting from the risk of default within the next 12 months).

**Lifetime expected credit losses for non-impaired assets (Stage 2):** Includes financial assets which have a significant increase in credit risk since initial recognition, but an unbiased evidence does not occur. Lifetime expected credit losses are recognized for these financial instruments.

**Lifetime expected credit losses for credit-impaired financial assets (Stage 3):** Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized and interest revenue is calculated on the net carrying amount.

This general model is applied to all instruments within the scope of IFRS 9 impairment.

**Measurement of expected credit losses**

In practice, for exposures classified in Stage 1 and Stage 2, expected credit losses are measured as the product of the probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”), discounted at the effective interest rate of the exposure. They result from the risk of default within the next 12 months (stage 1), or from the risk of default over the maturity of the credit facility (stage 2).

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

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### 3 SIGNIFICANT ACCOUNTING POLICIES (*continued*)

For exposures classified in stage 3, expected credit losses are measured as the value, discounted at the effective interest rate, of all cash shortfalls over the life of the financial instrument. Cash shortfalls represent the difference between the cash flows that are due in accordance with the contract, and the cash flows that are expected to be received.

#### *Maturity*

All contractual terms of the financial instrument (including prepayment, extension and similar options) over the life of the instrument are taken into account.

#### *Probability of Default (PD)*

The Probability of Default is an estimate of the likelihood of default over a given time horizon. The measurement of expected credit losses requires the estimation of both 1 year probabilities of default and lifetime probabilities of default.

#### *Loss Given Default (LGD)*

The Loss Given Default is the difference between the contractual cash-flows and the expected cash-flows. The LGD is expressed as a percentage of the EAD.

#### *Exposure at Default (EAD)*

The Exposure at Default of an instrument is the anticipated outstanding amount owed by the obligor at the time of default.

#### *Forward looking*

The amount of expected credit losses is measured on the basis of probability-weighted scenarios, in view of past events, current conditions and reasonable and supportable economic forecasts.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Significant increase in credit risk*

In the event of a significant increase in credit risk, the financial asset is transferred to Stage 2.

Qualitative considerations taken into determining the significant increase in the credit risk of a financial asset as follows;

- Delay days as of the reporting date is 30 or more,
- Refinancing and restructuring the loan account,
- Loans under close monitoring.

#### *Definition of default*

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full;
- the borrower is more than 90 days past due on any material loan obligation to the Bank.

Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding; or

- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

As of 31 December 2021, the breakdowns of individually and collectively assessed expected credit losses for loans, financial lease receivables and non-cash loans are as follows:

|                      | Stage 1       |                    | Stage 2    |                  | Stage 3    |                |
|----------------------|---------------|--------------------|------------|------------------|------------|----------------|
|                      | Individual    | Collective         | Individual | Collective       | Individual | Collective     |
| Cash Loans           | 13,324        | 283,551,740        | -          | 3,008,715        | 29         | 559,727        |
| Financial Lease Rec. | -             | -                  | -          | -                | -          | -              |
| Non-Cash Loans       | -             | 26,067,008         | -          | -                | -          | -              |
| <b>Total</b>         | <b>13,324</b> | <b>309,618,748</b> | <b>-</b>   | <b>3,008,715</b> | <b>29</b>  | <b>559,727</b> |

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.10 Explanations on the write-off policy

Where sound indicators exist that would suggest that the collection of the Bank's foreign compensation receivables is almost impossible or that the costs to be incurred for the collection of the receivable amount would be higher than the amount of the receivable, the receivable amount is written-off from the assets upon the decision of the Executive Committee. The Bank has derecognized non-performing loans amounting to TL 22,587 in the current period. Write-off of the non-performing loans and receivables is not considered, during the legal follow-up process concerning the collection of receivables.

#### 3.11 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

#### 3.12 Property and equipment

##### *Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

##### *Subsequent costs*

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

##### *Depreciation*

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are assigned accordance with the existing statutory tax law.

The estimated useful life for the current and comparative periods is as follows:

|                       | <b>Years</b> |
|-----------------------|--------------|
| Buildings             | 50 years     |
| Vehicles              | 5 years      |
| Other tangible assets | 1 - 50 years |
| Right of use assets   | 4-10 years   |

Leasehold improvements are depreciated on a straight-line method over a period of time of their lease contract.

Depreciation methods, useful lives and residual values are reviewed at each financial period end and adjusted if appropriate.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

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### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.13 Intangible assets

Software acquired by the Bank is stated at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful lives of software are three to five years.

#### 3.14 Investment property

Investment properties in accordance with IAS 40 consist of properties held for obtaining lease income and/or held for recognizing fair value increase. Investment properties are accounted with the cost amount after deduction of accumulated depreciation and permanent impairment losses. Investment properties are depreciated in accordance with the useful life principles with straight-line depreciation method. Gains or losses arising from the disposal or out of usage of the investment property, shall be determined as the difference between the net income from the sale and the carrying amount of the asset and shall be recognized in profit or loss in the period of disposal or out of usage.

#### 3.15 Assets held for sale

An asset (or a disposal group) classified as asset held for sale in accordance with IFRS 5 is measured at lower of carrying value or fair value less costs to sell. An asset (or a disposal group) is regarded as asset held for sale only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively marketed at a price consistent with its fair value.

#### 3.16 Impairment of non-financial assets

The Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists for an asset or a group of assets, then the related asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of other assets, impairment losses recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

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### 3 SIGNIFICANT ACCOUNTING POLICIES (*continued*)

#### 3.17 Funds borrowed and subordinated liabilities

Funds borrowed and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method.

#### 3.18 Debt securities

Debt securities issued are evaluated at “amortized cost” using the “effective interest method”, when the liabilities are not carried at fair value through profit/loss. The Bank has no debt securities issued at fair value through profit/loss.

#### 3.19 Provision

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognized when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognizes any impairment loss on the assets associated with that contract.

#### 3.20 Employee benefits

##### *Reserve for employee severance indemnity*

Reserve for employee severance indemnity represents the present value of the estimated future probable obligation of the Bank arising from the retirement of the employees and calculated in accordance with the Turkish Labor Law. Employment termination benefit is not a funded liability and there is no requirement to fund it. Employment termination benefit is calculated based on the estimation of the present value of the employee’s probable future liability arising from the retirement. IAS 19 (2011) (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the bank’s obligation under defined employee plans. IAS 19 (2011) (“Employee Benefits”) has been revised effective from the annual period beginning after 1 January 2013. In accordance with the revised standard, actuarial gain / loss related to employee benefits shall be recognized in other comprehensive income.

##### *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The Bank does not have any internally set defined contribution plan.

#### 3.21 Events after the reporting period

Events after the reporting period that provide additional information about the Bank’s position at the reporting dates (events that require adjustment) are reflected in the financial statements. Events after the reporting period that do not require adjustments are disclosed in the notes when material.

#### 3.22 Affiliates and subsidiaries

Subsidiaries are accounted for at cost in accordance with IAS 27 “Turkish Accounting Standard for Individual Financial Statements” and are reflected in the financial statements after the impairment, if any.

As of the reporting date, the Bank has no subsidiaries.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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### 4 FINANCIAL RISK MANAGEMENT

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

As of 31 December 2021, the loan portfolio of the Bank constitutes 89% (31 December 2020: 87%) of total assets. In short, medium and long term lending (except for funded loans and country loans), the Bank is taking the risk of the Turkish banking system, however medium-to-long term country loans are under the political risk guarantee of the Turkish Treasury.

The Board of Directors of the Bank sets risk limits for the transactions having significant implications for the operations of the Bank.

The main objective of the Bank’s asset and liability management is to limit the Bank’s exposure to liquidity risk, interest rate risk, foreign currency risk and credit risk to certain boundaries and to strengthen the Bank’s equity.

#### (b) Credit risk

According to article numbered 25 of the decree (regulating the “Articles of Association” of the Bank) of the Council of Ministers dated 17 June 1987; the scope of the annual operations of the Bank is determined by the Bank’s Annual Program that is approved by Supreme Advisory and Credit Guidance Committee (“SCLGC”). The Board of Directors of the Bank is authorized to allocate the risk limits of loan, guarantee and insurance premium to country, sector and commodity Banks, within the principles set by the Annual Program.

In accordance with the collateralization policy, most of the risks of short-term loans are taken from domestic banks. The cash and non-cash limits of domestic banks for short-term, medium and long-term loans are approved by the Board of Directors.

The Board of Directors of the Bank fulfilled authorizations for the determination of loan limits for a person or legal entity, limited with only the loans which were given with respect to specified guaranties, within the framework of the 5<sup>th</sup> item in the Regulation related with Loan Transactions.

The risk limits of the foreign country loans are determined by annual programs which are approved by SCLGC within the foreign economic policy.

Country loans are granted with the approval of the Board of Directors and the approval of the Minister and the Council of Ministers; according to article 10 of Act number 4749 dated 28 March 2002 related to the regulation of Public Finance and Debt Management.

The fundamental collateral of the foreign country loans are the government guarantee of the counter country and the guarantee of banks that the Bank accepts as accredited.

The limit of a country is restricted by both “maximum limit that can be undertaken” and “maximum amount that can be used annually”.

Each year major portion of the commercial and politic risks emerged in Short Term Export Insurance Program is transferred to international reinsurance companies under renewed agreements.

According to the Article 4/C of Act number 3332 that was appended by Act number 3659 and Act regarding the regulation of Public Financing and Debt Management dated 28 March 2002, the losses incurred by the Bank in its credit, guarantee and insurance transactions as a result of political risks are covered by the Turkish Treasury.

The Bank reviews regularly the reports of OECD country risk groups, reports of the members of the International Union of Credit and Investment Insurers, reports of independent credit rating institutions and the financial statements of the banks of which risks are undertaken. In addition, country reports and short term country risk classifications prepared within the Bank are also utilized.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

The risks and limits of companies and banks are followed by both loan and risk departments on a weekly and monthly basis.

In addition, all the foreign exchange denominated operations and other derivative transactions of the Bank are carried out under the limits approved by the Board of Directors.

Business and geographic distribution of the loan risks runs parallel with the export composition of Turkey and is followed up by the Bank regularly.

#### Impairment and provisioning policies

The Bank reviews its loan portfolios to assess impairment on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence comprises observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. The Bank uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Bank allocates provisions for loans and advances that have specific properties. The classification of the loan portfolio of the Bank is formed under the following categories:

|                                    | 31 December 2021   |                 | 31 December 2020   |                 |
|------------------------------------|--------------------|-----------------|--------------------|-----------------|
|                                    | Corporate loans    | Personnel loans | Corporate loans    | Personnel loans |
| Neither past due nor impaired      | 285,830,764        | 13,324          | 176,958,632        | 13,324          |
| Past due but not impaired          | 729,691            | -               | 406,644            | -               |
| Past due and individually impaired | 559,727            | 29              | 1,031,825          | 90              |
| <b>Total loans and advances</b>    | <b>287,120,182</b> | <b>13,353</b>   | <b>178,397,101</b> | <b>13,414</b>   |
| Expected credit losses- Stage 1    | (84,201)           | -               | (85,178)           | (56)            |
| Expected credit losses- Stage 2    | (6,014)            | -               | (3,990)            | -               |
| Expected credit losses- Stage 3    | (559,756)          | -               | (690,280)          | (90)            |
| <b>Net loans and advances</b>      | <b>286,470,211</b> | <b>13,353</b>   | <b>177,617,653</b> | <b>13,268</b>   |

As of 31 December 2021, and 31 December 2020, the delinquency details of loans and advances that are past due but not impaired are as follows:

|  | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| Past due up to 30 days   | 184,227          | 50,751           |
| Past due 31-60 days  | 366,135          | 205,077          |
| Past due 61-90 days  | 179,329          | 150,816          |
| <b>Total loans and advances that are past due but not impaired</b> | <b>729,691</b>   | <b>406,644</b>   |

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

Effect of collateral on credit-impaired (stage 3) loans are as follows;

| Collateral Type              | Credit Risk    | Collateral Amount |
|------------------------------|----------------|-------------------|
| Letter of Credit             | 158,688        | 850,513           |
| Unsecured                    | 317,640        | -                 |
| Guarantee Bond               | 48,420         | 1,066,486         |
| Mortgage of Ship             | 33,141         | 466,517           |
| Cash                         | -              | -                 |
| Real Estate Mortgage         | 1,867          | 4,200             |
| Commercial Enterprise Pledge | -              | -                 |
| <b>Total</b>                 | <b>559,756</b> | <b>2,387,716</b>  |

As of 31 December 2021 and 31 December 2020 the fair value of collaterals held for total loans and advances are as follows:

|   | 31 December 2021   |                 | 31 December 2020   |                 |
|---|--------------------|-----------------|--------------------|-----------------|
|   | Corporate loans    | Personnel loans | Corporate loans    | Personnel loans |
| Collaterals guaranteed by other banks   | 267,408,123        | -               | 164,562,560        | -               |
| Collaterals guaranteed by a third party | -                  | 13,353          | -                  | 13,414          |
| <b>Total</b>                            | <b>267,408,123</b> | <b>13,353</b>   | <b>164,562,560</b> | <b>13,414</b>   |
| Unsecured exposures <sup>(1)</sup>      | 19,712,059         | -               | 13,834,541         | -               |
| <b>Total loans and advances</b>         | <b>287,120,182</b> | <b>13,353</b>   | <b>178,397,101</b> | <b>13,414</b>   |

<sup>(1)</sup> Unsecured exposures represent loans and advances granted to domestic banks, foreign banks and other financial institutions and individually impaired loans.

As of 31 December 2021, the Bank does not have repossessed collateral (31 December 2020: None).

Credit quality per class of loans and advances as at 31 December 2021 is as follows;

|                                 | Carrying Amount |           |         |                    | ECL Allowance |         |         |                |
|---------------------------------|-----------------|-----------|---------|--------------------|---------------|---------|---------|----------------|
|                                 | Stage 1         | Stage 2   | Stage 3 | Total              | Stage 1       | Stage 2 | Stage 3 | Total          |
| Cash and due from banks         | 19,481,123      | -         | -       | <b>19,481,123</b>  | 313           | -       | -       | <b>313</b>     |
| Securities                      | 11,525,724      | -         | -       | <b>11,525,724</b>  | 1,463         | -       | -       | <b>1,463</b>   |
| Loans and Advances to Customers | 283,565,064     | 3,008,715 | 559,756 | <b>287,133,535</b> | 84,201        | 6,014   | 559,756 | <b>649,971</b> |
| Other Assets                    | 335,444         | -         | -       | <b>335,444</b>     | 619           | 101,614 | -       | <b>102,233</b> |

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

#### Bank's credit rating policy

*The risk assessment of banks and other financial institutions*

The Bank requests independent auditor's report in addition to financial statements and related notes and net foreign currency position from banks and other financial institutions on a quarterly basis.

Financial statement information derived from the independent audit or review reports of banks and other financial institutions is recorded into a database in a standard format and percentage changes and ratios related with the capital adequacy, asset quality, liquidity and profitability of the banks and other financial institutions are calculated. In addition, the standard ratios for capital adequacy, asset quality, liquidity and profitability ratios are redefined periodically considering the operations of the banks and acceptable intervals for standard ratios are defined.

In accordance with the standard ratios, the risk ratings of banks are defined by assigning grades from 1 to 4 to banks and other financial institutions. Banks with grade 1 consist of the lowest risk profile of banks and financial institutions and banks with grade 4 consist of the highest risk profile of banks and financial institutions.

In accordance with the risk concentration of the banks and other financial institutions, the final risk is determined by considering qualitative factors such as shareholding structure, group companies, credit ratings from international credit rating institutions, quality of management and also information obtained from media.

As of 31 December 2021, loans granted by the Bank to banks and other financial institutions amount to TL 28,933,811 (31 December 2020: TL 17,778,906). As of 31 December 2021 and 31 December 2020, the concentration level of the loans and advances to banks and other financial institutions which are neither past due nor impaired in accordance with the defined financial analysis of the Bank is as follows:

|        |              | 31 December 2021        | 31 December 2020        |
|--------|--------------|-------------------------|-------------------------|
|        | Rating class | Concentration level (%) | Concentration level (%) |
| Low    | 1-6          | 87                      | 85                      |
| Medium | 6-8          | 12                      | 14                      |
| High   | 8-10         | 1                       | 1                       |

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

*The risk assessment of the companies:*

In the risk evaluation of companies, the Bank obtains financial and organizational information both from the companies and also from various sources (such as Central Bank of the Republic of Turkey ("CBRT") records, Trade Registry Gazette, Chamber of Trade records, information obtained from the Undersecretariat of Foreign Trade, banks and companies operating in the same sector etc.) and uses investigation and verification methods. In addition to the analysis of the last three year financial statements of the companies, the Bank also analyzes the current status of the sectors in which the companies operate, economic and political changes affecting the target sectors in the international markets, the advantages and disadvantages of the companies compared to their rival companies operating in or outside Turkey. If the company is a member of a group of companies not organized as a holding company, the developments that can affect the company's operations are monitored and outstanding bank debts of the company are also reviewed, and company analysis reports are prepared taking into account the group risk as well. The Bank does not use a separate rating system regarding the risk assessment of the companies.

