TÜRKİYE İHRACAT KREDİ BANKASI ANONİM ŞİRKETİ

Interim Financial Statements as at and for the Interim Period Ended 30 September 2021 with Independent Auditor’s Review Report Thereon

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REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To the Board of Directors of Türkiye İhracat Kredi Bankası Anonim Şirketi,

Introduction

We have reviewed the accompanying interim financial statements of Türkiye İhracat Kredi Bankası A.Ş ("the Bank") as at 30 September 2021, comprising of the interim statement of financial position as at 30 September 2021 and the related interim statement of profit or loss and other comprehensive income, interim changes in equity and interim cash flows for the nine months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim financial statements in accordance with the International Financial Reporting Standard IAS 34, "Interim financial reporting" (IAS 34). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information are not prepared, in all material respects, in accordance with IAS 34.

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

Fatma Ebru Yücel, SMMM
Partner

17 December 2021
Istanbul, Turkey

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

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

	Notes	Reviewed 30 September 2021	Audited 31 December 2020
ASSETS			
Cash and due from banks	*6*	11,783,328	11,681,430
Derivative financial instruments	*7*	32,309	26,224
Derivative assets held for risk management	*4*	815,941	466,113
Loans and advances	*8*	223,284,408	177,630,921
Investment securities			
-Financial assets measured at fair value through profit or loss	*9*	125,853	153,454
-Financial assets measured at fair value through profit or loss pledged	*9*	86,186	72,786
-Financial assets measured at fair value through other comprehensive income	*9*	1,001,762	805,309
-Financial assets measured at fair value through other comprehensive income pledged	*9*	751,286	439,424
-Financial assets measured at amortized cost	*9*	10,696,837	10,637,542
-Financial assets measured at amortized cost pledged	*9*	6,272,996	1,519,521
Property and equipment	*10*	11,936	17,566
Intangible assets	*11*	11,204	10,185
Investment property	*12*	2,034	2,111
Other assets	*13*	445,478	1,637,715
Total assets		**248,211,090**	**203,068,570**
LIABILITIES			
Funds borrowed	*14*	197,367,986	160,095,708
Debt securities issued	*15*	25,170,514	22,953,260
Subordinated liabilities	*16*	4,627,889	4,463,576
Interbank money market deposits	*14*	4,771,537	1,375,566
Other liabilities and provisions	*18*	2,518,966	1,948,741
Derivative financial instruments	*7*	2,001	114,929
Derivative liabilities held for risk management	*4*	232,989	676,199
Retirement benefit obligations	*19*	31,733	26,331
Total liabilities		**234,723,615**	**191,654,310**
EQUITY	20		
- Share capital		*9,270,000*	*9,270,000*
- Adjustment to share capital		*38,091*	*38,091*
Total paid in share capital		9,308,091	9,308,091
Legal reserves		569,768	494,199
Hedging reserves		49,646	33,017
Fair value reserves		82,607	116,279
Retained earnings		3,477,363	1,462,674
Total equity		**13,487,475**	**11,414,260**
Total liabilities and equity		**248,211,090**	**203,068,570**

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

STATEMENT OF PROFIT OR LOSS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

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

	Notes	**Reviewed 1 January – 30 September 2021**	**Reviewed 1 January – 30 September 2020**
Interest income	21	4,573,731	3,721,421
Interest expense	21	(2,873,629)	(2,881,369)
Net interest income		**1,700,102**	**840,052**
Fees and commission income		606,607	358,048
Fees and commission expense		(322,944)	(229,895)
Net fee and commission income		**283,663**	**128,153**
Impairment losses on loans and advances	*9*	(168,594)	(202,179)
Foreign exchange gain/(losses), net	*22*	(947,413)	1,428,364
Gains/(losses) on financial assets through profit or loss, net	*23*	1,581,054	(730,625)
Dividend income		200	89
Other operating income		15,330	8,345
Operating profit before operating expenses		**2,464,342**	**1,472,199**
Operating expenses	24	(374,084)	(315,521)
Net profit for the period		**2,090,258**	**1,156,678**

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

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

	Reviewed 1 January – 30 September 2021	**Reviewed 1 January – 30 September 2020**
Net profit for the period	**2,090,258**	**1,156,678**
Other comprehensive income	**(17,043)**	**-**
Items that will not be reclassified to profit or loss	**9,172**	**-**
Remeasurements of the defined benefit asset/(liability)	9,172	-
Items that are or may be reclassified to profit or loss	**(26,215)**	**50,162**
Net change in fair values of financial assets measured at fair value through other comprehensive income	(42,846)	47,650
Cash flow hedges - effective portion of changes in fair value	16,631	2,512
Total comprehensive income for the period	**2,073,215**	**1,206,840**