As of 31 December 2021 and 31 December 2020, when we analyze the loan limits for top 60 corporate customers, we observe that these loans constitute approximately 53%, respectively of total loans to corporate customers amounting to TL 150,693,449 (31 December 2020: TL 78,988,904). The details of these loans are as follows;

|                           | 31 December 2021        | 31 December 2020        |
|---------------------------|-------------------------|-------------------------|
|                           | Concentration level (%) | Concentration level (%) |
| <b>Credit limits (TL)</b> |                         |                         |
| 0 - 20,000                | -                       | -                       |
| 20,000 - 40,000           | -                       | -                       |
| 40,000 - 60,000           | -                       | -                       |
| Over 60,000               | 100,00                  | 100,00                  |
| <b>Total</b>              | <b>100,00</b>           | <b>100,00</b>           |

The Bank's maximum exposure to credit risk as of 31 December 2021 and 31 December 2020:

|   | 31 December 2021   | 31 December 2020   |
|---|--------------------|--------------------|
| <b>Credit risk exposures relating to on-balance sheet assets:</b>               |                    |                    |
| Due from banks  | 19,480,810         | 11,681,430         |
| Loans and advances to   |                    |                    |
| - Domestic banks and other financial institutions                               | 19,152,303         | 12,980,432         |
| - Foreign banks and other financial institutions                                | 9,781,508          | 6,209,649          |
| - Corporate customers other than banks and financial institutions and personnel | 257,549,753        | 158,440,840        |
| Derivative financial assets   | 40,982             | 26,224             |
| Derivative assets held for risk management                                      | 1,498,107          | 466,113            |
| Investment securities   |                    |                    |
| - Financial assets at fair value through profit or loss                         | 178,275            | 153,454            |
| - Financial assets at fair value through other comprehensive income             | 1,266,557          | 709,777            |
| - Financial assets measured at amortized cost                                   | 9,955,982          | 10,637,542         |
| <b>Credit risk exposures relating to off-balance sheet items:</b>               |                    |                    |
| Financial guarantees  | 25,275,933         | 11,990,878         |
| <b>Total</b>  | <b>344,180,210</b> | <b>213,296,339</b> |

As of 31 December 2021 and 31 December 2020, financial assets measured at amortized cost are issued by the Turkish Treasury, the controlling shareholder of the Bank.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

As of 31 December 2021 and 31 December 2020, the geographical distribution of the on-balance sheet assets exposed to credit risk:

|  | Turkey             | EU countries     | OECD countries <sup>(1)</sup> | USA              | Other Countries  | Total              |
|--|--------------------|------------------|-------------------------------|------------------|------------------|--------------------|
| Cash and due from banks  | 16,856,670         | 163,245          | 761                           | 2,460,134        | -                | 19,480,810         |
| Loans and advances to  |                    |                  |                               |                  |                  |                    |
| - Domestic banks and other financial institutions                            | 19,152,303         | -                | -                             | -                | -                | 19,152,303         |
| - Foreign banks and other financial institutions                             | -                  | -                | -                             | -                | 9,781,508        | 9,781,508          |
| - Corporate customers and personnel  | 257,549,753        | -                | -                             | -                | -                | 257,549,753        |
| Derivative assets held for trading   | -                  | 40,982           | -                             | -                | -                | 40,982             |
| Derivative assets held for risk management                                   | -                  | 1,498,107        | -                             | -                | -                | 1,498,107          |
| Investment securities  |                    |                  |                               |                  |                  |                    |
| - Financial assets measured at fair value through profit or loss             | 178,275            | -                | -                             | -                | -                | 178,275            |
| - Financial assets measured at fair value through other comprehensive income | 1,266,557          | -                | -                             | -                | -                | 1,266,557          |
| Financial assets measured at amortized cost                                  | 9,955,982          | -                | -                             | -                | -                | 9,955,982          |
| <b>As of 31 December 2021</b>  | <b>304,959,540</b> | <b>1,702,334</b> | <b>761</b>                    | <b>2,460,134</b> | <b>9,781,508</b> | <b>318,904,277</b> |

<sup>(1)</sup> The OECD countries except for EU countries, Canada and USA.

|  | Turkey             | EU countries   | OECD countries <sup>(1)</sup> | USA            | Other Countries  | Total              |
|--|--------------------|----------------|-------------------------------|----------------|------------------|--------------------|
| Cash and due from banks  | 11,396,708         | 46,029         | 666                           | 238,027        | -                | 11,681,430         |
| Loans and advances to  |                    |                |                               |                |                  |                    |
| - Domestic banks and other financial institutions                          | 12,980,432         | -              | -                             | -              | -                | 12,980,432         |
| - Foreign banks and other financial institutions                           | -                  | -              | -                             | -              | 6,209,649        | 6,209,649          |
| - Corporate customers and personnel  | 158,440,840        | -              | -                             | -              | -                | 158,440,840        |
| Derivative assets held for trading   | 25,833             | 102            | -                             | 289            | -                | 26,224             |
| Derivative assets held for risk management                                 | -                  | 466,113        | -                             | -              | -                | 466,113            |
| Investment securities  |                    |                |                               |                |                  |                    |
| Financial assets measured at fair value through profit or loss             | 153,454            | -              | -                             | -              | -                | 153,454            |
| Financial assets measured at fair value through other comprehensive income | 709,777            | -              | -                             | -              | -                | 709,777            |
| Financial assets measured at amortized cost                                | 10,637,542         | -              | -                             | -              | -                | 10,637,542         |
| <b>As of 31 December 2020</b>  | <b>194,344,586</b> | <b>512,244</b> | <b>666</b>                    | <b>238,316</b> | <b>6,209,649</b> | <b>201,305,461</b> |

<sup>(1)</sup> The OECD countries except for EU countries, Canada and USA.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

#### (c) Market risk

Market risk refers to the possibility of loss that may arise due to interest, exchange rate and price changes arising from fluctuations in the financial markets in the positions of the Bank on its balance sheet and off-balance sheet accounts and consequent changes in the Bank’s income/expense item and equity profitability. In order to hedge against the market risk that the Bank may be exposed to as a result of financial activities, all Turkish Lira (TL) and foreign currency securities portfolio for trading purposes are evaluated daily with the current rates in the market. In order to limit the possible loss that may arise from market risk, the maximum amount of transactions that can be carried per day, including securities transactions, the maximum amount of transactions and the limit for termination of damages are applied within the limits set by the Board of Directors for all trading transactions. “Exchange Rate” and “Interest Rate” are calculated based on the “Standard Method and Market Risk Measurement Method” published by the BRSA in the calculation of the market risk exposed to the Bank in the Capital Adequacy Analysis Form.

Derivative transactions are initially measured at fair value and transaction costs that are attributable to them are recognized in profit or loss as they are incurred. They are valued with their fair values in subsequent periods. This valuation result is reflected in the financial statements as a single asset or liability on a contract basis by netting off the receivables and payables arising from each contract within their fair values. The method of accounting for the resulting profit or loss varies depending on whether the derivative is intended for hedging or not and the content of the hedged asset.

|   |   | Risk Weighted Amounts |
|---|---|-----------------------|
|   | Outright Products                         |                       |
| 1 | Interest rate risk (general and specific) | 222,575               |
| 2 | Stock risk (general and specific)         | -                     |
| 3 | Foreign exchange risk                     | 112,275               |
| 4 | Commodity risk                            | -                     |
|   | Options                                   |                       |
| 5 | Simplified approach                       | -                     |
| 6 | Delta-plus method                         | -                     |
| 7 | Scenario approach                         | -                     |
| 8 | Securitizations                           | -                     |
| 9 | <b>Total</b>                              | <b>334,850</b>        |

#### (d) Currency risk

Foreign currency denominated assets and liabilities, together with purchase and sale commitments give rise to foreign exchange exposure.

The Bank’s foreign exchange position is followed daily, and the transactions are performed in accordance with the expectations in the market and within the limits determined by the Risk Management Principles approved by the Board of Directors of the Bank.

The Bank attempts to maintain a square position in foreign exchange through its on-balance sheet and off-balance sheet activities. As part of its strategy to manage the impact of exchange rates and to hedge against foreign exchange exposure, the Bank enters into swap transactions. Short-term currency swap transactions carried out during the year to meet exporters’ foreign exchange loan demand and to manage the Bank’s foreign currency risk.

The Bank is exposed to foreign currency risk due to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Included in the table are the Bank’s assets, liabilities and paid-in capital at carrying amounts, categorized by currency.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

The table below summarizes the Bank's exposure to foreign currency exchange rate risk as at 31 December 2021 and 31 December 2020.

|  | 31 December 2021    |                     |                  | Total              |
|--|---------------------|---------------------|------------------|--------------------|
|  | USD                 | EUR                 | Other            |                    |
| Cash and due from banks  | 4,965,635           | 8,901,963           | 59,379           | 13,926,977         |
| Financial assets measured at fair value through profit or loss               | 178,275             | -                   | -                | 178,275            |
| Derivative financial instruments   | 40,972              | -                   | 10               | 40,982             |
| Derivative assets held for risk management                                   | 1,498,107           | -                   | -                | 1,498,107          |
| Loans and advances   | 112,741,223         | 159,972,522         | 1,004,958        | 273,718,703        |
| Investment securities  |                     |                     |                  |                    |
| - Financial assets measured at fair value through other comprehensive income | 1,266,557           | -                   | -                | 1,266,557          |
| - Financial assets measured at amortized cost                                | 4,408,949           | 2,556,933           | -                | 6,965,882          |
| Property and equipment and intangible assets                                 | -                   | -                   | -                | -                  |
| Investment property  | -                   | -                   | -                | -                  |
| Other assets   | 162,397             | 585,473             | 2,250            | 750,120            |
| <b>Total assets</b>  | <b>125,262,115</b>  | <b>172,016,891</b>  | <b>1,066,597</b> | <b>298,345,603</b> |
| Funds borrowed   | 111,572,976         | 134,131,350         | 980,879          | 246,685,205        |
| Subordinated loans   | -                   | 2,524,710           | -                | 2,524,710          |
| Debt securities in issue   | 37,284,304          | -                   | -                | 37,284,304         |
| Interbank money market deposits  | 2,290,256           | 422,742,5           | -                | 6,517,681          |
| Derivative financial instruments   | 638                 | -                   | -                | 638                |
| Derivative liabilities held for risk management                              | 116,339             | -                   | -                | 116,339            |
| Other liabilities  | 3,350,290           | 1,756,276           | 31,910           | 5,138,476          |
| Reserve for employment termination benefits                                  | -                   | -                   | -                | -                  |
| Equity   | -                   | -                   | -                | -                  |
| <b>Total liabilities and equity</b>  | <b>154,614,803</b>  | <b>142,639,761</b>  | <b>1,012,789</b> | <b>298,267,353</b> |
| <b>Net balance sheet position</b>  | <b>(29,352,688)</b> | <b>29,377,130</b>   | <b>53,808</b>    | <b>78,250</b>      |
| <b>Off balance sheet derivative instruments net notional position</b>        | <b>29,865,903</b>   | <b>(29,270,358)</b> | <b>(63,642)</b>  | <b>531,903</b>     |

At 31 December 2021, assets and liabilities denominated in foreign currency were translated into Turkish lira using foreign exchange rate of TL 13.1865= US Dollar 1 ("USD") and TL 14.9047 = EUR 1.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

|  | 31 December 2020    |                     |                 |                    |
|--|---------------------|---------------------|-----------------|--------------------|
|  | USD                 | EUR                 | Other           | Total              |
| Cash and due from banks  | 239,003             | 8,457,638           | 21,943          | 8,718,584          |
| Financial assets measured at fair value through profit or loss               | 153,454             | -                   | -               | 153,454            |
| Derivative financial assets  | 96                  | -                   | -               | 96                 |
| Derivative assets held for risk management                                   | 466,113             | -                   | -               | 466,113            |
| Loans and advances   | 59,722,219          | 102,007,777         | 329,819         | 162,059,815        |
| Investment securities  |                     |                     |                 |                    |
| - Financial assets measured at fair value through other comprehensive income | 709,777             | -                   | -               | 709,777            |
| - Financial assets measured at amortized cost                                | 2,536,597           | 5,111,369           | -               | 7,647,966          |
| Property and equipment and intangible assets                                 | -                   | -                   | -               | -                  |
| Investment property  | -                   | -                   | -               | -                  |
| Other assets   | 178,202             | 125,835             | 1,033           | 305,070            |
| <b>Total assets</b>  | <b>64,005,461</b>   | <b>115,702,619</b>  | <b>352,795</b>  | <b>180,060,875</b> |
| Funds borrowed   | 61,721,570          | 90,631,379          | 313,050         | 152,665,999        |
| Subordinated liabilities   | -                   | 1,465,448           | -               | 1,465,448          |
| Debt securities in issue   | 22,690,256          | -                   | -               | 22,690,256         |
| Interbank money market deposits  | 1,375,566           | -                   | -               | 1,375,566          |
| Derivative financial liabilities   | 103,485             | -                   | 1               | 103,486            |
| Derivative liabilities held for risk management                              | 676,199             | -                   | -               | 676,199            |
| Other liabilities  | 754,548             | 802,694             | 7,947           | 1,565,189          |
| Reserve for employment termination   | -                   | -                   | -               | -                  |
| Equity   | -                   | -                   | -               | -                  |
| <b>Total liabilities and equity</b>  | <b>87,321,624</b>   | <b>92,899,521</b>   | <b>320,998</b>  | <b>180,542,143</b> |
| <b>Net balance sheet position</b>  | <b>(23,316,163)</b> | <b>22,803,098</b>   | <b>31,797</b>   | <b>(481,268)</b>   |
| <b>Off balance sheet derivative instruments net notional position</b>        | <b>21,860,401</b>   | <b>(22,736,820)</b> | <b>(31,798)</b> | <b>(908,217)</b>   |

At 31 December 2020, assets and liabilities denominated in foreign currency were translated into Turkish lira using foreign exchange rate of TL 7.3647 = US Dollar 1 ("USD") and TL 9.0512 = EUR

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

As of 31 December 2021 and 31 December 2020, the effect of the devaluation of TL by 10% against foreign currencies, under the assumption that all other variables are stable, on net profit/loss and equity of the Bank, are presented below. The other variables, especially interest rates are assumed to be fixed.

|                  | 31 December 2021     |                                 | 31 December 2020     |                                 |
|------------------|----------------------|---------------------------------|----------------------|---------------------------------|
|                  | Effect on net profit | Effect on equity <sup>(1)</sup> | Effect on net profit | Effect on equity <sup>(1)</sup> |
| USD              | 51,322               | 51,322                          | (145,576)            | (145,576)                       |
| EUR              | 10,677               | 10,677                          | 6,628                | 6,628                           |
| Other currencies | (983)                | (983)                           | -                    | -                               |
| <b>Total</b>     | <b>61,016</b>        | <b>61,016</b>                   | <b>(138,948)</b>     | <b>(138,948)</b>                |

<sup>(1)</sup> Effect on equity also includes effect on net profit.

As of 31 December 2021 and 31 December 2020, the effect of the appreciation of TL by 10% against other currencies with all other variables held constant, on net profit and equity of the Bank is the same as the total amount with a negative sign as presented in the above table.

#### (e) Interest rate risk

The Bank estimates the effects of the changes in interest rates on the profitability of the Bank by analyzing TL and foreign currency denominated interest rate sensitive assets and liabilities considering both their interest components as being fixed rate or variable rate and also analyzing their weights among the Bank's total assets and liabilities. Long or short positions arising from interest rate risk are determined by currency types at the related maturity intervals (up to 3 months, 3 months to 1 year, 1 year to 5 years and over 5 years) as of the period remaining to repricing date, considering the repricing of TL and foreign currency-denominated interest sensitive assets and liabilities at maturity date (for fixed rate) or at interest payment dates (for floating rate). By classifying interest sensitive assets and liabilities according to their repricing dates, Bank's exposure to possible variations in market interest rates are determined.

The Bank determines maturity mismatches of assets and liabilities by analyzing the weighted average days to maturity of TL and foreign currency-denominated (for each currency and in total in terms of their USD equivalents) assets and liabilities.

According to the Risk Management Policy approved by the Board of Directors, the Bank emphasizes the matching of assets and liabilities with fixed and floating interest rates and under different currencies and also pays special attention to the level of maturity mismatch of assets and liabilities with floating and fixed interest rates in relation to the asset size of the Bank in order to limit the negative effects of interest rate changes on the Bank's profitability.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

As of 31 December 2021 and 31 December 2020, the table below summarizes the Bank's position exposed to interest rate risk. Carrying amounts of assets and liabilities are classified in terms of periods remaining to contractual repricing dates in the table below;

|  | 31 December 2021   |                    |                    |                   |                      | Total              |
|--|--------------------|--------------------|--------------------|-------------------|----------------------|--------------------|
|  | Up to 3 Months     | 3 months to 1 year | 1 year to 5 years  | Over 5 years      | Non-interest bearing |                    |
| Cash and due from banks  | 5,530,611          | 9,836              | -                  | -                 | 13,940,363           | 19,480,810         |
| Financial assets measured at fair value through profit or loss               | -                  | -                  | 178,275            | -                 | -                    | 178,275            |
| Derivative financial instruments   | 40,982             | -                  | -                  | -                 | -                    | 40,982             |
| Derivative assets held for risk management                                   | 1,001,365          | 496,742            | -                  | -                 | -                    | 1,498,107          |
| Loans and advances   | 107,732,307        | 174,138,065        | 4,053,436          | -                 | 559,756              | 286,483,564        |
| Investment securities  |                    |                    |                    |                   |                      |                    |
| - Financial assets measured at fair value through other comprehensive income | -                  | 7,380              | 767,855            | 498,701           | 117,531              | 1,391,467          |
| - Financial assets measured at amortized cost                                | 1,365,009          | -                  | 6,559,265          | 2,031,708         | -                    | 9,955,982          |
| Subsidiaries (Net)   | -                  | -                  | -                  | -                 | 73,000               | 73,000             |
| Property and equipment and intangible assets                                 | -                  | -                  | -                  | -                 | 23,271               | 23,271             |
| Investment property  | -                  | -                  | -                  | -                 | 2,008                | 2,008              |
| Other assets   | -                  | -                  | -                  | -                 | 1,111,190            | 1,111,190          |
| <b>Total assets</b>  | <b>115,670,274</b> | <b>174,652,023</b> | <b>11,558,831</b>  | <b>2,530,409</b>  | <b>15,827,119</b>    | <b>320,238,656</b> |
| Funds borrowed   | 74,658,711         | 169,112,503        | 4,112,833          | 1,333,220         | -                    | 249,217,267        |
| Subordinated loans   | 97,368             | -                  | 2,524,710          | 2,901,759         | -                    | 5,523,837          |
| Debt securities in issue   | -                  | 6,739,447          | 30,544,857         | -                 | -                    | 37,284,304         |
| Interbank money market deposits  | 3,855,781          | 2,661,900          | -                  | -                 | -                    | 6,517,681          |
| Derivative financial instruments   | 638                | -                  | -                  | -                 | -                    | 638                |
| Derivative liabilities held for risk management                              | 39,672             | 76,667             | -                  | -                 | -                    | 116,339            |
| Other liabilities  | 56,783             | 282,039            | 1,562              | -                 | 6,653,268            | 6,993,652          |
| Reserve for employee benefits  | -                  | -                  | -                  | -                 | 33,824               | 33,824             |
| Lease liabilities  | -                  | 5,923              | -                  | -                 | -                    | 5,923              |
| <b>Total liabilities</b>   | <b>78,708,953</b>  | <b>178,878,479</b> | <b>37,183,962</b>  | <b>4,234,979</b>  | <b>6,687,092</b>     | <b>305,693,465</b> |
| <b>Net repricing gap</b>   | <b>36,961,321</b>  | <b>-4,226,456</b>  | <b>-25,625,131</b> | <b>-1,704,570</b> | <b>9,140,027</b>     | <b>14,545,191</b>  |

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

|  | 31 December 2020  |                     |                     |                  |                      | Total              |
|--|-------------------|---------------------|---------------------|------------------|----------------------|--------------------|
|  | Up to 3 months    | 3 months to 1 year  | 1 year to 5 years   | Over 5 years     | Non-interest bearing |                    |
| Cash and due from banks  | 6,581,892         | -                   | -                   | -                | 5,099,538            | 11,681,430         |
| Financial assets measured at fair value through profit or loss               | -                 | -                   | 78,554              | 74,900           | -                    | 153,454            |
| Derivative financial assets  | 25,960            | 264                 | -                   | -                | -                    | 26,224             |
| Derivative assets held for risk management                                   | 35,221            | 156,559             | 274,333             | -                | -                    | 466,113            |
| Loans and advances   | 50,866,005        | 94,403,968          | 31,870,924          | -                | 490,024              | 177,630,921        |
| Investment securities  |                   |                     |                     |                  |                      |                    |
| - Financial assets measured at fair value through other comprehensive income | 39,911            | 40,839              | 309,081             | 322,700          | 92,778               | 805,309            |
| - Financial assets measured at amortized cost                                | 909,292           | 2,791,413           | 2,762,505           | 4,174,332        | -                    | 10,637,542         |
| Property and equipment and intangible assets                                 | -                 | -                   | -                   | -                | 27,751               | 27,751             |
| Investment property  | -                 | -                   | -                   | -                | 2,111                | 2,111              |
| Other assets   | 217,741           | 274,596             | -                   | -                | 1,145,378            | 1,637,715          |
| <b>Total assets</b>  | <b>58,676,022</b> | <b>97,667,639</b>   | <b>35,295,397</b>   | <b>4,571,932</b> | <b>6,857,580</b>     | <b>203,068,570</b> |
| Funds borrowed   | 24,303,977        | 105,073,603         | 30,718,128          | -                | -                    | 160,095,708        |
| Subordinated liabilities   | 6,023             | 6,023               | 1,513,632           | 2,937,898        | -                    | 4,463,576          |
| Debt securities in issue   | 3,990,064         | 3,625,951           | 15,337,245          | -                | -                    | 22,953,260         |
| Interbank money market deposits  | 0                 | 1,375,566           | -                   | -                | -                    | 1,375,566          |
| Derivative financial liabilities   | 114,682           | 247                 | -                   | -                | -                    | 114,929            |
| Derivative liabilities held for risk management                              | 307,798           | 368,401             | -                   | -                | -                    | 676,199            |
| Other liabilities  | 348,215           | 281,194             | 1,319,332           | -                | -                    | 1,948,741          |
| Reserve for employee benefits  | -                 | -                   | -                   | -                | 26,331               | 26,331             |
| <b>Total liabilities</b>   | <b>29,070,759</b> | <b>110,730,985</b>  | <b>48,888,337</b>   | <b>2,937,898</b> | <b>26,331</b>        | <b>191,654,310</b> |
| <b>Net repricing gap</b>   | <b>29,605,263</b> | <b>(13,063,346)</b> | <b>(13,592,940)</b> | <b>1,634,034</b> | <b>6,831,249</b>     | <b>11,414,260</b>  |

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

The tables below summarize the range for effective average interest rates by major currencies for monetary financial instruments of the Bank at 31 December 2021 and 31 December 2020:

|  | 31 December 2021 |         |         |         |        |
|--|------------------|---------|---------|---------|--------|
|  | USD (%)          | EUR (%) | JPY (%) | GBP (%) | TL (%) |
| <b>Assets</b>  |                  |         |         |         |        |
| Cash and due from banks  |                  |         |         |         |        |
| - Cash equivalents   | -                | -       | -       | -       | -      |
| - Time deposits in foreign banks   | 0.08             | -       | -       | -       | -      |
| - Time deposits in domestic banks  | -                | -       | -       | -       | -      |
| - Interbank money market placements  | -                | -       | -       | -       | 16.88  |
| Loans and advances   | 1.90             | 1.85    | -       | 0.78    | 14.92  |
| Investment securities  |                  |         |         |         |        |
| - Financial assets measured at fair value through profit or loss             | 7.03             | -       | -       | -       | -      |
| - Financial assets measured at amortized cost                                | 5.66             | 8.28    | -       | -       | 6.73   |
| - Financial assets measured at fair value through other comprehensive income | 6.46             | -       | -       | -       | -      |
| <b>Liabilities</b>   |                  |         |         |         |        |
| Funds borrowed   | 0.70             | 0.27    | -       | 0.11    | -      |
| Subordinated liabilities   | -                | 5.06    | -       | -       | 11.21  |
| Debt securities in issue   | 5.99             | -       | -       | -       | -      |
| Interbank money market deposits  | 2.20             | -       | -       | -       | -      |
| <b>31 December 2020</b>  |                  |         |         |         |        |
|  | USD (%)          | EUR (%) | JPY (%) | GBP (%) | TL (%) |
| <b>Assets</b>  |                  |         |         |         |        |
| Cash and due from banks  |                  |         |         |         |        |
| - Cash equivalents   | -                | -       | -       | -       | -      |
| - Time deposits in foreign banks   | 0,10             | 1,33    | -       | -       | -      |
| - Time deposits in domestic banks  | -                | -       | -       | -       | 17,77  |
| - Interbank money market placements  | -                | -       | -       | -       | 17,40  |
| Loans and advances   | 2,11             | 1,17    | 1,26    | 1,77    | 9,11   |
| Investment securities  |                  |         |         |         |        |
| Financial assets measured at fair value through profit or loss               | 6,18             | -       | -       | -       | -      |
| - Financial assets measured at amortized cost                                | 4,91             | 1,08    | -       | -       | 9,81   |
| - Financial assets measured at fair value through other comprehensive income | 6,35             | -       | -       | -       | -      |
| <b>Liabilities</b>   |                  |         |         |         |        |
| Funds borrowed   | 1,39             | 0,42    | 0,36    | 0,06    | -      |
| Subordinated liabilities   | -                | 5,06    | -       | -       | 12,54  |
| Debt securities in issue   | 5,82             | -       | -       | -       | 9,25   |
| Interbank money market deposits  | 2,50             | -       | -       | -       | -      |

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

As of 31 December 2021 and 31 December 2020, the effect of a change interest rates, if all other variables are constant, on the net profit is shown below. The sensitivity of the shareholders' equity at 31 December 2021 and 31 December 2020 is calculated by the valuation of the financial assets measured at fair value through other comprehensive income, considering the possible changes in interest rates. The tax effects are not considered in the analysis below. The other variables, especially exchanges rates, are assumed to be fixed in this analysis.

| 31 December 2021                   | Currency | Applied shock<br>(+/- x basis<br>points) | Gains /<br>losses | Gains/shareholders'<br>equity – losses/<br>shareholders' equity<br>(%) |
|------------------------------------|----------|--|-------------------|--|
| 1                                  | TL       | 500                                      | (184,871)         | (0.91%)  |
|                                    |          | (400)                                    | 140,077           | 0.69%  |
| 2                                  | EURO     | 200                                      | 165,363           | 0.82%  |
|                                    |          | (200)                                    | (173,102)         | (0.86%)  |
| 3                                  | USD      | 200                                      | 584,895           | 2.89%  |
|                                    |          | (200)                                    | (637,306)         | (3.15%)  |
| <b>Total (For negative shocks)</b> |          |  | <b>(670,331)</b>  | <b>(3.32%)</b>   |
| <b>Total (For positive shocks)</b> |          |  | <b>565,387</b>    | <b>2.80%</b>   |

| 31 December 2020                   | Currency | Applied shock<br>(+/- x basis<br>points) | Gains /<br>losses | Gains/shareholders'<br>equity – losses/<br>shareholders' equity<br>(%) |
|------------------------------------|----------|--|-------------------|--|
| 1                                  | TL       | 500                                      | 13,971            | 0.09   |
|                                    |          | (400)                                    | (68,928)          | (0.43)   |
| 2                                  | EURO     | 200                                      | 71,571            | 0.44   |
|                                    |          | (200)                                    | (43,591)          | (0.27)   |
| 3                                  | USD      | 200                                      | (26,296)          | (0.16)   |
|                                    |          | (200)                                    | 38,238            | 0.24   |
| <b>Total (For negative shocks)</b> |          |  | <b>(74,281)</b>   | <b>(0.46)</b>  |
| <b>Total (For positive shocks)</b> |          |  | <b>59,246</b>     | <b>0.37</b>  |

### (f) Liquidity risk

A major objective of the Bank's asset and liability management is to ensure that sufficient liquidity is available to meet the Bank's commitments and to satisfy the Bank's own liquidity needs. The Bank measures and manages its cash flow commitments on a daily basis, and maintains liquid assets determined by the Board of Directors which it judges sufficient to meet its commitments.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the liquidity management of the Bank. The ability to fund unexpected debt requirements is managed by maintaining sufficient cash and marketable securities. It is unusual for banks ever to be completely matched since the maturity, interest rates and the types of business transactions are changing. An unmatched position potentially enhances profitability, but also increases the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

The Bank uses the TL and foreign currency cash flow schedules prepared weekly, monthly and annually in the decision making process of the liquidity management.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

In accordance with the "Regulation on Calculation of Bank's Liquidity Coverage Ratio", published in Official Gazette no. 28948, dated 21 March 2014, the weeks in which the highest and the lowest liquidity coverage ratio is calculated over the last three months are presented below:

| Current Period   |             |                 |             |                  |          |                 |          |
|------------------|-------------|-----------------|-------------|------------------|----------|-----------------|----------|
| Week Info        | TL+FC (Max) | Week Info       | TL+FC (Min) | Week Info        | FC (Max) | Week Info       | FC (Min) |
| 28 November 2021 | 540,75      | 31 October 2021 | 266,54      | 28 November 2021 | 449,04   | 31 October 2021 | 211,95   |

| Prior Period     |             |                 |             |                  |          |                 |          |
|------------------|-------------|-----------------|-------------|------------------|----------|-----------------|----------|
| Week Info        | TL+FC (Max) | Week Info       | TL+FC (Min) | Week Info        | FC (Max) | Week Info       | FC (Min) |
| 27 December 2020 | 1732,4      | 1 November 2020 | 327,7       | 27 December 2020 | 1507,69  | 1 November 2020 | 250,89   |

The Bank's liquidity coverage rates for 31 December 2021 are presented in the table below:

| Current Period  | Total Unweighted Value (Average) (*) |            | Total Weighted Value (Average) (*) |            |
|---|--------------------------------------|------------|------------------------------------|------------|
|   | TL+FC                                | FC         | TL+FC                              | FC         |
| <b>HIGH QUALITY LIQUID ASSETS</b>   |                                      |            |                                    |            |
| 1 High-quality liquid assets (HQLA)   |                                      |            | 12,684,172                         | 10,894,332 |
| <b>CASH OUTFLOWS</b>  |                                      |            |                                    |            |
| 2 Retail deposits and deposits from small business customers  | -                                    | -          | -                                  | -          |
| 3 Stable deposits   | -                                    | -          | -                                  | -          |
| 4 Less stable deposits  | -                                    | -          | -                                  | -          |
| 5 Unsecured wholesale funding, of which:  | 23,218,258                           | 23,191,225 | 11,391,166                         | 11,373,595 |
| 6 Operational deposits  | -                                    | -          | -                                  | -          |
| 7 Non-operational deposits  | -                                    | -          | -                                  | -          |
| 8 Unsecured funding   | 23,218,258                           | 23,191,225 | 11,391,166                         | 11,373,595 |
| 9 Secured funding   |                                      |            |                                    |            |
| 10 Other cash outflows of which:  | 948,881                              | 917,775    | 902,650                            | 872,892    |
| 11 Outflows related to derivative exposures and other collateral requirements                         | 871,832                              | 842,973    | 871,831                            | 842,972    |
| 12 Outflows related to restructured financial instruments   | -                                    | -          | -                                  | -          |
| 13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets | 77,049                               | 74,802     | 30,819                             | 29,920     |
| 14 Other revocable off-balance sheet commitments and contractual obligations                          | -                                    | -          | -                                  | -          |
| 15 Other irrevocable or conditionally revocable off-balance sheet obligations                         | 20,687,099                           | 20,687,099 | 1,034,355                          | 1,034,355  |
| 16 TOTAL CASH OUTFLOWS  |                                      |            | 13,328,171                         | 13,280,842 |
| <b>CASH INFLOWS</b>   |                                      |            |                                    |            |
| 17 Secured receivables  | -                                    | -          | -                                  | -          |
| 18 Unsecured receivables  | 26,045,142                           | 22,607,629 | 15,227,192                         | 12,132,414 |
| 19 Other cash inflows   | 10,494                               | 5,406      | 10,494                             | 5,406      |
| 20 TOTAL CASH INFLOWS   | 26,055,636                           | 22,613,035 | 15,237,686                         | 12,137,820 |
|   |                                      |            | Max limit applied values           |            |
| 21 TOTAL HQLA STOCK   |                                      |            | 12,684,172                         | 10,894,332 |
| 22 TOTAL NET CASH OUTFLOWS  |                                      |            | 3,370,187                          | 3,411,760  |
| 23 LIQUIDITY COVERAGE RATIO (%)   |                                      |            | 376,36                             | 319,32     |

(\*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

The Bank's liquidity coverage rates for 31 December 2020 are presented in the table below:

| Prior Period                      | Total Unweighted Value (Average) (*)   |                   | Total Weighted Value (Average) (*) |                                 |
|-----------------------------------|--|-------------------|------------------------------------|---------------------------------|
|                                   | TL+FC  | FC                | TL+FC                              | FC                              |
| <b>HIGH QUALITY LIQUID ASSETS</b> |  |                   |                                    |                                 |
| 1                                 | Total high-quality liquid assets (HQLA)  |                   | 14,255,329                         | 11,789,874                      |
| <b>CASH OUTFLOWS</b>              |  |                   |                                    |                                 |
| 2                                 | Retail deposits and deposits from small business customers   | -                 | -                                  | -                               |
| 3                                 | Stable deposits  | -                 | -                                  | -                               |
| 4                                 | Less stable deposits   | -                 | -                                  | -                               |
| 5                                 | Unsecured funding other than retail deposits and deposits from small business customers            | 15,174,491        | 15,174,491                         | 7,680,006                       |
| 6                                 | Operational deposits   | -                 | -                                  | -                               |
| 7                                 | Non-operational deposits   | -                 | -                                  | -                               |
| 8                                 | Unsecured funding  | 15,174,491        | 15,174,491                         | 7,680,006                       |
| 9                                 | Secured funding  |                   |                                    |                                 |
| 10                                | Other cash outflows  | 1,755,106         | 1,737,570                          | 1,010,548                       |
| 11                                | Outflows related to derivative exposures and other collateral requirements                         | 514,178           | 512,209                            | 514,177                         |
| 12                                | Outflows related to restructured financial instruments   | -                 | -                                  | -                               |
| 13                                | Payment commitments and other off-balance sheet commitments granted for debts to financial markets | 1,240,928         | 1,225,361                          | 496,371                         |
| 14                                | Other revocable off-balance sheet commitments and contractual obligations                          | -                 | -                                  | -                               |
| 15                                | Other irrevocable or conditionally revocable off-balance sheet obligations                         | 10,896,351        | 10,896,351                         | 544,817                         |
| 16                                | <b>TOTAL CASH OUTFLOWS</b>   |                   | <b>9,235,371</b>                   | <b>9,227,175</b>                |
| <b>CASH INFLOWS</b>               |  |                   |                                    |                                 |
| 17                                | Secured receivables  | -                 | -                                  | -                               |
| 18                                | Unsecured receivables  | 18,745,490        | 15,200,064                         | 11,910,832                      |
| 19                                | Other cash inflows   | 26,197            | 2,610                              | 26,197                          |
| 20                                | <b>TOTAL CASH INFLOWS</b>  | <b>18,771,687</b> | <b>15,202,674</b>                  | <b>11,937,029</b>               |
|                                   |  |                   |                                    | <i>Max limit applied values</i> |
| 21                                | <b>TOTAL HQLA STOCK</b>  |                   | <b>14,255,329</b>                  | <b>11,789,874</b>               |
| 22                                | <b>TOTAL NET CASH OUTFLOWS</b>   |                   | <b>2,325,107</b>                   | <b>2,497,747</b>                |
| 23                                | <b>LIQUIDITY COVERAGE RATIO (%)</b>  |                   | <b>613,10</b>                      | <b>472,02</b>                   |

(\*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

With regard of the Liquidity Coverage Ratio, banks disclose the essential issues as follows:

- Cash inflows and outflows do not have significant fluctuations because the Bank is less complex and cash inflows are higher than cash outflows during the period.
- Since the Bank is a development and investment bank and has no deposits, the Bank's high quality liquid asset stock primarily consists of cash, the accounts held at CBRT and unencumbered government bonds which are issued by Turkish Treasury.
- Important funding sources of the Bank are funds from CBRT rediscount loans, syndicated loans, short-term bilateral and trade loans from domestic and overseas banks, medium and long-term funds borrowed from international financial institutions like World Bank, European Investment Bank (EIB), Council of Europe Development Bank (CEB) and Islamic Development Bank (IDB) and funds obtained from capital market transactions by issuing debt securities.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

d) The most important items in derivatives held for hedging purposes are forwards for currency risks and swap transactions within the scope of interest rate risk.

e) The Bank distributes funding sources between CBRT, domestic and overseas commercial banks and international development and investment institutions carefully and in a balanced manner. For its loans granted, the Bank's applies the principle of taking primary quality liquid collaterals such as guarantee letters and bills of guarantee. To prevent concentration risk, the bank closely monitors the breakdown of collaterals taken from banks and the policy of not taking risks up to 20% of each banks' total cash and non-cash loans, excluding treasury transactions, is followed by limit controls.

f) Taking into account the legal and operational liquidity transfer inhibiting factors, the needed funds and the liquidity risk exposure based on the Bank itself, the branches in foreign countries and consolidated partnerships: None.

g) Information on cash inflow and outflow items which are thought to be related to the Bank's liquidity profile included in the calculation of liquidity coverage ratio but not included in the public disclosure template on the second paragraph: None.