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

STATEMENT OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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
Balance at 1 January 2020	**20**	**7,160,000**	**38,091**	**7,198,091**	**422,618**	**-**	**48,999**	**28,658**	**1,382,661**	**9,081,027**
Profit for the period		-	-	-	-	-	-	-	1,156,678	1,156,678
Other comprehensive income for the period		-	-	-	-	-	2,512	47,650	-	50,162
Transfers to legal reserves		-	-	-	71,581	-	-	-	(71,581)	-
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**2,512**	**47,650**	**1,156,678**	**1,206,840**
(reviewed) Balance at 30 September 2020	**20**	**7,160,000**	**38,091**	**7,198,091**	**494,199**	**-**	**51,511**	**76,308**	**2,467,758**	**10,287,867**
Balance at 1 January 2021	**20**	**9,270,000**	**38,091**	**9,308,091**	**494,199**	**-**	**33,015**	**116,281**	**1,462,674**	**11,414,260**
Profit for the period		-	-	-	-	-	-	-	2,090,258	2,090,258
Other comprehensive income for the period		-	-	-	-	-	16,631	(33,674)	-	(17,043)
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**16,631**	**(33,674)**	**2,090,258**	**2,073,215**
Capital increase		-	-	-	-	-	-	-	-	-
Dividends to equity holders		-	-	-	-	-	-	-	-	-
Transfers to legal reserves		-	-	-	75,569	-	-	-	(75,569)	-
(Reviewed) Balance at 30 September 2021	**20**	**9,270,000**	**38,091**	**9,308,091**	**569,768**	**-**	**49,646**	**82,607**	**3,477,363**	**13,487,475**

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

STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

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

	Notes	**Reviewed 1 January – 30 September 2021**	**Reviewed 1 January – 30 September 2020**
Cash flows from operating activities:			
Net profit for the period		2,090,258	1,156,678
Adjustments:			
Depreciation and amortization	25	9,002	7,864
Provision for loan losses	8	168,594	202,179
Provision for employment termination benefits	19	5,401	4,554
Provision for unused vacation		2,612	2,319
Net gain on sale of property and equipment		110	-
Interest paid		(1,313,372)	(1,457,662)
Interest received		4,273,935	3,684,311
Unrealized foreign exchange differences		213,280	(2,744,141)
Remeasurement of derivative financial instruments		(912,051)	507,125
		4,537,769	**1,363,227**
Net decrease/(increase) in loans and advances		(45,822,081)	(37,792,734)
Net decrease/(increase) in financial assets at measured fair value through profit or loss		27,601	(231,550)
Net decrease/(increase) in other assets		4,772,915	396,293
Net increase in other liabilities		(3,373,777)	(3,142,290)
Net cash from operating activities		**(39,857,573)**	**(39,407,054)**
Cash flows from/(used in) investing activities:			
Acquisition of property and equipment, net	*10*	(740)	(3,111)
Acquisition of financial assets measured at amortized cost	*9*	(1,500)	(1,724,460)
Proceeds from financial assets measured at amortized cost	*9*	(986,173)	-
Increase from financial assets measured at fair value through other comprehensive income		233,582	1,059,692
Decrease from financial assets measured at fair value through other comprehensive income		(322,559)	(305,029)
Acquisition of intangible assets	*11*	(2,848)	(2,723)
Net cash used in investing activities		**(1,080,238)**	**(975,631)**
Cash flows from/(used in) financing activities:			
Proceeds from borrowings		116,492,222	36,147,612
Repayments of borrowings		(80,465,129)	-
Proceeds from interbank money market deposits	14	3,395,971	-
Proceeds from issue of debt securities		1,867,667	4,974,344
Increase/(decrease) due to issue of subordinated liabilities		-	-
Repayment of debt securities		(1,357,114)	(1,254,728)
Dividends paid	20	-	-
Proceeds from capital increase	20	-	-
Net cash from/(used in) financing activities		**39,933,617**	**39,867,228**
Effects of exchange-rate changes on cash and cash equivalents		1,508,989	3,723,362
Net increase/(decrease) in cash and cash equivalents		**111,889**	**3,207,905**
Cash and cash equivalents at the beginning of the year		11,670,056	9,988,318
Cash and cash equivalents at the end of the period		**11,781,945**	**13,196,223**

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

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 Istanbul/Turkey. As of 30 September 2021, the Bank has 3 regional directorates in Ankara, İstanbul and in İzmir, 20 branches and 11 liaison offices. As of 30 September 2021, the Bank has 719 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.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

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 5 November 2021.