As of 31 December 2021 and 31 December 2020, the distribution of assets and liabilities of the Bank according to their remaining maturities is presented in the table below.

|  | 31 December 2021  |                    |                   |                   |                                   | Total              |
|--|-------------------|--------------------|-------------------|-------------------|-----------------------------------|--------------------|
|  | Up to 3 months    | 3 months to 1 year | 1 year to 5 years | Over 5 years      | No stated Maturity <sup>(*)</sup> |                    |
| Cash and due from banks  | 5,540,447         | -                  | -                 | -                 | 13,940,363                        | 19,480,810         |
| Financial assets measured at fair value through profit or loss               | -                 | -                  | 178,275           | -                 | -                                 | 178,275            |
| Derivative financial instruments   | 40,982            | -                  | -                 | -                 | -                                 | 40,982             |
| Derivative assets held for risk management                                   | 45,434            | 511,993            | 883,948           | 56,732            | -                                 | 1,498,107          |
| Loans and advances   | 56,402,074        | 135,520,421        | 72,724,927        | 21,276,386        | 559,756                           | 286,483,564        |
| Investment securities  |                   |                    |                   |                   |                                   |                    |
| - Financial assets measured at fair value through other comprehensive income | -                 | 7,380              | 767,855           | 498,702           | 117,530                           | 1,391,467          |
| - Financial assets measured at amortized cost                                | 1,365,009         | -                  | 6,559,265         | 2,031,708         | -                                 | 9,955,982          |
| Property and equipment and intangible assets                                 | -                 | -                  | -                 | -                 | 23,271                            | 23,271             |
| Subsidiaries (Net)   | -                 | -                  | -                 | -                 | 73,000                            | 73,000             |
| Investment property  | -                 | -                  | -                 | -                 | 2,008                             | 2,008              |
| Other assets   | -                 | -                  | -                 | -                 | 1,111,190                         | 1,111,190          |
| <b>Total assets</b>  | <b>63,393,946</b> | <b>136,039,794</b> | <b>81,114,270</b> | <b>23,863,528</b> | <b>15,827,118</b>                 | <b>320,238,656</b> |
| Funds borrowed   | 60,492,633        | 149,037,956        | 28,871,403        | 10,815,275        | -                                 | 249,217,267        |
| Subordinated loans   | 97,368            | -                  | 2,524,710         | 2,901,759         | -                                 | 5,523,837          |
| Debt securities in issue   | -                 | 6,739,447          | 30,544,857        | -                 | -                                 | 37,284,304         |
| Interbank market deposits  | 2,517,560         | 1,718,158          | 2,281,963         | -                 | -                                 | 6,517,681          |
| Derivative financial liabilities   | 638               | -                  | -                 | -                 | -                                 | 638                |
| Derivative liabilities held for risk management                              | -                 | -                  | 116,339           | -                 | -                                 | 116,339            |
| Other liabilities  | 220,959           | 111,820            | -109,371          | -                 | 6,770,244                         | 6,993,652          |
| Lease liabilities  | -                 | 5,923              | -                 | -                 | -                                 | 5,923              |
| Reserve for employee benefits  | -                 | -                  | -                 | -                 | 33,824                            | 33,824             |
| <b>Total liabilities</b>   | <b>63,329,158</b> | <b>157,613,304</b> | <b>64,229,901</b> | <b>13,717,034</b> | <b>6,804,068</b>                  | <b>305,693,465</b> |
| <b>Net liquidity gap</b>   | <b>60,492,633</b> | <b>149,037,956</b> | <b>28,871,403</b> | <b>10,815,275</b> | <b>-</b>                          | <b>249,217,267</b> |

<sup>(\*)</sup>The expected credit loss for the loans and advances, banks and financial assets measured at amortized cost is shown in the no stated maturity column.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

|  | 31 December 2020  |                    |                    |                    |                                   | Total              |
|--|-------------------|--------------------|--------------------|--------------------|-----------------------------------|--------------------|
|  | Up to 3 months    | 3 months to 1 year | 1 year to 5 years  | Over 5 years       | No stated maturity <sup>(e)</sup> |                    |
| Cash and due from banks  | 6,581,892         | -                  | -                  | -                  | 5,099,538                         | 11,681,430         |
| Financial assets measured at fair value through profit or loss               | -                 | -                  | 78,554             | 74,900             | -                                 | 153,454            |
| Derivative financial assets  | 25,960            | 264                | -                  | -                  | -                                 | 26,224             |
| Derivative assets held for risk management                                   | 19,662            | 83,057             | 345,841            | 17,553             | -                                 | 466,113            |
| Loans and advances   | 27,048,013        | 87,325,335         | 57,887,860         | 4,879,689          | 490,024                           | 177,630,921        |
| Investment securities  |                   |                    |                    |                    |                                   |                    |
| - Financial assets measured at fair value through other comprehensive income | 39,911            | 40,839             | 309,081            | 322,700            | 92,778                            | 805,309            |
| - Financial assets measured at amortized cost                                | 909,292           | 2,791,413          | 2,762,505          | 4,174,332          | -                                 | 10,637,542         |
| Property and equipment and intangible assets                                 | -                 | -                  | -                  | -                  | 27,751                            | 27,751             |
| Investment property  | -                 | -                  | -                  | -                  | 2,111                             | 2,111              |
| Other assets   | -                 | -                  | -                  | -                  | 1,637,715                         | 1,637,715          |
| <b>Total assets</b>  | <b>34,624,730</b> | <b>90,240,908</b>  | <b>61,383,841</b>  | <b>9,469,174</b>   | <b>7,349,917</b>                  | <b>203,068,570</b> |
| Funds borrowed   | 11,475,166        | 89,304,390         | 51,153,029         | 8,163,123          | -                                 | 160,095,708        |
| Subordinated liabilities   | 6,023             | 6,023              | 1,513,632          | 2,937,898          | -                                 | 4,463,576          |
| Debt securities in issue   | 3,990,064         | 3,625,951          | 15,337,245         | -                  | -                                 | 22,953,260         |
| Interbank market deposits  | -                 | 1,055,618          | 319,948            | -                  | -                                 | 1,375,566          |
| Derivative financial liabilities   | 12,214            | 102,715            | -                  | -                  | -                                 | 114,929            |
| Derivative liabilities held for risk management                              | -                 | -                  | 234,057            | 442,142            | -                                 | 676,199            |
| Other liabilities  | 25,737            | 43,388             | 3,999              | -                  | 1,875,617                         | 1,948,741          |
| Reserve for employee benefits  | -                 | -                  | -                  | -                  | 26,331                            | 26,331             |
| <b>Total liabilities</b>   | <b>15,509,204</b> | <b>94,138,085</b>  | <b>68,561,910</b>  | <b>11,543,163</b>  | <b>1,901,948</b>                  | <b>191,654,310</b> |
| <b>Net liquidity gap</b>   | <b>19,115,526</b> | <b>(3,897,177)</b> | <b>(7,178,069)</b> | <b>(2,073,989)</b> | <b>5,447,969</b>                  | <b>11,414,260</b>  |

<sup>(e)</sup> The expected credit loss for the loans and advances, banks and financial assets measured at amortized cost is shown in the no stated maturity column.

The distribution of the undiscounted cash flows of the financial liabilities of the Bank according to their remaining maturities as at 31 December 2021 and 31 December 2020 are presented in the tables below:

|  | 31 December 2021   |                           |                    |                   |                   |                    | Total              |
|--|--------------------|---------------------------|--------------------|-------------------|-------------------|--------------------|--------------------|
|  | Carrying amount    | Demand and up to 3 months | 3 months to 1 year | 1 year to 5 years | Over 5 years      | No maturity stated |                    |
| Funds borrowed                             | 249,217,267        | 60,776,742                | 149,682,815        | 29,846,730        | 10,835,276        | -                  | 251,141,563        |
| Debt securities in issue                   | 5,523,837          | 181,514                   | 181,514            | 4,255,239         | 3,627,815         | -                  | 8,246,082          |
| Subordinated liabilities                   | 37,284,304         | 140,107                   | 8,047,887          | 33,720,355        | -                 | -                  | 41,908,349         |
| Interbank money market deposits            | 6,517,681          | 2,398,302                 | 1,780,645          | 2,353,042         | -                 | -                  | 6,531,989          |
| Other financial liabilities <sup>(1)</sup> | 6,987,729          | 12,995                    | 111,481            | 1,563             | -                 | 6,867,613          | 6,993,652          |
| <b>Total financial liabilities</b>         | <b>305,530,818</b> | <b>63,509,660</b>         | <b>159,804,342</b> | <b>70,176,929</b> | <b>14,463,091</b> | <b>6,867,613</b>   | <b>314,821,635</b> |

<sup>(1)</sup> Derivative liabilities held for risk management amounting TL 116,339 and retirement benefit obligations amounting to TL 33,824 are not included in other financial liabilities.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

|  | 31 December 2020   |                           |                    |                   |                   |                    | Total              |
|--|--------------------|---------------------------|--------------------|-------------------|-------------------|--------------------|--------------------|
|  | Carrying amount    | Demand and up to 3 months | 3 months to 1 year | 1 year to 5 years | Over 5 years      | No maturity stated |                    |
| Funds borrowed                             | 160,095,708        | 20,147,365                | 81,586,951         | 51,035,907        | 9,587,424         | -                  | 162,357,647        |
| Debt securities in issue                   | 4,463,576          | 181,514                   | 181,514            | 3,154,371         | 3,990,843         | -                  | 7,508,242          |
| Subordinated liabilities                   | 22,953,260         | 4,115,273                 | 4,439,975          | 16,884,982        | -                 | -                  | 25,440,230         |
| Interbank money market deposits            | 1,375,566          | -                         | 1,076,331          | 336,117           | -                 | -                  | 1,412,448          |
| Other financial liabilities <sup>(1)</sup> | 1,700,514          | 2,013                     | 87,785             | 4,761             | -                 | 1,605,968          | 1,700,527          |
| <b>Total financial liabilities</b>         | <b>190,588,624</b> | <b>24,446,165</b>         | <b>87,372,556</b>  | <b>71,416,138</b> | <b>13,578,267</b> | <b>1,605,968</b>   | <b>198,419,094</b> |

<sup>(1)</sup> Tax liabilities amounting TL 17,700, funds amounting TL 13, other provisions amounting TL 230,514, derivative financial instruments amounting TL 114,929, derivative liabilities held for risk management amounting TL 676,199 and retirement benefit obligations amounting to TL 26,331 are not included in other financial liabilities.

The undiscounted cash inflows and outflows of derivative transactions of the Bank at 31 December 2021 and 31 December 2020 are presented in the tables below:

|   | 31 December 2021 |                    |                   |                |          | Total             |
|---|------------------|--------------------|-------------------|----------------|----------|-------------------|
|   | Up to 3 months   | 3 months to 1 year | 1 year to 5 years | Over 5 years   |          |                   |
| <b>Derivative financial assets and liabilities:</b> |                  |                    |                   |                |          |                   |
| Foreign exchange derivatives:                       |                  |                    |                   |                |          |                   |
| - Outflow   | 2,583,080        | -                  | -                 | -              | -        | 2,583,080         |
| - Inflow  | 2,623,792        | -                  | -                 | -              | -        | 2,623,792         |
| Interest rate derivatives:                          |                  |                    |                   |                |          |                   |
| - Outflow   | -                | -                  | -                 | -              | -        | -                 |
| - Inflow  | -                | -                  | -                 | -              | -        | -                 |
| Foreign exchange derivatives:                       |                  |                    |                   |                |          |                   |
| - Outflow   | 4,961,818        | 7,668,510          | 21,364,427        | 547,997        | -        | 34,542,752        |
| - Inflow  | 5,202,733        | 8,696,533          | 22,932,092        | 569,361        | -        | 37,400,719        |
| Interest rate derivatives:                          |                  |                    |                   |                |          |                   |
| - Outflow   | -                | 274,458            | 6,925,478         | -              | -        | 7,199,936         |
| - Inflow  | -                | 354,388            | 6,947,638         | -              | -        | 7,302,026         |
| <b>Total outflow</b>                                | <b>7,544,898</b> | <b>7,942,968</b>   | <b>28,289,905</b> | <b>547,997</b> | <b>-</b> | <b>44,325,768</b> |
| <b>Total inflow</b>                                 | <b>7,826,525</b> | <b>9,050,921</b>   | <b>29,879,730</b> | <b>569,361</b> | <b>-</b> | <b>47,326,537</b> |

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

|   | 31 December 2020  |                       |                      |                 | Total             |
|---|-------------------|-----------------------|----------------------|-----------------|-------------------|
|   | Up to<br>3 months | 3 months<br>to 1 year | 1 year to<br>5 years | Over 5<br>years |                   |
| <b>Derivative financial assets and liabilities:</b> |                   |                       |                      |                 |                   |
| Foreign exchange derivatives:                       |                   |                       |                      |                 |                   |
| - Outflow   | 1,566,170         | 1,226,603             | -                    | -               | 2,792,773         |
| - Inflow  | 1,582,755         | 1,123,957             | -                    | -               | 2,706,712         |
| Interest rate derivatives:                          |                   |                       |                      |                 |                   |
| - Outflow   | -                 | -                     | -                    | -               | -                 |
| - Inflow  | -                 | -                     | -                    | -               | -                 |
| <b>Derivatives held for risk management:</b>        |                   |                       |                      |                 |                   |
| Foreign exchange derivatives:                       |                   |                       |                      |                 |                   |
| - Outflow   | 259,392           | 4,645,698             | 20,039,273           | 848,747         | 25,793,110        |
| - Inflow  | 420,952           | 5,019,006             | 20,005,974           | 801,204         | 26,247,136        |
| Interest rate derivatives:                          |                   |                       |                      |                 |                   |
| - Outflow   | 3,761,649         | 147,285               | 3,980,687            | -               | 7,889,621         |
| - Inflow  | 3,781,314         | 197,926               | 4,078,202            | -               | 8,057,442         |
| <b>Total outflow</b>                                | <b>5,587,211</b>  | <b>6,019,586</b>      | <b>24,019,960</b>    | <b>848,747</b>  | <b>36,475,504</b> |
| <b>Total inflow</b>                                 | <b>5,785,021</b>  | <b>6,340,889</b>      | <b>24,084,176</b>    | <b>801,204</b>  | <b>37,011,290</b> |

#### (g) Derivative financial instruments held for hedging purposes

- The bond with the amount of USD 500 million, issued in September 2014 with a maturity of seven years and a fixed interest payment rate of 5.000% per six months, is subjected to hedge accounting by cross currency swap transactions in April 2018.
- The bond with the amount of USD 500 million, issued in September 2017 with a maturity of five years and a fixed interest payment rate of 4.250% per six months, is subjected to hedge accounting by cross currency swap transactions in September 2017.
- The bond with the amount of USD 500 million issued in May 2018 with a maturity of six years and a fixed interest payment rate of 6.125% per six months, is subjected to hedge accounting by cross currency swap transactions in May 2018. The Bank has signed a partial termination agreement dated 28 February 2020 and 13 May 2020 and has subjected USD 250 million and USD 50 million of this cross currency swap subject to hedge accounting to partial termination, respectively.
- The bond with the amount of USD 500 million, issued in January 2019 with a fixed interest payment rate of 8.250% per six months, is subjected hedge accounting by cross currency swap transactions in January 2019.

Also, the changes in the fair values of USD debt securities, issued in February 2016 and in October 2016 amounting to USD 500 million, with 5 years and 7 years maturities, respectively, with 5.000% and 5.375% fixed interest rates, due to the fluctuation in Libor interest rates are hedged by applying fair value hedge accounting with interest rate swap transactions.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

#### Fair value hedge accounting

Starting from 1 January 2013, the Bank applies “Fair Value Hedge Accounting”.

The impact of fair value hedge accounting is summarized in the table below:

| 31 December 2021    |   |                                 |  |           |
|---------------------|---|---------------------------------|--|-----------|
| Hedging instrument  | Hedged item (asset and liability)             | Nature of hedge risks           | Net fair value of the hedging instrument |           |
|                     |   |                                 | Asset                                    | Liability |
| Interest rate swap  | Fixed interest rate US dollar debt securities | Fixed interest rate risk        | 101,802                                  | -         |
| Cross currency swap | Fixed interest rate US dollar debt securities | Currency and interest rate risk | 1,299,905                                | 18,943    |

  

| 31 December 2020    |   |                                 |  |           |
|---------------------|---|---------------------------------|--|-----------|
| Hedging instrument  | Hedged item (asset and liability)             | Nature of hedge risks           | Net fair value of the hedging instrument |           |
|                     |   |                                 | Asset                                    | Liability |
| Interest rate swap  | Fixed interest rate US dollar debt securities | Fixed interest rate risk        | 167,620                                  | -         |
| Cross currency swap | Fixed interest rate US dollar debt securities | Currency and interest rate risk | 280,940                                  | 7,301     |

The Bank evaluates the effectiveness of the hedge accounting at initial date and at every reporting period. Effectiveness test is performed by using “Dollar off-set method”. The Bank continues the hedge accounting if the effectiveness is between 80% and 125%.

Changes in fair values of derivative transactions determined for fair value hedge are recorded in the statement of profit or loss together with the changes in the fair value of the hedged asset or liability. The difference in the fair values of derivative transactions determined for fair value hedge is monitored in the “Income/losses from derivative financial transactions” account. In the statement of financial position, changes in the fair value of the hedge asset or liability, during the period in which hedge accounting is effective, is shown together with the related asset or liability. In the circumstances where the underlying hedge is not in conformity with the hedge accounting requirements, the adjustments made to the carrying value of the hedged item, are amortized with the straight-line amortization method within the time to maturity and are recognized under the “Income/losses from derivative financial transactions” account in the statement of profit or loss.

At the inception date, the Bank documents the relationship between the hedging instruments and hedged items required by the fair value hedge accounting in accordance with IAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same way in accordance with the Bank’s risk management policies. Effectiveness tests were chosen among methods allowed within the context of IAS 39 in accordance with the Bank’s risk management policies. The Bank’s assumptions, which used for determining fair values of derivative instruments, were used while calculating fair value of hedged items on the effectiveness tests. The effectiveness tests are performed and effectiveness of risk relations are measured on a monthly basis. The effectiveness tests are performed rewardingly at the beginning of risk relations. If the underlying hedge does not conform to the accounting requirements (out of 80%-125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, in the context of the fair value hedge, adjustments on the carrying value of the hedged item is reflected on the on “Gains/(losses) on financial assets measured at fair value through profit or loss” accounts by using straight line method of amortization.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

#### Cash flow hedge accounting

Starting from 13 August 2015, the Bank uses “Cash Flow Hedge Accounting”.

The derivative financial instruments used as hedging instruments in Cash Flow Hedge Accounting are cross currency swaps.

| 31 December 2021           |   |                                 |   |  |           |
|----------------------------|---|---------------------------------|---|--|-----------|
| Type of hedging instrument | Hedge item (asset and liability)            | Nature of hedge risks           | Fair value difference of the hedge item | Net fair value of the hedging instrument |           |
|                            |   |                                 |   | Asset                                    | Liability |
| Cross currency swap        | Floating interest rate US dollar borrowings | Currency and interest rate risk | 73,439                                  | 96,400                                   | 97,397    |

| 31 December 2020           |   |                                 |   |  |           |
|----------------------------|---|---------------------------------|---|--|-----------|
| Type of hedging instrument | Hedge item (asset and liability)            | Nature of hedge risks           | Fair value difference of the hedge item | Net fair value of the hedging instrument |           |
|                            |   |                                 |   | Asset                                    | Liability |
| Cross currency swap        | Floating interest rate US dollar borrowings | Currency and interest rate risk | 33,017                                  | 17,553                                   | 668,898   |

The Bank has documented the required rules and conditions of cash flow hedge accounting under the framework of its risk policies and IAS 39 as a written process. Every individual hedging relationship is reviewed and taken through the related approval process and is documented. In accordance with the Bank’s risk management policies. The effectiveness tests have been chosen among the methods permissible in accordance with IAS 39 following the Bank’s risk strategies. Again, under the related process, effectiveness tests are performed on each reporting period and the effectiveness of risk relations are measured. If the application is outside of the threshold requirements (80%-125%) or if the management voluntarily decides to discontinue the hedging relationship or the hedging instrument is sold or closed before its maturity, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecasted transaction occurs. The gains or losses accounted directly under equity in the circumstances where the transaction is conducted, are reclassified under the “Income/Losses from Derivative Financial Instruments” account in the statement of profit or loss when the acquired asset or liability affects the profit or loss of the related period or periods.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

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### 4 FINANCIAL RISK MANAGEMENT (continued)

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

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

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

The following methods and assumptions that could be applicable to estimate the fair value of the Bank’s financial instruments are as below:

#### (i) *Financial assets*

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

The fair value of investment securities has been determined based on bid market prices at reporting dates. Loans and advances are presented with their calculated registered amounts net of provisions for impairment.

The estimated fair value of fixed rate loans and advances is calculated by calculating their discounted cash flows using the current market rates.

The fair value of other financial assets is also considered to approximate their respective carrying values due to their nature.

#### (ii) *Financial liabilities*

The total fair value of funds borrowed is calculated based on quoted market prices and based on the calculation of discounted cash flows using current interest rates.

The fair value of other financial liabilities is considered to approximate their respective carrying values due to their nature.

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## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

#### (iii) Derivative financial assets and liabilities

The fair values of foreign exchange and interest rate swaps have been estimated based on quoted market rates prevailing at the reporting date.

The following table summarizes the carrying amounts and fair values of those significant financial assets and liabilities not presented on the Bank’s statement of financial position at their fair value.

|   | 31 December 2021 |             | 31 December 2020 |             |
|---|------------------|-------------|------------------|-------------|
|   | Carrying value   | Fair value  | Carrying value   | Fair value  |
| <b>Financial assets:</b>  |                  |             |                  |             |
| Cash and due from banks   | 19,480,810       | 19,480,810  | 11,681,430       | 11,681,430  |
| Investment securities   |                  |             |                  |             |
| - Financial assets measured at fair value through profit or loss                            | 178,275          | 178,275     | 153,454          | 153,454     |
| - Financial assets measured at fair value through other comprehensive income <sup>(1)</sup> | 10,575           | 10,575      | 10,575           | 10,575      |
| - Financial assets measured at amortized cost   | 9,955,982        | 8,583,526   | 10,637,542       | 10,292,327  |
| Loans and advances  | 286,483,564      | 300,269,049 | 177,630,921      | 185,439,400 |
| <b>Financial liabilities:</b>   |                  |             |                  |             |
| Funds borrowed  | 249,217,267      | 260,703,272 | 160,095,708      | 165,883,640 |
| Debt securities in issue  | 37,284,304       | 35,940,234  | 22,953,260       | 22,886,387  |
| Subordinated loans  | 5,523,837        | 5,523,837   | 4,463,576        | 4,463,576   |
| Interbank money market deposits   | 6,517,681        | 6,517,681   | 1,375,566        | 1,375,566   |

<sup>(1)</sup> Garanti Faktoring AŞ shares amounting to TL 106,956 and Eximbank Securities are not included (31 December 2020: TL 84,957).

The fair values of financial assets measured at amortized cost are accepted as Level 1 and fair values of loans and advances are accepted as Level 2. Fair values of funds borrowed and debt securities are accepted as Level 2.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (*continued*)

The following table summarizes the fair values of those financial assets and liabilities presented on the Bank’s statement of financial position based on the hierarchy of valuation technique as of 31 December 2021 and 31 December 2020.

| <b>31 December 2021</b>   | <b>Level 1<sup>(1)</sup></b> | <b>Level 2<sup>(2)</sup></b> | <b>Level 3<sup>(3)</sup></b> | <b>Total</b>     |
|---|------------------------------|------------------------------|------------------------------|------------------|
| <i>Financial assets at fair value through profit or loss</i>                      |                              |                              |                              |                  |
| - Trading securities  | 178,275                      | -                            | -                            | 178,275          |
| - Derivative financial instruments  | -                            | 40,982                       | -                            | 40,982           |
| - Derivative assets held for risk management                                      | -                            | 1,498,107                    | -                            | 1,498,107        |
| <i>Financial assets measured at fair value through other comprehensive income</i> |                              |                              |                              |                  |
| - Equity investments <sup>(4)</sup>   | 106,956                      | -                            | -                            | 106,956          |
| - Debt securities   | 1,273,936                    | -                            | -                            | 1,273,936        |
| <b>Total assets</b>   | <b>1,559,167</b>             | <b>1,539,089</b>             | <b>-</b>                     | <b>3,098,256</b> |
| <i>Financial liabilities at fair value through profit or loss</i>                 |                              |                              |                              |                  |
| - Derivative financial instruments  | -                            | 638                          | -                            | 638              |
| - Derivative liabilities held for risk management                                 | -                            | 116,339                      | -                            | 116,339          |
| <b>Total liabilities</b>  | <b>-</b>                     | <b>116,977</b>               | <b>-</b>                     | <b>116,977</b>   |

(1) Fair values are calculated with quoted prices (unadjusted) in active markets for listed equity investments and debt instruments. This level includes listed equity investments and debt instruments actively traded on exchanges.

(2) Fair values are calculated with observable input parameters (either directly as prices or indirectly as derived from prices) for derivative transactions. This level includes OTC derivative contracts.

(3) Fair values are calculated by taking unobservable inputs as a basis.

(4) Unquoted equity investments which are accounted with their cost amount to TL 10,575 are excluded.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

| 31 December 2020  | Level 1 <sup>(1)</sup> | Level 2 <sup>(2)</sup> | Level 3 <sup>(3)</sup> | Total            |
|---|------------------------|------------------------|------------------------|------------------|
| <i>Financial assets at fair value through profit or loss</i>                      |                        |                        |                        |                  |
| - Trading securities  | 153,454                | -                      | -                      | 153,454          |
| - Derivative financial assets   | -                      | 26,224                 | -                      | 26,224           |
| - Derivative assets held for risk management                                      | -                      | 466,113                | -                      | 466,113          |
| <i>Financial assets measured at fair value through other comprehensive income</i> |                        |                        |                        |                  |
| - Equity investments <sup>(4)</sup>   | 84,957                 | -                      | -                      | 84,957           |
| - Debt securities   | 709,777                | -                      | -                      | 709,777          |
| <b>Total assets</b>   | <b>948,188</b>         | <b>492,337</b>         | <b>-</b>               | <b>1,440,525</b> |
| <i>Financial liabilities at fair value through profit or loss</i>                 |                        |                        |                        |                  |
| - Derivative financial liabilities  | -                      | 114,929                | -                      | 114,929          |
| - Derivative liabilities held for risk management                                 | -                      | 676,199                | -                      | 676,199          |
| <b>Total liabilities</b>  | <b>-</b>               | <b>791,128</b>         | <b>-</b>               | <b>791,128</b>   |

<sup>(1)</sup> Fair values are calculated with quoted prices (unadjusted) in active markets for listed equity investments and debt instruments. This level includes listed equity investments and debt instruments actively traded on exchanges.

<sup>(2)</sup> Fair values are calculated with observable input parameters (either directly as prices or indirectly as derived from prices) for derivative transactions. This level includes OTC derivative contracts.

<sup>(3)</sup> Fair values are calculated by taking unobservable inputs as a basis.

<sup>(4)</sup> Unquoted equity investments which are accounted with their cost amount to TL 10,575 are excluded.

#### (i) Capital management

The BRSA sets and monitors capital requirements for the Bank as a whole. The Bank is directly supervised by local regulators. In implementing current capital requirements, the BRSA requires the banks to maintain a prescribed ratio of minimum 8% of total capital to total value at credit, market and operational risks. The Bank regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes paid-in capital, share premium, legal reserves, retained earnings, other comprehensive income, translation reserve and non-controlling interests after deductions for goodwill and certain cost items.

- Tier 2 capital, includes qualified subordinated liabilities and general provisions. In order to protect banks, the BRSA requires banks to maintain prescribed ratios of minimum 6% and 4.5% of Tier 1 and Tier 2 capital, respectively, to total credit, market and operational risks starting from 1 January 2014.

Banking operations are categorized as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 4 FINANCIAL RISK MANAGEMENT (continued)

The Bank's regulatory capital position on at 31 December 2021 and 31 December 2020 were as follows:

|  | 31 December<br>2021 (*) | 31 December<br>2020 |
|--|-------------------------|---------------------|
| Tier I capital   | 16,772,948              | 12,760,951          |
| Tier II capital  | 3,447,891               | 3,383,632           |
| <b>Total regulatory capital</b>  | <b>20,220,839</b>       | <b>16,144,583</b>   |
| Amount subject to credit risk  | 108,509,547             | 77,593,027          |
| Amount subject to market risk  | 334,850                 | 525,675             |
| Amount subject to operational risk   | 3,392,163               | 2,537,427           |
| <b>Total regulatory capital expressed as a percentage of<br/>total value at credit, market and operational risks (%)</b> | <b>18.02</b>            | <b>20.02</b>        |
| <b>Total tier 1 capital expressed as a percentage of<br/>total value at credit, market and operational risks (%)</b>     | <b>14.94</b>            | <b>15.82</b>        |

(\*) As of

(\*) 31 December 2021, the Bank has calculated the amount subject to credit risk in the calculations of the legal capital adequacy ratio, taking into account the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days before the report date.

### 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### (a) Allowances for credit losses

The measurement of impairment losses under IFRS 9 across all categories of financial assets particularly requires the estimation of the amount and timing of future cash flows and collateral amounts and the evaluation of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Coronavirus pandemic, which has recently emerged in China, spread to various countries around the world affects global economic conditions negatively, as well as causing malfunctions in operations, especially in countries exposed to the epidemic. As a result of the spread of COVID-19 throughout the world, various measures have been taken in Turkey as well as in the world and still continue to be taken in order to prevent the transmission of the virus. In addition to these measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in Turkey and worldwide. The necessary measures are evaluated by the Bank management to keep the negative effects that may arise under control and to live at the minimum level.

#### (b) Fair value of derivatives

The fair values of financial instruments that are not traded in the organized markets are determined by using valuation techniques. The valuation techniques used in the determination of fair values are reviewed periodically and approved by experienced employees.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 6 CASH AND DUE FROM BANKS

|  | 31 December 2021  | 31 December 2020  |
|--|-------------------|-------------------|
| <b>Cash funds:</b>                           |                   |                   |
| Cash on hand                                 | -                 | 10                |
|  | -                 | <b>10</b>         |
| <b>Current accounts and demand deposits:</b> |                   |                   |
| Central Bank of Republic of Turkey (CBRT)    | 11,300,265        | 5,005,572         |
| Foreign banks                                | 2,624,140         | 84,034            |
| Domestic banks                               | 16,271            | 10,430            |
|  | <b>13,940,676</b> | <b>5,100,036</b>  |
| <b>Time deposits:</b>                        |                   |                   |
| Central Bank of Republic of Turkey (CBRT)    | -                 | -                 |
| Foreign banks                                | -                 | 200,688           |
| Domestic banks                               | 3,211,000         | 4,692,961         |
|  | <b>3,211,000</b>  | <b>4,893,649</b>  |
| Interbank money market placements            | 2,329,447         | 1,688,243         |
| Expected credit loss                         | (313)             | (508)             |
| <b>Total cash and due from banks</b>         | <b>19,480,810</b> | <b>11,681,430</b> |

Cash and cash equivalents included in the statements of cash flows for the periods ended 31 December 2021 and 31 December 2020 are as follows:

|                                  | 31 December 2021  | 31 December 2020  |
|----------------------------------|-------------------|-------------------|
| Cash and due from banks          | 19,480,810        | 11,681,430        |
| Less: Interest accruals          | (2,279)           | (11,882)          |
| Add: Expected credit losses      | 313               | 508               |
| <b>Cash and cash equivalents</b> | <b>19,478,844</b> | <b>11,670,056</b> |

Cash and cash equivalents are mainly composed of bank deposits as of 31 December 2021 and 31 December 2020.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 7 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The Bank utilizes the following derivative financial assets and liabilities:

“Currency and interest rate swaps” are commitments to exchange one set of cash flows for another. Swaps result in an exchange of currencies or interest rates. Currency swaps involve the exchange of principal as well. The Bank’s “credit risks” represents the potential cost of replacing the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the statement of financial position but do not indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank’s exposure to credit or price risks. The derivative instruments become favorable (as assets) or unfavorable (as liabilities) as a result of fluctuations in foreign exchange rates and interest rates. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair values of derivative financial assets and liabilities held as of 31 December 2021 and 31 December 2020 are set out in the following table:

|  | 31 December 2021 |              | 31 December 2020 |                  |
|--|------------------|--------------|------------------|------------------|
|  | Fair value       |              | Fair value       |                  |
|  | Assets           | Liabilities  | Assets           | Liabilities      |
| Interest rate and currency swaps purchases and sales | -                | -            | -                | -                |
| Forward purchases and sales                          | -                | -            | 761              | (825)            |
| Foreign currency swaps purchases and sales           | -                | -            | -                | -                |
| Cross currency and basis swaps purchases and sales   | 40,982           | (638)        | 25,463           | (114,104)        |
| Option purchases and sales                           | -                | -            | -                | -                |
| <b>Total derivative assets/(liabilities)</b>         | <b>40,982</b>    | <b>(638)</b> | <b>26,224</b>    | <b>(114,929)</b> |

Even though certain derivative transactions, providing effective economic hedges under the Bank’s risk management position, do not qualify for hedge accounting under the specific rules in IAS 39 which is permitted to be applied in IFRS 9 and are therefore treated as derivatives financial assets. Hedge accounting is explained in detail in Note 4.

The notional amounts of derivative transactions are explained in detail in Note 26.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 8 LOANS AND ADVANCES

The Bank follows loans and advances under as corporate loans; the classifications in the table below mainly refer to lending programs of the Bank to corporate customers;

|   | 31 December 2021   | 31 December 2020   |
|---|--------------------|--------------------|
| <b>Short-term</b>                       |                    |                    |
| Discount loans                          | 166,548,161        | 113,624,147        |
| Financial institutions                  | 7,692,909          | 7,369,587          |
| Export guaranteed loans                 | 4,886,531          | 3,304,046          |
| Specialized loans                       | 286,825            | 204,389            |
| Other guaranteed loans                  | 190                | 241                |
|   | <b>179,414,616</b> | <b>124,502,410</b> |
| <b>Medium and long-term</b>             |                    |                    |
| Export guaranteed loans                 | 60,472,468         | 24,758,720         |
| Export guaranteed investment loans      | 20,368,329         | 13,253,728         |
| Financial institutions                  | 11,459,394         | 5,326,669          |
| Foreign country loans (political risks) | 8,832,677          | 5,498,684          |
| Specialized loans                       | 3,004,446          | 665,815            |
| Other                                   | 13,134             | 32,607             |
|   | <b>104,150,448</b> | <b>49,536,223</b>  |
| <b>Performing loans</b>                 | <b>283,565,064</b> | <b>174,038,633</b> |
| Loans under close monitoring            | 3,008,715          | 3,339,967          |
| Impaired loans and advances             | 559,756            | 1,031,915          |
| <b>Gross loans and advances</b>         | <b>287,133,535</b> | <b>178,410,515</b> |
| Expected credit losses- Stage 1         | (84,201)           | (85,234)           |
| Expected credit losses- Stage 2         | (6,014)            | (3,990)            |
| Expected credit losses- Stage 3         | (559,756)          | (690,370)          |
| <b>Net loans and advances</b>           | <b>286,483,564</b> | <b>177,630,921</b> |

The Bank provides impairment provision for non-performing loans amounting to TL 559,756 (31 December 2020: TL 1,031,915) comprising 0.20% (31 December 2020: 0.58%) of the total loans outstanding at 31 December 2021.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 8 LOANS AND ADVANCES (continued)

Movements in the provision for impairment losses for the periods ended 31 December 2021 and 31 December 2020 are as follows:

|   | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| <b>Balance at the beginning of the period</b> | <b>779,594</b>   | <b>466,897</b>   |
| Recoveries and reversals (*)                  | (263,813)        | (56,772)         |
| Provision for the period                      | 134,190          | 369,469          |
| <b>Balance at the end of the period</b>       | <b>649,971</b>   | <b>779,594</b>   |

(\*)The Bank has derecognized non-performing loans amounting to TL 22,587 in the current period. Write-off of the non-performing loans and receivables is not considered, during the legal follow-up process concerning the collection of receivables.

Loans and advances to the public and private sectors are as follows:

|                | 31 December 2021   | 31 December 2020   |
|----------------|--------------------|--------------------|
| Private sector | 270,161,882        | 167,026,136        |
| Public sector  | 16,321,682         | 10,604,785         |
|                | <b>286,483,564</b> | <b>177,630,921</b> |

The following tables provide a summary of the Bank’s forbore assets as of December 31, 2021

|                   | Stage 2               |                |                  |             | Stage 3                         |                |               |             | Total Non-Performing Forborne Loans | Total Forborne Loans | Forbearance Ratio |
|-------------------|-----------------------|----------------|------------------|-------------|---------------------------------|----------------|---------------|-------------|-------------------------------------|----------------------|-------------------|
|                   | Gross Carrying Amount | Temporary Mod. | Permanent Mod    | Refinancing | Total Performing Forborne Loans | Temporary Mod. | Permanent Mod | Refinancing |                                     |                      |                   |
| Corporate Lending | 2,488,551             | -              | 2,475,691        | -           | 2,475,691                       | -              | -             | -           | -                                   | 2,475,691            | 0,86              |
| Consumer Lending  | -                     | -              | -                | -           | -                               | -              | -             | -           | -                                   | -                    | -                 |
| <b>Total</b>      | <b>2,488,551</b>      | <b>-</b>       | <b>2,475,691</b> | <b>-</b>    | <b>2,475,691</b>                | <b>-</b>       | <b>-</b>      | <b>-</b>    | <b>-</b>                            | <b>2,475,691</b>     | <b>0,86</b>       |

### 9 INVESTMENT SECURITIES

#### (a) Financial assets measured at fair value through other comprehensive income:

|   | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| <b>Financial assets measured at fair value through other comprehensive income</b> |                  |                  |
| Debt securities   |                  |                  |
| - Listed  | 1,273,937        | 709,777          |
| - Unlisted  | -                | -                |
| Equity investments  |                  |                  |
| - Listed  | -                | -                |
| - Unlisted  | 117,530          | 95,532           |
| <b>Total</b>  | <b>1,391,467</b> | <b>805,309</b>   |

As of 31 December 2021, securities amounting to TL 750,209 (31 December 2020: 439,424) have been pledged under repurchase agreement.

As of 31 December 2021 and 31 December 2020, unrealized gain and losses arising from changes in the fair value of securities classified as financial assets measured at fair value through other comprehensive income are recognized in the statement of other comprehensive income, however, if there is permanent impairment in the value of the mentioned asset, it is reflected the statement of profit or loss.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 9 INVESTMENT SECURITIES (continued)

#### (a) Financial assets measured at fair value through other comprehensive income (continued):

The breakdown of equity investments classified as financial assets measured at fair value through other comprehensive income at 31 December 2021 and 31 December 2020 are as follows:

|                                 | Share %          | Carrying amount  | Share %          | Carrying amount  |                    |
|---------------------------------|------------------|------------------|------------------|------------------|--------------------|
|                                 | 31 December 2021 | 31 December 2021 | 31 December 2020 | 31 December 2020 | Business           |
| <b>Equity investments</b>       |                  |                  |                  |                  |                    |
| Garanti Faktoring A.Ş.          | 9.78             | 106,956          | 9,78             | 84,957           | Factoring          |
| Kredi Garanti Fonu A.Ş.         | 1.49             | 7,659            | 1,49             | 7,660            | Financial services |
| Borsa İstanbul A.Ş.             | -                | 160              | -                | 160              | Financial services |
| JCR Avrasya Derecelendirme A.Ş. | 2.86             | 2,755            | 2,86             | 2,755            | Rating institution |
|                                 |                  | <b>117,530</b>   |                  | <b>95,532</b>    |                    |

The movements of FVOCI investments are summarized as follows;

|                                | 31 December 2021 | 31 December 2020 |
|--------------------------------|------------------|------------------|
| Balances at January 1          | 805,309          | 37,822           |
| Additions                      | 233,582          | 1,649,507        |
| FX Diff                        | 591,548          | (4,893)          |
| Disposals                      | (146,505)        | (976,841)        |
| Amortisation                   | -                | -                |
| Gains/Loss from changes in FV  | (92,467)         | 99,714           |
| <b>Balances at December 31</b> | <b>1,391,467</b> | <b>805,309</b>   |

#### (b) Financial assets measured at amortized cost:

|                        | 31 December 2021 | 31 December 2020  |
|------------------------|------------------|-------------------|
| <b>Debt securities</b> |                  |                   |
| - Government bonds     | 9,955,982        | 10,637,542        |
| <b>Total</b>           | <b>9,955,982</b> | <b>10,637,542</b> |

As of 31 December 2021 and 31 December 2020, government bonds and treasury bills amounting to TL 143,820 (31 December 2020: TL 1,013,797) have been pledged as collateral with the CBRT and Borsa İstanbul AŞ-Settlement and Custody Bank and securities amounting to TL 9,690,905 (31 December 2020: 1,519,521) have been pledged under repurchase agreement.