As of 30 September 2021, 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.

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 September 30, 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.

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. 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.

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.

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.

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.

2 BASIS OF PREPARATION (continued)

Amendments to IFRS 16 - Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions beyond 30 September 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 30 September 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.

(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
30 September 2021	10,2665	8,8481
31 December 2020	9,0512	7,3647

As of the report date, the USD rate is TL 15,13640 and the EUR rate is TL 17,11020.

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,

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.

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 3rd 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.

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.

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.

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.

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.

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).

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.

(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 sm aller 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.

With the aim of mitigating the impact of COVID-19, various international bodies ("European Banking Authority" etc.) and local regulators have made pronouncements aimed at following flexibility in the implementation of the accounting prudential frameworks. The Group previously adopted an approach that past due more than 30 days and 90 days were a qualitative indicator that required an exposure to be transferred to Stage 2 and 3.For the current period, the Bank has not applied these past due days directly and also has begun applying quantitave indicators such as historic customer information (any history of missed payments, sector's situation, staging in other Banks (any nonperforming loans record)), when making the staging decision in IFRS financials.

As of 30 September 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**	
	Individiual	**Collective**	**Individiual**	**Collective**	**Individiual**	**Collective**
Cash Loans	12,392	221,065,415	-	1,313,914	-	892,687
Financial Lease Rec.	-	-	-	-	-	-
Non-Cash Loans	-	15,900,661	-	-	-	-
Total	**12,392**	**236,966,076**	**-**	**1,313,914**	**-**	**892,687**

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 16,279 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:

	Years
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.

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.

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.

4 FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

As of 30 September 2021, the loan portfolio of the Bank constitutes 90% (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 5th 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.

(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:

	30 September 2021		31 December 2020	
	Corporate loans	**Personnel loans**	**Corporate loans**	**Personnel loans**
Neither past due nor impaired	222,453,948	12,434	176,958,632	13,324
Past due but not impaired	80,315	-	406,644	-
Past due and individually impaired	1,642,373	29	1,031,825	90
Total loans and advances	**224,176,636**	**12,463**	**178,397,101**	**13,414**
Expected credit losses- Stage 1	(63,389)	(42)	(85,178)	(56)
Expected credit losses- Stage 2	(91,545)	-	(3,990)	-
Expected credit losses- Stage 3	(749,686)	(29)	(690,280)	(90)
Net loans and advances	**223,272,016**	**12,392**	**177,617,653**	**13,268**

As of 30 September 2021, and 31 December 2020, the delinquency details of loans and advances that are past due but not impaired are as follows:

	30 September 2021	31 December 2020
Past due up to 30 days	39,717	50,751
Past due 31-60 days	25,675	205,077
Past due 61-90 days	14,923	150,816
Past due 90 days	-	-
Total loans and advances that are past due but not impaired	**80,315**	**406,644**

(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	1,267,910	1,663,823
Unsecured	287,734	-
Guarantee Bond	48,155	723,251
Mortgage of Ship	33,141	321,341
Cash	3,194	33
Real Estate Mortgage	1,867	4,200
Commercial Enterprice Pledge	400	5,132
Total	**1,642,401**	**2,717,780**

As of 30 September 2021 and 31 December 2020 the fair value of collaterals held for total loans and advances are as follows:

	30 September 2021		**31 December 2020**	
	Corporate loans	**Personnel loans**	**Corporate loans**	**Personnel loans**
Collaterals guaranteed by other banks	207,066,263	-	164,562,560	-
Collaterals guaranteed by a third party	-	12,463	-	13,414
Total	**207,066,263**	**12,463**	**164,562,560**	**13,414**
Unsecured exposures [(1)]	17,110,373	-	13,834,541	-
Total loans and advances	**224,176,636**	**12,463**	**178,397,101**	**13,414**

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

As of 30 September 2021, the Bank does not have repossessed collateral (31 December 2020: None).

Credit quality per class of loans and advances as at 30 September 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	11,783,463	-	-	11,783,463	135	-	-	135
Securities	10,698,102	-	-	10,698,102	1,265	-	-	1,265
Loans and Advances to Customers	221,141,238	1,405,459	1,642,402	224,189,099	63,431	91,545	749,715	904,691
Other Assets	183,694	100,472	-	284,166	3	89,623	-	89,626

(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 30 September 2021, loans granted by the Bank to banks and other financial institutions amount to TL 23,018,117 (31 December 2020: TL 17,778,906). As of 30 September 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:

		30 September 2021	31 December 2020
	Rating class	Concentration level (%)	Concentration level (%)
Low	1-2	85	85
Medium	3	14	14
High	4	1	1

(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 30 September 2021 and 31 December 2020, when we analyze the loan limits for top 60 corporate customers, we observe that these loans constitute approximately 52%, respectively of total loans to corporate customers amounting to TL 116,729,210 (31 December 2020: TL 78,988,904). The details of these loans are as follows;

	30 September 2021	**31 December 2020**
Credit limits (TL)	**Concentration level (%)**	**Concentration level (%)**
0 - 20,000	-	-
20,000 - 40,000	-	-
40,000 - 60,000	-	-
Over 60,000	100,00	100,00
Total	**100,00**	**100,00**

The Bank's maximum exposure to credit risk as of 30 September 2021 and 31 December 2020:

	30 September 2021	**31 December 2020**
Credit risk exposures relating to on-balance sheet assets:		
Due from banks	11,783,328	11,681,430
Loans and advances to		
- Domestic banks and other financial institutions	16,200,490	12,980,432
- Foreign banks and other financial institutions	6,817,627	6,209,649
- Corporate customers other than banks and financial institutions and personnel	200,266,291	158,440,840
Derivative financial assets	32,309	26,224
Derivative assets held for risk management	815,941	466,113
Investment securities		
- Financial assets at fair value through profit or loss	125,853	153,454
- Financial assets at fair value through other comprehensive income	897,058	709,777
- Financial assets measured at amortized cost	10,696,837	10,637,542
Credit risk exposures relating to off-balance sheet items:		
Financial guarantees	15,369,853	11,990,878
Total	**263,005,587**	**213,296,339**

A of 30 September 2021 and 31 December 2020, financial assets measured at amortized cost are issued by the Turkish Treasury, the controlling shareholder of the Bank.

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

As of 30 September 2021 and 31 December 2020, the geographical distribution of the on-balance sheet assets exposed to credit risk:

	Turkey	EU countries	OECD countries[1]	USA	Other Countries	Total
Cash and due from banks	9,311,357	145,229	570	2,326,172	-	11,783,328
Loans and advances to						
- Domestic banks and other financial institutions	16,200,490	-	-	-	-	16,200,490
- Foreign banks and other financial institutions	-	-	-	-	6,817,627	6,817,627
- Corporate customers and personnel	200,266,291	-	-	-	-	200,266,291
Derivative assets held for trading	8,662	23,311	-	336	-	32,309
Derivative assets held for risk management	-	815,941	-	-	-	815,941
Investment securities						
- Financial assets measured at fair value through profit or loss	125,853	-	-	-	-	125,853
- Financial assets measured at fair value through other comprehensive income	897,058	-	-	-	-	897,058
Financial assets measured at amortized cost	10,696,837	-	-	-	-	10,696,837
As of 30 September 2021	**237,506,548**	**984,481**	**570**	**2,326,508**	**6,817,627**	**247,635,734**

(1) The OECD countries except for EU countries, Canada and USA.

	Turkey	EU countries	OECD countries[1]	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
As of 31 December 2020	**194,344,586**	**512,244**	**666**	**238,316**	**6,209,649**	**201,305,461**

(1) The OECD countries except for EU countries, Canada and USA.

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)	365,439
2	Stock risk (general and specific)	-
3	Foreign exchange risk	77,263
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitizations	-
9	**Total**	**442,702**

(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.

(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 30 September 2021 and 31 December 2020.