The movement of securities classified as financial assets measured at amortized costs as at 31 December 2021 and 31 December 2020 are as follows:

|  | 31 December 2021  | 31 December 2020  |
|--|-------------------|-------------------|
| <b>Balance at 1 January</b>            | <b>10,637,542</b> | <b>7,089,499</b>  |
| Purchases                              | 1,500             | 1,724,460         |
| Redemptions                            | (6,423,913)       | -                 |
| Foreign exchange difference            | 5,537,917         | 1,715,963         |
| Interest income accruals               | 202,864           | 108,172           |
| Expected credit loss                   | 72                | (552)             |
| <b>Amount at the end of the period</b> | <b>9,955,982</b>  | <b>10,637,542</b> |

**TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.**

**NOTES TO THE FINANCIAL STATEMENTS  
AS AT 31 DECEMBER 2021**

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

**10 PROPERTY AND EQUIPMENT**

|   | <b>Buildings (*)</b> | <b>Leased<br/>Assets</b> | <b>Vehicles</b> | <b>Other<br/>Tangible<br/>Assets</b> | <b>Leasehold<br/>Improvements</b> | <b>Total</b>  |
|---|----------------------|--------------------------|-----------------|--------------------------------------|-----------------------------------|---------------|
| <b>Cost</b>   |                      |                          |                 |                                      |                                   |               |
| Opening balance, 1 January 2020                       | 22,354               | 31                       | 4,330           | 16,245                               | 14,257                            | 57,217        |
| Additions   | 861                  | -                        | -               | 3,427                                | -                                 | 4,288         |
| Disposals   | -                    | -                        | -               | (15)                                 | -                                 | (15)          |
| Transfers   | -                    | (31)                     | 31              | -                                    | -                                 | -             |
| <b>Closing balance, 31 December 2020</b>              | <b>23,215</b>        | <b>-</b>                 | <b>4,361</b>    | <b>19,657</b>                        | <b>14,257</b>                     | <b>61,490</b> |
| <b>Accumulated depreciation:</b>                      |                      |                          |                 |                                      |                                   |               |
| Opening balance, 1 January 2020                       | 6,948                | 31                       | 3,339           | 10,352                               | 14,257                            | 34,927        |
| Additions   | 6,460                | -                        | 276             | 2,271                                | -                                 | 9,007         |
| Disposals   | -                    | -                        | -               | (10)                                 | -                                 | (10)          |
| Transfers   | -                    | (31)                     | 31              | -                                    | -                                 | -             |
| <b>Closing balance, 31 December 2020</b>              | <b>13,408</b>        | <b>-</b>                 | <b>3,646</b>    | <b>12,613</b>                        | <b>14,257</b>                     | <b>43,924</b> |
| <b>Cost</b>   |                      |                          |                 |                                      |                                   |               |
| Opening balance, 1 January 2021                       | 23,215               | -                        | 4,361           | 19,657                               | 14,257                            | 61,490        |
| Additions   | 2,076                | -                        | -               | 655                                  | 348                               | 3,079         |
| Disposals   | (1,216)              | -                        | (812)           | (39)                                 | -                                 | (2,067)       |
| Transfers   | -                    | -                        | -               | -                                    | -                                 | -             |
| <b>Closing balance, 31 December 2021</b>              | <b>24,075</b>        | <b>-</b>                 | <b>3,549</b>    | <b>20,273</b>                        | <b>14,605</b>                     | <b>62,502</b> |
| <b>Accumulated depreciation:</b>                      |                      |                          |                 |                                      |                                   |               |
| Opening balance, 1 January 2021                       | 13,408               | -                        | 3,646           | 12,613                               | 14,257                            | 43,924        |
| Additions   | 6,991                | -                        | 204             | 2,309                                | 31                                | 9,535         |
| Disposals   | (634)                | -                        | (812)           | (30)                                 | -                                 | (1,476)       |
| Transfers   | -                    | -                        | -               | -                                    | -                                 | -             |
| <b>Closing balance, 31 December 2021</b>              | <b>19,765</b>        | <b>-</b>                 | <b>3,038</b>    | <b>14,892</b>                        | <b>14,288</b>                     | <b>51,983</b> |
| <b>As at 31 December 2020, net<br/>carrying value</b> | <b>9,807</b>         | <b>-</b>                 | <b>715</b>      | <b>7,044</b>                         | <b>-</b>                          | <b>17,566</b> |
| <b>As at 31 December 2021, net<br/>carrying value</b> | <b>4,310</b>         | <b>-</b>                 | <b>511</b>      | <b>5,381</b>                         | <b>317</b>                        | <b>10,519</b> |

(\*) Right of use assets are included in this column.

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## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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### 11 INTANGIBLE ASSETS

|   | <b>Intangible assets</b> |
|---|--------------------------|
| <b>Cost</b>                                       |                          |
| Opening balance, 1 January 2020                   | 14,257                   |
| Additions   | 4,567                    |
| Disposals   | -                        |
| <b>Closing balance, 31 December 2020</b>          | <b>18,824</b>            |
| <b>Accumulated amortization:</b>                  |                          |
| Opening balance, 1 January 2020                   | (7,137)                  |
| Additions   | (1,502)                  |
| Disposals   | -                        |
| <b>Closing balance, 31 December 2020</b>          | <b>(8,639)</b>           |
| <b>Cost</b>                                       |                          |
| Opening balance, 1 January 2021                   | 18,824                   |
| Additions   | 5,062                    |
| Disposals   | -                        |
| <b>Closing balance, 31 December 2021</b>          | <b>23,886</b>            |
| <b>Accumulated amortization:</b>                  |                          |
| Opening balance, 1 January 2021                   | (8,639)                  |
| Additions   | (2,495)                  |
| Disposals   | -                        |
| <b>Closing balance, 31 December 2021</b>          | <b>(11,134)</b>          |
| <b>As at 31 December 2020, net carrying value</b> | <b>10,185</b>            |
| <b>As at 31 December 2021, net carrying value</b> | <b>12,752</b>            |

### 12 INVESTMENT PROPERTY

As of 31 December 2021, The Bank has net investment property amounting to TL 2,008 (31 December 2020: TL 2,111).

Istanbul service building which is previously accounted as tangible asset is classified to investment property account in accordance with IAS 40 Investment Property after the building is leased to Investment Support and Promotion Agency of Turkey.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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### 13 OTHER ASSETS

|  | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| <b>Financial assets</b>                |                  |                  |
| Guarantees given                       | 764,398          | 452,028          |
| Prepayments                            | 112,334          | 967,990          |
| Receivables from Reassurance Companies | 132,909          | 105,967          |
| Notes receivable                       | 74,019           | 47,933           |
| Receivables from banks                 | 2,836            | 575              |
| Other                                  | 126,927          | 91,127           |
|  | <b>1,213,423</b> | <b>1,665,620</b> |
| Expected credit losses                 | (102,233)        | (27,905)         |
|  | <b>1,111,190</b> | <b>1,637,715</b> |

### 14 FUNDS BORROWED AND INTERBANK MONEY MARKET DEPOSITS

|   | 31 December 2021   | 31 December 2020   |
|---|--------------------|--------------------|
| <b>Interbank money market deposits – TL</b>                     | <b>6,517,681</b>   | <b>1,375,566</b>   |
| Domestic banks  | 180,961,351        | 120,807,970        |
| Foreign banks   | 68,255,916         | 39,287,738         |
| <b>Funds borrowed</b>   | <b>249,217,267</b> | <b>160,095,708</b> |
| <b>Funds borrowed and interbank money market deposits total</b> | <b>255,734,948</b> | <b>161,471,274</b> |

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## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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### 14 FUNDS BORROWED AND INTERBANK MONEY MARKET DEPOSITS (continued)

The breakdown of funds borrowed as of 31 December 2021 and 31 December 2020 is as follows:

| 31 December 2021                        | Interest rate               | Original<br>currency<br>amount<br>(thousands) | Original<br>currency | TL                 | Maturity date<br>(year) |
|---|-----------------------------|---|----------------------|--------------------|-------------------------|
| <b>Due to Central Bank</b>              | (LIBOR/EURIBOR + 0%)        |   |                      | <b>167,237,999</b> |                         |
| CBRT Loan                               |                             | 3,323,330                                     | TRY                  | 3,323,330          |                         |
| CBRT Loan                               |                             | 5,747,406                                     | USD                  | 75,788,165         |                         |
| CBRT Loan                               |                             | 55,071  | GBP                  | 980,793            |                         |
| CBRT Loan                               |                             | 5,846,861                                     | EUR                  | 87,145,711         |                         |
| <b>Due to IFIs</b>                      | Libor/Euribor + %0,01-%2,95 |   |                      | <b>18,650,840</b>  |                         |
| Black Sea Trade and Development Bank    |                             | 50,136  | EUR                  | 747,257            | 22.12.2022-06.02.2023   |
| Council of Europe Development Bank      |                             | 115,610                                       | EUR                  | 1,723,125          | 8.02.2022-07.08.2025    |
| European Investment Bank                |                             | 195,145                                       | EUR                  | 2,908,583          | 30.06.2022-23.12.2024   |
| European Investment Bank                |                             | 36,424  | USD                  | 480,302            | 16.01.2024-29.07.2024   |
| Islamic Development Bank                |                             | 240,894                                       | USD                  | 3,176,544          | 14.04.2026-31.05.2030   |
| World Bank                              |                             | 36,625  | EUR                  | 545,877            | 1.03.2038               |
| World Bank                              |                             | 437,987                                       | USD                  | 5,775,518          | 1.3.2038-15.7.2038      |
| Asian Infrastructure Investment Bank    |                             | 249,773                                       | USD                  | 3,293,634          | 14.11.2025              |
| <b>Due to Commercial Banks</b>          | Libor/Euribor + %0,70-%3,13 |   |                      | <b>63,328,428</b>  |                         |
| ABC International                       |                             | 40,101  | USD                  | 528,792            | 15.02.2022-30.11.2022   |
| China Development Bank                  |                             | 70,460  | USD                  | 929,127            | 23.02.2024              |
| Citibank Türkiye                        |                             | 75,211  | USD                  | 991,767            | 21.01.2022-20.09.2022   |
| Citibank                                |                             | 15,080  | USD                  | 198,858            | 19.01.2022              |
| Doha Bank                               |                             | 50,314  | USD                  | 663,460            | 10.01.2022              |
| ICBC Macau                              |                             | 350,978                                       | USD                  | 4,628,171          | 28.02.2022              |
| ICBC Turkey                             |                             | 199,779                                       | EUR                  | 2,977,648          | 25.11.2022              |
| ING DIBA - ICIEC Guaranteed Loan        |                             | 55,534  | EUR                  | 827,720            | 4.12.2026               |
| Intesa Sanpaolo SPA Turkey              |                             | 201,470                                       | EUR                  | 3,002,858          | 10.03.2022-04.11.2022   |
| Syndicated Loan MIZUHO                  |                             | 24,488  | USD                  | 322,914            | 19.08.2022              |
| Standard Chartered Bank                 |                             | 81,450  | EUR                  | 1,213,989          | 17.01.2022-07.03.2022   |
| Sumitomo Mitsui Banking Corporation     |                             | 66,905  | USD                  | 882,247            | 06.07.2022-14.07.2022   |
| Syndicated loan with IBRD Guarantee     |                             | 491,448                                       | EUR                  | 7,324,881          | 26.06.2030-20.05.2031   |
| Syndicated loan with ICIEC Guarantee    |                             | 176,983                                       | EUR                  | 2,637,872          | 21.06.2024              |
| Syndicated loan with MIGA Guarantee     |                             | 568,217                                       | EUR                  | 8,469,105          | 28.03.2025-27.06.2028   |
| Syndicated loan with MIGA Guarantee     |                             | 553,777                                       | USD                  | 7,302,383          | 28.03.2025-27.06.2028   |
| MUFG Bank Turkey                        |                             | 29,688  | EUR                  | 442,494            | 30.06.2022              |
| Syndicated loan EUR                     |                             | 886,595                                       | EUR                  | 13,214,425         | 17.11.2022-23.05.2022   |
| Syndicated loan USD                     |                             | 378,288                                       | USD                  | 4,988,298          | 17.11.2022-23.05.2022   |
| TURKIYE VAKIFLAR BANKASI<br>T.A.O.      |                             | 20,205  | EUR                  | 301,149            | 23.05.2022              |
| KT BANK AG                              |                             | 10,028  | EUR                  | 149,464            | 8.10.2021               |
| VAKIF KATILIM BANKASI ANONİM<br>ŞİRKETİ |                             | 100,922                                       | USD                  | 1,330,806          | 17.05.2022              |
| <b>Total funds borrowed</b>             |                             |   |                      | <b>249,217,267</b> |                         |

(1) CBRT loans are rediscount loans extended by CBRT, having wide range of maturity dates.

(2) Balance is denominated by USD.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 14 FUNDS BORROWED AND INTERBANK MONEY MARKET DEPOSITS (continued)

| 31 December 2020                        | Interest rate                      | Original<br>currency<br>amount<br>(thousands) | Original<br>currency | TL                 | Maturity date<br>(year) |
|---|------------------------------------|---|----------------------|--------------------|-------------------------|
| <b>Due to Central Bank</b>              |                                    |   |                      | <b>114,972,607</b> |                         |
| CBRT Loan                               |                                    | 6,960,378                                     | EUR                  | 62,999,775         | (1)                     |
| CBRT Loan                               |                                    | 6,033,741                                     | USD                  | 44,241,632         | (1)                     |
| CBRT Loan                               |                                    | 7,769,415                                     | TRY                  | 7,429,709          | (1)                     |
| CBRT Loan                               |                                    | 30,015  | GBP                  | 301,491            | (1)                     |
|   | (LIBOR/EURIBOR<br>+ 0.05% - 2.95%) |   |                      | <b>10,582,056</b>  |                         |
| <b>Due to IFIs</b>                      |                                    |   |                      |                    |                         |
| Black Sea Trade and Development<br>Bank |                                    | 25,008  | EUR                  | 226,352            | 22/12/2022              |
| Council of Europe Development Bank      |                                    | 166,875                                       | EUR                  | 1,510,419          | 08.02.2022-07.08.2025   |
| European Investment Bank                |                                    | 305,873                                       | EUR                  | 2,768,515          | 17.12.2021-23.12.2024   |
| European Investment Bank                |                                    | 49,884  | USD                  | 367,384            | 16.01.2024-29.07.2024   |
| Islamic Development Bank                |                                    | 280,441                                       | USD                  | 2,065,365          | 14.04.2026-25.10.2027   |
| World Bank (EFIL) Loans                 |                                    | 38,863  | EUR                  | 351,760            | 01/03/2038              |
| World Bank (EFIL) Loans                 |                                    | 145,438                                       | USD                  | 1,071,107          | 01/03/2038              |
| World Bank (LTEF) Loans                 |                                    | 301,595                                       | USD                  | 2,221,154          | 15/07/2038              |
|   | (LIBOR/EURIBOR<br>+ 0.01% - 3.50%) |   |                      | <b>34,541,045</b>  |                         |
| <b>Due to Commercial Banks</b>          |                                    |   |                      |                    |                         |
| Citibank                                |                                    | 49,752  | USD                  | 366,411            | 05/04/2021              |
| ICBC Macau                              |                                    | 351,122                                       | USD                  | 2,585,905          | 28/02/2022              |
| ICBC Turkey                             |                                    | 200,498                                       | EUR                  | 1,814,751          | 25/11/2022              |
| ING DIBA - ICIEC Guaranteed Loan        |                                    | 67,900  | EUR                  | 614,572            | 04/12/2026              |
| Intesa Sanpaolo SPA, Istanbul Branch    |                                    | 55,546  | EUR                  | 502,754            | 12/07/2021              |
| KT Bank AG                              |                                    | 20,190  | EUR                  | 182,746            | 29.01.2021-16.07.2021   |
| MIZUHO Corporate Bank Ltd               |                                    | 24,576  | USD                  | 180,999            | 27/07/2021              |
| MUFG Bank London                        |                                    | 32,352  | EUR                  | 292,820            | 04/06/2021              |
| NCB Bank                                |                                    | 49,690  | USD                  | 365,952            | 17/05/2021              |
| Standard Chartered Bank                 |                                    | 43,236  | EUR                  | 391,338            | 02/03/2021              |
| SMBC                                    |                                    | 86,715  | USD                  | 638,631            | 01.07.2021-14.04.2021   |
| Syndicated loan with IBRD Guarantee     |                                    | 380,047                                       | EUR                  | 3,439,883          | 26/06/2030              |
| Syndicated loan with ICIEC Guarantee    |                                    | 180,082                                       | EUR                  | 1,629,960          | 21/06/2024              |
| Syndicated loan with MIGA Guarantee     |                                    | 641,087                                       | EUR                  | 5,802,611          | 28.03.2025-27.06.2028   |
| Syndicated loan with MIGA Guarantee     |                                    | 672,396                                       | USD                  | 4,951,995          | 28.03.2025-27.06.2028   |
| Syndicated loan                         |                                    | 895,254                                       | EUR                  | 8,103,121          | 22.04.2021-17.11.2021   |
| Syndicated loan                         |                                    | 361,866                                       | USD                  | 2,665,036          | 22.04.2021-17.11.2021   |
| Turk Bankası Ltd.                       |                                    | 1,150   | GBP                  | 11,560             | 09/03/2021              |
| <b>Total funds borrowed</b>             |                                    | <b>21,738,252<sup>(2)</sup></b>               | <b>USD</b>           | <b>160,095,708</b> |                         |

(1) CBRT loans are rediscount loans extended by CBRT, having wide range of maturity dates.

(2) Balance is denominated by USD.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 14 FUNDS BORROWED AND INTERBANK MONEY MARKET DEPOSITS (continued)

The repayment of the funds borrowed were as follows during 2021:

|  | FX Type | Repayment amount | Dates             |
|--|---------|------------------|-------------------|
| European Investment Bank                       | EUR     | 10,000,000       | 6.January.2021    |
| European Investment Bank                       | USD     | 1,914,588        | 13.January.2021   |
| Islamic Development Bank                       | USD     | 4,935,714        | 20.January.2021   |
| European Investment Bank                       | USD     | 2,840,906        | 27.January.2021   |
| European Investment Bank                       | EUR     | 2,375,000        | 27.January.2021   |
| Council of Europe Development Bank             | EUR     | 15,625,000       | 8.February.2021   |
| European Investment Bank                       | USD     | 1,903,235        | 10.February.2021  |
| World Bank (EFIL) Loans                        | USD     | 4,148,051        | 1.March.2021      |
| World Bank (EFIL) Loans                        | EUR     | 1,109,760        | 1.March.2021      |
| Standard Chartered Bank                        | EUR     | 43,000,000       | 2.March.2021      |
| Syndicated loan                                | USD     | 10,416,667       | 29.March.2021     |
| Syndicated loan                                | EUR     | 5,555,556        | 29.March.2021     |
| Citibank                                       | USD     | 49,500,000       | 5.April.2021      |
| European Investment Bank                       | EUR     | 1,470,588        | 6.April.2021      |
| Sumitomo Mitsui Banking Corporation            | USD     | 55,000,000       | 14.April.2021     |
| Islamic Development Bank                       | USD     | 12,096,143       | 14.April.2021     |
| Syndicated loan                                | USD     | 50,000,000       | 22.April.2021     |
| Syndicated loan                                | EUR     | 30,000,000       | 22.April.2021     |
| Council of Europe Development Bank             | EUR     | 5,000,000        | 26.April.2021     |
| Islamic Development Bank                       | USD     | 2,253,857        | 26.April.2021     |
| Syndicated loan                                | USD     | 2,142,857        | 7.May.2021        |
| Syndicated loan                                | EUR     | 7,142,857        | 7.May.2021        |
| NCB - National Commercial Bank of Saudi Arabia | USD     | 49,500,000       | 17.May.2021       |
| Council of Europe Development Bank             | EUR     | 5,000,000        | 17.May.2021       |
| Syndicated loan                                | USD     | 211,000,000      | 21.May.2021       |
| Syndicated loan                                | EUR     | 465,500,000      | 21.May.2021       |
| MUFG Bank                                      | EUR     | 32,000,000       | 4.June.2021       |
| Syndicated loan with ICIEC Guarantee           | EUR     | 5,652,632        | 4.June.2021       |
| European Investment Bank                       | EUR     | 1,470,588        | 17.June.2021      |
| European Investment Bank                       | EUR     | 15,000,000       | 21.June.2021      |
| European Investment Bank                       | EUR     | 20,000,000       | 22.June.2021      |
| Syndicated loan                                | USD     | 37,500,000       | 29.June.2021      |
| Syndicated loan                                | EUR     | 14,285,714       | 29.June.2021      |
| European Investment Bank                       | EUR     | 5,000,000        | 30.June.2021      |
| Sumitomo Mitsui Banking Corporation            | USD     | 30,000,000       | 1.July.2021       |
| European Investment Bank                       | EUR     | 10,000,000       | 6.July.2021       |
| Intesa SPA TR                                  | EUR     | 55,000,000       | 12.July.2021      |
| European Investment Bank                       | USD     | 1,914,559        | 13.July.2021      |
| Islamic Development Bank                       | USD     | 4,935,714        | 19.July.2021      |
| Mizuho Bank                                    | USD     | 24,500,000       | 27.July.2021      |
| European Investment Bank                       | USD     | 2,840,906        | 27.July.2021      |
| European Investment Bank                       | EUR     | 2,375,000        | 27.July.2021      |
| Council of Europe Development Bank             | EUR     | 15,625,000       | 9.August.2021     |
| European Investment Bank                       | USD     | 1,903,235        | 10.August.2021    |
| World Bank (EFIL) Loans                        | USD     | 4,148,051        | 1.September.2021  |
| World Bank (EFIL) Loans                        | EUR     | 1,109,760        | 1.September.2021  |
| Syndicated loan                                | USD     | 10,416,667       | 28.September.2021 |
| Syndicated loan                                | EUR     | 5,555,556        | 28.September.2021 |
| European Investment Bank                       | EUR     | 1,470,588        | 4.October.2021    |
| Islamic Development Bank                       | USD     | 12,096,143       | 14.October.2021   |
| Islamic Development Bank                       | USD     | 2,253,857        | 25.October.2021   |
| Council of Europe Development Bank             | EUR     | 5,000,000        | 26.October.2021   |
| Syndicated loan                                | USD     | 2,142,857        | 8.November.2021   |
| Syndicated loan                                | EUR     | 7,142,857        | 8.November.2021   |
| Council of Europe Development Bank             | EUR     | 5,000,000        | 16.November.2021  |
| Sendikasyon Kredisi                            | USD     | 99,800,000       | 17.November.2021  |
| Sendikasyon Kredisi                            | EUR     | 397,900,000      | 17.November.2021  |
| Syndicated loan with ICIEC Guarantee           | EUR     | 5,652,632        | 6.December.2021   |
| European Investment Bank                       | EUR     | 1,470,588        | 17.December.2021  |
| European Investment Bank                       | EUR     | 15,000,000       | 20.December.2021  |
| European Investment Bank                       | EUR     | 20,000,000       | 22.December.2021  |
| Syndicated loan                                | USD     | 37,500,000       | 29.December.2021  |
| Syndicated loan                                | EUR     | 14,285,714       | 29.December.2021  |
| European Investment Bank                       | EUR     | 5,000,000        | 30.December.2021  |

(\*) Central Bank loans are rediscount loans extended by Central Bank, having wide range of maturity dates.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 15 DEBT SECURITIES IN ISSUE

| Information regarding securities issued | 31 December 2021  | 31 December 2020  |
|---|-------------------|-------------------|
| Securities Issued                       | 36,024,241        | 21,853,312        |
| Discount on Issuance of Securities (-)  | 78,709            | 30,528            |
| Bond Interest Accrual                   | 1,338,772         | 1,130,476         |
| <b>Total</b>                            | <b>37,284,304</b> | <b>22,953,260</b> |

- In October 2016, the Bank issued bonds amounting USD 500 million (TL 6,593,250). The bond is subject to annual fixed interest payment of 5.375% every six months and the total maturity is seven years.
- In September 2017, the Bank issued bonds amounting USD 500 million (TL 6,593,250). The bond is subject to annual fixed interest payment of 4.250% every six months and the total maturity is five years.
- In May 2018, the Bank issued bonds amounting USD 500 million (TL 6,593,250). The bond is subject to annual fixed interest payment of 6.125% every six months and the total maturity is six years.
- In January 2019, the Bank issued bonds amounting USD 500 million (TL 6,593,250). The bond is subject to annual fixed interest payment of 8.250% every six months and the total maturity is five years.
- In June 2021, the Bank issued a bond with a maturity of five years and a fixed rate of 5,750% amounting to USD 750 million (9.889.875 TL).
- Also the Bank applied hedge accounting for the measurement of derivative financial instruments which are related to the bonds issued and accounted for hedge accounting during this period.
- The Bank also borrowed EUR 150 Million (2,235.705 TL), which will be included in the additional Tier 1 capital calculation as of April 2019.

|   | 31 December 2021  | 31 December 2020  |
|---|-------------------|-------------------|
| <b>Opening Balance</b>                  | 22,953,260        | 18,791,531        |
| Proceeds during the year                | 6,501,600         | -                 |
| Repayments during the year              | (3,783,347)       | -                 |
| Other non-cash movements                | 11,612,791        | 4,161,729         |
| <b>Total debt securities securities</b> | <b>37,284,304</b> | <b>22,953,260</b> |

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 16 SUBORDINATED LIABILITIES

|                                   | 31 December 2021 | 31 December 2020 |
|-----------------------------------|------------------|------------------|
| Subordinated debt instruments (*) | 2,999,127        | 2,998,128        |
| Subordinated loans (**)           | 2,524,710        | 1,465,448        |
| <b>Total</b>                      | <b>5,523,837</b> | <b>4,463,576</b> |

(\*) In September 2018, the Bank issued subordinated debt instrument amounting TL 2,901,759 with a maturity of ten years and fixed rate of 12.54% with an early redeem option after fifth year of the date of issue. Subordinated loan includes interest expense on debt securities issued amounting to TL 97,368 (31 December 2020: TL 96,369).

(\*\*) It also includes Tier II capital amounting EUR 150 million (TL 2,235,705) and interest expense of EUR 19,390 (TL 289,005).

Changes in liabilities arising from financing activities are as follows;

|                                   | Funds Borrowed     | Debt Securities Issued | Subordinated Loans |
|-----------------------------------|--------------------|------------------------|--------------------|
| <b>Opening Balances</b>           | <b>160,095,708</b> | <b>22,953,260</b>      | <b>4,463,576</b>   |
| <b><u>Cash Flow Items:</u></b>    |                    |                        |                    |
| Issuance/Borrowed                 | 251,342,287        | 6,501,600              | -                  |
| Repayment                         | 269,432,694        | 3,783,347              | -                  |
| <b><u>Non-cash flow items</u></b> |                    |                        |                    |
| Movement in Accrual               | 101,842            | 208,296                | 182,236            |
| Movement in Price Diff            | -                  | (48,181)               | -                  |
| FX Differences                    | 106,675,695        | 11,452,676             | 878,025            |
| Commision Movement                | (791,268)          | -                      | -                  |
| CBRT Upfront Mov                  | (356,839)          | -                      | -                  |
| <b>Ending Balances</b>            | <b>249,217,267</b> | <b>37,284,304</b>      | <b>5,523,837</b>   |

### 17 TAXATION

According to Act number 3332 and article 4/b of Act number 3659, dated 25 March 1987 and 26 September 1990, respectively, the Bank is exempt from Corporate Tax. Due to the 3<sup>rd</sup> Article of the same act; the above-mentioned exemption became valid from 1 January 1988. In accordance with clause 9 of the Provisional Article 1 of Corporate Tax Law No. 5520, which states “The provision of Article 35 shall not apply to exemptions, allowances and deductions included in other laws in relation to Corporation Tax prior to the effective date of the Law No. 5520”, the exemption from Corporation Tax continues. Accordingly, current and deferred taxes are not recognized in these financial statements.

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 18 OTHER LIABILITIES AND PROVISIONS

The principal components of other liabilities are as follows:

|   | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| <b>Financial liabilities</b>              |                  |                  |
| Guarantees received <sup>(1)</sup>        | 2,472,847        | 1,181,327        |
| Unearned revenue                          | 35,265           | 12,617           |
| Tax liability                             | 12,995           | 17,700           |
| Positive price difference on bonds issued | -                | -                |
| Funds                                     | 246,796          | 13               |
| Other <sup>(3)</sup>                      | 3,371,004        | 347,030          |
| <b>Non-financial liabilities</b>          |                  |                  |
| Insurance technical provisions            | 343,920          | 160,393          |
| Dividend pay liabilities                  | 88,103           | 56,500           |
| BRSA expense provision                    | 107,120          | 51,181           |
| Vacation pay liability <sup>(2)</sup>     | 18,002           | 15,996           |
| Other                                     | 297,600          | 105,984          |
|   | <b>6,993,652</b> | <b>1,948,741</b> |

<sup>(1)</sup> Guarantees received refers to cash guarantees obtained in relation to Rediscount Credits, which have increased in line with the increase in the amount of Rediscount Credits.

<sup>(2)</sup> TL 2,062 of vacation pay liability provision is provided during 2021 (31 December 2020: TL 51).

<sup>(3)</sup> It consists of the balance sent by the Ministry of Treasury and Finance for capital increase.

### 19 RETIREMENT BENEFIT OBLIGATIONS

As a result of IAS 19 (2011), the Bank started to recognize all actuarial gains and losses immediately in other comprehensive income in accordance with the change in IAS 19 (2011).

As of 31 December 2021 actuarial gains/losses amounting to TL 662 related to the reserve for employee termination benefits shown under equity and the current service cost and interest expense amounting to TL 7,202 are realized in the comprehensive income statement in accordance with the change in the IAS 19 (2011) standard.

IAS 19 (2011) “Employment Benefits” requires actuarial valuation methods to be developed to estimate the enterprise’s obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability as at 31 December 2021 and 31 December 2020.

|                    | 31 December 2021 | 31 December 2020 |
|--------------------|------------------|------------------|
| Discount rate (%)  | 23.00            | 12.5             |
| Inflation rate (%) | 18.50            | 8.8              |

Movement in the reserve for employment termination benefits for the period ended 31 December 2021 and 31 December 2020 are as follows:

|                            | 31 December 2021 | 31 December 2020 |
|----------------------------|------------------|------------------|
| 1 January                  | 26,332           | 30,076           |
| Current service cost       | 3,910            | 3,484            |
| Interest expense           | 3,292            | 2,589            |
| Actuarial gains            | 662              | (206)            |
| Payments during the period | (372)            | (9,612)          |
| <b>Total</b>               | <b>33,824</b>    | <b>26,331</b>    |

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 20 SHARE CAPITAL

The historical paid in share capital of the Bank is TL 10,800,000 (31 December 2020: TL 9,270,000) and consists of 10.8 billion (31 December 2020: 9,27 billion) authorised shares with a nominal value of TL 1 each.

| Increase date    | Increase amount | Cash    | Profit reserves used for increase | Capital reserves used for increase |
|------------------|-----------------|---------|-----------------------------------|------------------------------------|
| 21 December 2021 | 1,530,000       | 100,000 | 1,430,000                         | -                                  |

The Bank has decided to use the capital stock system that is registered in the Bank in the extraordinary general meeting that took place on 27 January 2017. The decision has been submitted to the trade register and has been published on Turkey Trade Registry Gazette on 30 January 2017, Numbered 9252.

|                                    | 31 December 2021  | 31 December 2020 |
|------------------------------------|-------------------|------------------|
| Share capital - historical cost    | 10,800,000        | 9,270,000        |
| Adjustment to share capital        | 38,091            | 38,091           |
| <b>Total paid in share capital</b> | <b>10,838,091</b> | <b>9,308,091</b> |

The Bank is fully owned by the Turkish Treasury.

The adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share capital in terms of equivalent purchasing power at 31 December 2005 after elimination of the accumulated deficit. There are no other reserves at 31 December 2021 (31 December 2020: None).

The legal reserves amounting to TL 569,768 (31 December 2020: TL 494,199) consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital but may be used to absorb losses in the event that the general reserve is exhausted.

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below.

Under the Turkish Commercial Code and in accordance with the Articles of Association of the Bank, the Bank is required to create the following legal reserves from appropriations of earnings, which are available for distribution only in the event of liquidation or losses:

- First legal reserve, appropriated at the rate of 5% of net income, until the total reserve is equal to 20% of issued and fully paid-in share capital.
- Second legal reserve, appropriated at the rate of 10% of the distribution of second dividend, in excess of the first legal reserve, appropriated at a rate of 5% and first dividend, appropriated at a rate of 8%.

#### *Fair value reserve*

The fair value reserve includes the cumulative net change in the fair value of financial assets measured at fair value through other comprehensive income until the investment is derecognized or impaired.

As at 31 December 2021, such gains / (losses) recognised under equity in fair value reserves amounted to TL 6,856 (31 December 2020: TL 116,279).

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 21 NET INTEREST INCOME

|  | 1 January –<br>31 December 2021 | 1 January –<br>31 December 2020 |
|--|---------------------------------|---------------------------------|
| <b>Interest income:</b>  |                                 |                                 |
| Interest on loans and advances   | 6,009,864                       | 4,229,188                       |
| Interest on deposits with banks  | 261,088                         | 126,794                         |
| Interest on financial assets measured at amortized cost                                | 693,947                         | 525,940                         |
| Interest on interbank money market placements  | 128,648                         | 72,387                          |
| Interest on financial assets measured at fair value through profit or loss             | 10,701                          | 20,614                          |
| Interest on financial assets measured at fair value through other comprehensive income | 83,086                          | 25,163                          |
| Other interest income  | 3,405                           | 11,413                          |
| <b>Total interest income</b>   | <b>7,190,739</b>                | <b>5,011,499</b>                |
| <b>Interest expense:</b>   |                                 |                                 |
| Interest on funds borrowed   | (2,212,652)                     | (2,084,517)                     |
| Interest on debt securities in issue   | (2,076,959)                     | (1,682,468)                     |
| Other interest expenses  | (98,819)                        | (21,569)                        |
| <b>Total interest expense</b>  | <b>(4,388,430)</b>              | <b>(3,788,554)</b>              |
| <b>Net interest income</b>   | <b>2,802,309</b>                | <b>1,222,945</b>                |

### 22 FOREIGN EXCHANGE GAINS AND LOSSES

|  | 1 January –<br>31 December 2021 | 1 January –<br>31 December 2020 |
|--|---------------------------------|---------------------------------|
| Foreign exchange gains                     | 149,992,661                     | 83,400,854                      |
| Foreign exchange losses                    | (151,372,833)                   | (81,016,197)                    |
| <b>Net foreign exchange gains/(losses)</b> | <b>(1,380,172)</b>              | <b>2,384,657</b>                |

### 23 GAINS AND LOSSES ON FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

|                         | 1 January –<br>31 December 2021 | 1 January –<br>31 December 2020 |
|-------------------------|---------------------------------|---------------------------------|
| Derivative income (*)   | 3,564,554                       | 1,627,465                       |
| Derivative expenses (*) | (1,545,407)                     | (3,177,283)                     |
| Trading income          | 4,451                           | 10,003                          |
| Trading expense         | (353)                           | -                               |
| <b>Total</b>            | <b>2,023,245</b>                | <b>(1,539,815)</b>              |

(\*) Derivative income/expense include fair value hedge valuation differences amounting TL (2,361,282) (31 December 2020: TL 963,492).

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 24 OTHER OPERATING INCOME

|                   | 1 January –<br>31 December 2021 | 1 January –<br>31 December 2020 |
|-------------------|---------------------------------|---------------------------------|
| Released reserves | 9,186                           | 3,311                           |
| Rent income       | 1,708                           | 1,367                           |
| Sale of assets    | 110                             | -                               |
| Other (*)         | 17,679                          | 10,088                          |
| <b>Total</b>      | <b>28,683</b>                   | <b>14,766</b>                   |

(\*) The related amount consists of real estate rental income, personnel disability income, adjustments to previous years' expenses and other transactions within the scope of IAS 40.

### 25 OPERATING EXPENSES

|   | 1 January –<br>31 December 2021 | 1 January –<br>31 December 2020 |
|---|---------------------------------|---------------------------------|
| Personnel expenses                                  | (300,661)                       | (260,866)                       |
| BRSA contribution expense                           | (96,785)                        | (51,181)                        |
| KOSGEB fee (*)                                      | -                               | (30,845)                        |
| Taxes and duties expenses                           | (36,243)                        | (25,156)                        |
| Depreciation and amortization charges               | (12,133)                        | (10,602)                        |
| Premiums paid to reinsurance companies              | -                               | (29)                            |
| Employment termination benefits and unused vacation | (8,892)                         | (51)                            |
| Rent expenses                                       | (656)                           | -                               |
| Research expenses                                   | -                               | -                               |
| Other   | (208,840)                       | (47,471)                        |
| <b>Total</b>  | <b>(664,210)</b>                | <b>(426,201)</b>                |

(\*) As more than 50% of the Bank's paid-in share capital is owned by government entities, the Bank is obliged to pay an annual fee at a rate of 2% of its corporate tax base to Small and Medium Industries Development Organization (“KOSGEB”) in accordance with the establishment law of KOSGEB. According to the law no. 7341, the bank has been exempted from the kosgep amount. And the amount has been reversed.

### 26 COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of its banking activities, the Bank undertakes various commitments and incurs certain contingent liabilities that are not presented in the balance sheets, including letters of guarantee, other guarantees and off-balance sheet derivative instruments. The management does not expect any material losses as a result of these transactions. The following is a summary of significant commitments and contingent liabilities:

#### *Legal proceedings*

As of 31 December 2021, there are legal proceedings outstanding against the Bank amounting to TL 7,971, USD 7,460, EUR 1,098 thousand and GBP 165 thousand. In addition, there are legal proceedings outstanding filed by the Bank. These legal proceedings amounting to TL 275,268, USD 41,053, EUR 7,895 thousand and GBP 29 thousand.

The Bank has allocated provisions amounting to TL 24,036 (31 December 2020: 14,035) for these legal proceedings. A number of the outstanding litigation cases in Turkish courts relate to employee bonus payments.

**TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.**

**NOTES TO THE FINANCIAL STATEMENTS  
AS AT 31 DECEMBER 2021**

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

**26 COMMITMENTS AND CONTINGENT LIABILITIES (continued)**

*Commitments under derivative instruments:*

The breakdown of swap transactions at 31 December 2021 and 31 December 2020 is as follows:

|                                    | Currency | 31 December 2021        |                   | 31 December 2020        |                   |
|------------------------------------|----------|-------------------------|-------------------|-------------------------|-------------------|
|                                    |          | Foreign currency amount | TL                | Foreign currency amount | TL                |
| <b>Transaction type</b>            |          |                         |                   |                         |                   |
| Interest rate swap purchases       | USD      | 500,000                 | 6,593,250         | 1,000,000               | 7,364,700         |
|                                    | EUR      | -                       | -                 | -                       | -                 |
| Foreign currency swap purchases    | USD      | 198,623                 | 2,619,142         | 334,525                 | 2,463,673         |
|                                    | TL       | -                       | -                 | 172,345                 | 172,345           |
|                                    | GBP      | -                       | -                 | 1,150                   | 11,560            |
|                                    | EUR      | -                       | -                 | -                       | -                 |
| Foreign currency forward purchases | USD      | -                       | -                 | 2,741                   | 20,187            |
|                                    | TL       | -                       | -                 | 21,814                  | 21,814            |
|                                    | GBP      | -                       | -                 | 260                     | 2,613             |
|                                    | EUR      | -                       | -                 | -                       | -                 |
| Cross currency swaps purchases     | USD      | 2,066,262               | 27,246,761        | 2,653,743               | 19,544,022        |
|                                    | JPY      | -                       | -                 | -                       | -                 |
|                                    | EUR      | -                       | -                 | -                       | -                 |
| Option purchases                   | TL       | -                       | -                 | -                       | -                 |
|                                    | EUR      | -                       | -                 | -                       | -                 |
|                                    | USD      | -                       | -                 | -                       | -                 |
| <b>Total purchases</b>             |          |                         | <b>36,459,153</b> |                         | <b>29,600,914</b> |
| Interest rate swap sales           | USD      | 500,000                 | 6,593,250         | 1,000,000               | 7,364,700         |
|                                    | EUR      | -                       | -                 | -                       | -                 |
| Foreign currency swap sales        | EUR      | 168,604                 | 2,512,996         | 226,821                 | 2,053,005         |
|                                    | GBP      | 3,500                   | 62,334            | 4,500                   | 45,234            |
|                                    | JPY      | 114                     | 1,308             | 10,322                  | 737               |
|                                    | TL       | -                       | -                 | 490,869                 | 490,869           |
|                                    | USD      | -                       | -                 | 20,000                  | 147,294           |
| Foreign currency forward sales     | TL       | -                       | -                 | 24,538                  | 24,538            |
|                                    | USD      | -                       | -                 | 2,741                   | 20,187            |
|                                    | EUR      | -                       | -                 | -                       | -                 |
| Cross currency swaps sales         | TL       | -                       | -                 | -                       | -                 |
|                                    | EUR      | 1,795,230               | 26,757,362        | 2,285,201               | 20,683,815        |
|                                    | JPY      | -                       | -                 | -                       | -                 |
|                                    | USD      | -                       | -                 | -                       | -                 |
| Option sales                       | TL       | -                       | -                 | -                       | -                 |
|                                    | EUR      | -                       | -                 | -                       | -                 |
|                                    | USD      | -                       | -                 | -                       | -                 |
| <b>Total sales</b>                 |          |                         | <b>35,927,250</b> |                         | <b>30,830,379</b> |
| <b>Total</b>                       |          |                         | <b>72,386,403</b> |                         | <b>60,431,293</b> |

# TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 26 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Maturity analysis of swap and forward transactions are as follows:

|                                    | 31 December 2021 |                    |                   |                  |                   |
|------------------------------------|------------------|--------------------|-------------------|------------------|-------------------|
|                                    | Up to 3 months   | 3 months to 1 year | 1 year to 5 years | Over 5 years     | Total             |
| Interest rate swap purchases       | -                | -                  | 6,593,250         | -                | 6,593,250         |
| Foreign currency swap purchases    | 2,619,142        | -                  | -                 | -                | 2,619,142         |
| Forward foreign currency purchases | -                | -                  | -                 | -                | -                 |
| Cross currency swaps purchases     | 4,615,275        | 6,593,250          | 10,118,720        | 5,919,516        | 27,246,761        |
| Option purchases                   | -                | -                  | -                 | -                | -                 |
| <b>Total purchases</b>             | <b>7,234,417</b> | <b>6,593,250</b>   | <b>16,711,970</b> | <b>5,919,516</b> | <b>36,459,153</b> |
| Interest rate swap sales           | -                | -                  | 6,593,250         | -                | 6,593,250         |
| Foreign currency swap sales        | 2,576,638        | -                  | -                 | -                | 2,576,638         |
| Forward foreign currency sales     | -                | -                  | -                 | -                | -                 |
| Cross currency swaps sales         | 4,583,644        | 6,232,625          | 9,958,944         | 5,982,149        | 26,757,362        |
| Option sales                       | -                | -                  | -                 | -                | -                 |
| <b>Total sales</b>                 | <b>7,160,282</b> | <b>6,232,625</b>   | <b>16,552,194</b> | <b>5,982,149</b> | <b>35,927,250</b> |
|                                    | 31 December 2020 |                    |                   |                  |                   |
|                                    | Up to 3 months   | 3 months to 1 year | 1 year to 5 years | Over 5 years     | Total             |
| Interest rate swap purchases       | 3,682,350        | -                  | 3,682,350         | -                | 7,364,700         |
| Foreign currency swap purchases    | 1,553,921        | 1,093,657          | -                 | -                | 2,647,578         |
| Forward foreign currency purchases | 22,180           | 22,434             | -                 | -                | 44,614            |
| Cross currency swaps purchases     | -                | 3,682,350          | 11,415,285        | 4,446,387        | 19,544,022        |
| Option purchases                   | -                | -                  | -                 | -                | -                 |
| <b>Total purchases</b>             | <b>5,258,451</b> | <b>4,798,441</b>   | <b>15,097,635</b> | <b>4,446,387</b> | <b>29,600,914</b> |
| Interest rate swap sales           | 3,682,350        | -                  | 3,682,350         | -                | 7,364,700         |
| Foreign currency swap sales        | 1,541,885        | 1,195,254          | -                 | -                | 2,737,139         |
| Forward foreign currency sales     | 22,310           | 22,415             | -                 | -                | 44,725            |
| Cross currency swaps sales         | -                | 3,716,209          | 12,060,159        | 4,907,447        | 20,683,815        |
| Option sales                       | -                | -                  | -                 | -                | -                 |
| <b>Total sales</b>                 | <b>5,246,545</b> | <b>4,933,878</b>   | <b>15,742,509</b> | <b>4,907,447</b> | <b>30,830,379</b> |

The above tables summarize the Bank’s derivative transactions that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date, in respective currencies. Accordingly, the difference between the “sale” and “purchase” transactions represents the net exposure of the Bank with respect to commitments arising from these transactions.

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## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

### 26 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

#### *Credit related commitments:*

Letters of guarantee, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Cash requirements under these guarantees are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement.

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The following table shows the outstanding credit related commitments of the Bank at 31 December 2021 and 31 December 2020:

|                                   | 31 December 2021  | 31 December 2020  |
|-----------------------------------|-------------------|-------------------|
| <b>Financial guarantees</b>       |                   |                   |
| Letters of Guarantee              | 114,634           | 11,040            |
| Other guarantees                  |                   |                   |
| -Foreign currency                 | 25,161,299        | 11,979,838        |
| <b>Total financial guarantees</b> | <b>25,275,933</b> | <b>11,990,878</b> |

The Bank provides collateral against commercial and political risks for exported product prices of exporters by export loan insurance programs.

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## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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### SEGMENT ANALYSIS

The main segments of the Bank are corporate banking and investment banking. Investment banking includes the treasury operations of the Bank whereas corporate banking includes all operations other than treasury (mainly all loan operations). The analysis below has been prepared in accordance with the reporting made to the chief operating decision maker, the Assistant General Manager of Finance.

| <b>31 December 2021</b>                 | <b>Corporate banking</b> | <b>Investment banking</b> | <b>Unallocated</b> | <b>Total</b>       |
|---|--------------------------|---------------------------|--------------------|--------------------|
| Segment revenue                         | 6,922,073                | 3,200,915                 | 44,399             | 10,167,387         |
| Segment expenses                        | (2,926,395)              | (2,122,742)               | (2,011,733)        | (7,060,870)        |
| <b>Net profit</b>                       | <b>3,995,678</b>         | <b>1,078,173</b>          | <b>(1,967,334)</b> | <b>3,106,517</b>   |
| Interest income                         | 6,013,269                | 1,177,470                 | -                  | 7,190,739          |
| Interest expense                        | (2,309,811)              | (2,077,074)               | (1,545)            | (4,388,430)        |
| Depreciation and amortization           | -                        | -                         | (12,133)           | (12,133)           |
| Impairment charges on loans             | (161,447)                | 267                       | 26,990             | (134,190)          |
| <b>Total segment assets</b>             | <b>286,483,564</b>       | <b>32,545,623</b>         | <b>1,209,469</b>   | <b>320,238,656</b> |
| Segment liabilities                     | 249,217,267              | 49,325,822                | 7,144,453          | 305,687,542        |
| Equity                                  | -                        | 80,295                    | 14,470,819         | 14,551,114         |
| <b>Total liabilities and equity</b>     | <b>249,217,267</b>       | <b>49,406,117</b>         | <b>21,615,272</b>  | <b>320,238,656</b> |
| <b>31 December 2020</b>                 | <b>Corporate banking</b> | <b>Investment banking</b> | <b>Unallocated</b> | <b>Total</b>       |
| Segment revenue                         | 4,799,247                | 770,987                   | 2,414,743          | 7,984,977          |
| Segment expenses                        | (2,776,510)              | (3,265,193)               | (431,886)          | (6,473,589)        |
| <b>Net profit</b>                       | <b>2,022,737</b>         | <b>(2,494,206)</b>        | <b>1,982,857</b>   | <b>1,511,388</b>   |
| Interest income                         | 4,240,601                | 770,898                   | -                  | 5,011,499          |
| Interest expense                        | (2,103,454)              | (1,682,619)               | (2,481)            | (3,788,554)        |
| Depreciation and amortization           | -                        | -                         | (10,602)           | (10,602)           |
| Impairment charges on loans             | (368,505)                | (959)                     | (5)                | (369,469)          |
| <b>Total segment assets (*)</b>         | <b>177,630,921</b>       | <b>23,770,072</b>         | <b>1,667,577</b>   | <b>203,068,570</b> |
| Segment liabilities                     | 160,095,708              | 28,792,402                | 2,766,200          | 191,654,310        |
| Equity                                  | -                        | 149,296                   | 11,264,964         | 11,414,260         |
| <b>Total liabilities and equity (*)</b> | <b>160,095,708</b>       | <b>28,941,698</b>         | <b>14,031,164</b>  | <b>203,068,570</b> |

(\*) The indicated information is presented as of December 31, 2020 for balance sheet items.

**TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.**

**NOTES TO THE FINANCIAL STATEMENTS  
AS AT 31 DECEMBER 2021**

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

**27 SEGMENT ANALYSIS (continued)**

Reconciliation of segment results of operations:

| <b>31 December 2021</b>  | <b>Corporate<br/>banking</b> | <b>Investment<br/>banking</b> | <b>Unallocated</b> | <b>Total</b>      |
|--|------------------------------|-------------------------------|--------------------|-------------------|
| Interest income  | 6,013,269                    | 1,177,470                     | -                  | 7,190,739         |
| Fee and commissions income   | 902,877                      |                               | 21,643             | 924,520           |
| Gains on financial instruments measured at fair value profit or loss | -                            | 2,023,245                     | -                  | 2,023,245         |
| Other operating income   | 5,927                        | 200                           | 22,756             | 28,883            |
| <b>Total segment revenue</b>   | <b>6,922,073</b>             | <b>3,200,915</b>              | <b>44,399</b>      | <b>10,167,387</b> |

| <b>31 December 2021</b>   | <b>Corporate<br/>banking</b> | <b>Investment<br/>banking</b> | <b>Unallocated</b> | <b>Total</b>       |
|---|------------------------------|-------------------------------|--------------------|--------------------|
| Interest expense  | (2,309,811)                  | (2,077,074)                   | (1,545)            | (4,388,430)        |
| Fee and commissions expense   | (455,137)                    | (33,841)                      | (4,890)            | (493,868)          |
| Impairment charges on loans   | (161,447)                    | 267                           | 26,990             | (134,190)          |
| Losses on financial instruments measured at fair value profit or loss | -                            | -                             | -                  | -                  |
| Foreign exchange losses   | -                            | -                             | (1,380,172)        | (1,380,172)        |
| Other operating expenses  | -                            | (12,094)                      | (652,116)          | (664,210)          |
| <b>Total segment expense</b>  | <b>(2,926,395)</b>           | <b>(2,122,742)</b>            | <b>(2,011,733)</b> | <b>(7,060,870)</b> |

| <b>31 December 2020</b>  | <b>Corporate<br/>banking</b> | <b>Investment<br/>banking</b> | <b>Unallocated</b> | <b>Total</b>     |
|--|------------------------------|-------------------------------|--------------------|------------------|
| Interest income  | 4,240,601                    | 770,898                       | -                  | 5,011,499        |
| Fee and commissions income   | 556,957                      | -                             | 17,009             | 573,966          |
| Gains on financial instruments measured at fair value profit or loss | -                            | -                             | -                  | -                |
| Other operating income   | 1,689                        | 89                            | 2,397,734          | 2,399,512        |
| <b>Total segment revenue</b>   | <b>4,799,247</b>             | <b>770,987</b>                | <b>2,414,743</b>   | <b>7,984,977</b> |

| <b>31 December 2020</b>   | <b>Corporate<br/>banking</b> | <b>Investment<br/>banking</b> | <b>Unallocated</b> | <b>Total</b>       |
|---|------------------------------|-------------------------------|--------------------|--------------------|
| Interest expense  | (2,285,542)                  | (1,453,043)                   | (3,024)            | (3,741,609)        |
| Fee and commissions expense   | (221,124)                    | (31,099)                      | (1,101)            | (253,324)          |
| Impairment charges on loans   | (131,863)                    | (1,134)                       | (422)              | (133,419)          |
| Losses on financial instruments measured at fair value profit or loss | -                            | -                             | -                  | -                  |
| Foreign exchange losses   | -                            | -                             | (506,373)          | (506,373)          |
| Other operating expenses  | -                            | -                             | (359,546)          | (359,546)          |
| <b>Total segment expense</b>  | <b>(2,638,529)</b>           | <b>(1,485,276)</b>            | <b>(870,466)</b>   | <b>(4,994,271)</b> |

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## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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### 28 RELATED PARTIES

Parties are considered as related if one party can control the other party, is under common control or can exercise significant influence over the other party in making financial or operational decisions. For the purpose of this financial information the shareholders of the Bank together with state-controlled entities in Turkey are considered and referred to as related parties. Other related parties refer to entities controlled, jointly controlled or having significance influence by the Turkish Government.

A number of banking transactions were entered into with related parties in the normal course of business.

#### (a) Balances with related parties:

|  | 31 December 2021 | 31 December 2020 |
|--|------------------|------------------|
| Due from banks:                            |                  |                  |
| - Other related parties <sup>(1)</sup>     | 15,662,220       | 10,123,457       |
| Loans and advances:                        |                  |                  |
| - Other related parties <sup>(2)</sup>     | 6,542,126        | 4,490,861        |
| Investment securities (“FV through P/L”)   |                  |                  |
| - Shareholder <sup>(3)</sup>               | 123,842          | 74,891           |
| Investment securities (“FV through OCI”)   |                  |                  |
| - Shareholder <sup>(4)</sup>               | 1,391,467        | 668,849          |
| Investment securities (“Held to maturity”) |                  |                  |
| - Shareholder <sup>(5)</sup>               | 9,955,982        | 10,637,542       |
| Funds borrowed                             |                  |                  |
| - Other related parties <sup>(6)</sup>     | 172,501,484      | 119,971,167      |
| Other liabilities                          |                  |                  |
| - Other related parties                    | 180,548          | 20,340           |

(1) Average interest rate for due from banks for TL is 15.25% (31 December 2020: 1.06% for FX and 19.25% for TL)

(2) Average interest rate for loans and advances for FX and TL are respectively 2,83% and 15,88% (31 December 2020: 2.78% for FX and 10.8% for TL)

(3) Average interest rate for investment securities (FV through P/L) for FX is 4,25% (31 December 2020: 5,67%)

(4) Average interest rate for investment securities (FV through OCI) for FX is 6,54% (31 December 2020: 6,61%) and for TL is 8,50%

(5) Average interest rate for investment securities (Held to maturity) for FX and TL are respectively 4,99% and 9,80% (31 December 2020: 2,33% for FX and 9,82% for TL)

(6) Average interest rate for funds borrowed for FX and TL are respectively 0,20% and 11,21% (31 December 2020: 0,30% for FX and 9,02% for TL)

#### (b) Transactions with related parties:

|   | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| Interest income on investment securities: |                  |                  |
| - Shareholder                             | 756,503          | 534,297          |
| Interest income on loans and advances:    |                  |                  |
| - Other related parties                   | 299,760          | 233,203          |
| Interest expense on funds borrowed:       |                  |                  |
| - Other related parties                   | 1,320,791        | 882,420          |
| Operating expenses (taxes paid)           |                  |                  |
| -Other related parties                    | 36,243           | 25,156           |

#### (c) Remuneration of key management personnel:

|   | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| Salaries and other short-term employee benefits | 8,980            | 5,316            |

**TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.**

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**29 EVENTS AFTER THE REPORTING PERIOD**

**None.**