	30 September 2021			
	USD	**EUR**	**Other**	**Total**
Cash and due from banks	2,768,615	7,149,267	66,177	9,984,059
Financial assets measured at fair value through profit or loss	125,853	-	-	125,853
Derivative financial instruments	23,628	-	19	23,647
Derivative assets held for risk management	815,941	-	-	815,941
Loans and advances	87,236,104	125,687,757	712,169	213,636,030
Investment securities				
- Financial assets measured at fair value through other comprehensive income	897,058	-	-	897,058
- Financial assets measured at amortized cost	2,943,335	4,834,541	-	7,777,876
Property and equipment and intangible assets	-	-	-	-
Investment property	-	-	-	-
Other assets	233,617	41,772	1,296	276,685
Total assets	**95,044,151**	**137,713,337**	**779,661**	**233,537,149**
Funds borrowed	88,521,183	107,834,841	720,382	197,076,406
Subordinated loans	-	1,719,350	-	1,719,350
Debt securities in issue	25,059,679	-	-	25,059,679
Interbank money market deposits	1,705,288	3,066,249	-	4,771,537
Derivative financial instruments	1,816	-	-	1,816
Derivative liabilities held for risk management	232,989	-	-	232,989
Other liabilities	2,135,694	1,267,712	22,753	3,426,159
Reserve for employment termination benefits	-	-	-	-
Equity	-	-	-	-
Total liabilities and equity	**117,656,649**	**113,888,152**	**743,135**	**232,287,936**
Net balance sheet position	**(22,612,498)**	**23,825,185**	**36,526**	**1,249,213**
Off balance sheet derivative instruments net notional position	**22,375,056**	**(23,764,441)**	**(36,546)**	**(1,425,931)**

At 30 September 2021, assets and liabilities denominated in foreign currency were translated into Turkish lira using foreign exchange rate of TL 8.8481 = US Dollar 1 ("USD") and TL 10.2665= EUR 1.

(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
Total assets	**64,005,461**	**115,702,619**	**352,795**	**180,060,875**
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	-	-	-	-
Total liabilities and equity	**87,321,624**	**92,899,521**	**320,998**	**180,542,143**
Net balance sheet position	**(23,316,163)**	**22,803,098**	**31,797**	**(481,268)**
Off balance sheet derivative instruments net notional position	**21,860,401**	**(22,736,820)**	**(31,798)**	**(908,217)**

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

As of 30 September 2021 and 30 September 2020, the effect of the devaluation of TL by 20% 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.

	30 September 2021		30 September 2020	
	Effect on net profit	**Effect on equity [1]**	**Effect on net profit**	**Effect on equity [1]**
USD	(47,488)	(47,488)	(11,334)	(11,334)
EUR	12,149	12,149	5,355	5,355
Other currencies	-	-	196	196
Total	**(35,339)**	**(35,339)**	**(5,783)**	**(5,783)**

(1) Effect on equity also includes effect on net profit.

As of 30 September 2021 and 30 September 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 inmarket 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.

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

As of 30 September 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;

	30 September 2021					
	Up to 3 Months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Cash and due from banks	2,231,271	-	-	-	9,552,057	**11,783,328**
Financial assets measured at fair value through profit or loss	-	-	125,853	-	-	**125,853**
Derivative financial instruments	32,309	-	-	-	-	**32,309**
Derivative assets held for risk management	369,935	446,006	-	-	-	**815,941**
Loans and advances	72,280,882	103,353,437	33,671,796	13,443,466	534,827	**223,284,408**
Investment securities						
- Financial assets measured at fair value through other comprehensive income	-	-	541,817	355,241	104,704	**1,001,762**
- Financial assets measured at amortized cost	3,093,255	907,920	4,994,892	1,700,770	-	**10,696,837**
Property and equipment and intangible assets	-	-	-	-	23,140	**23,140**
Investment property	-	-	-	-	2,034	**2,034**
Other assets	419,935	548,897	-	-	(523,354)	**445,478**
Total assets	**78,427,587**	**105,256,260**	**39,334,358**	**15,499,477**	**9,693,408**	**248,211,090**
Funds borrowed	91,578,184	102,080,642	3,332,972	376,188	-	**197,367,986**
Subordinated loans	-	-	1,719,350	2,908,539	-	**4,627,889**
Debt securities in issue	-	4,760,579	20,409,935	-	-	**25,170,514**
Interbank money market deposits	3,989,129	782,408	-	-	-	**4,771,537**
Derivative financial instruments	2,001	-	-	-	-	**2,001**
Derivative liabilities held for risk management	189,262	43,727	-	-	-	**232,989**
Other liabilities	211,157	143,475	1,230	-	2,163,104	**2,518,966**
Reserve for employee benefits	-	-	-	-	31,733	**31,733**
Total liabilities	**95,969,733**	**107,810,831**	**25,463,487**	**3,284,727**	**2,194,837**	**234,723,615**
Net repricing gap	**(17,542,146)**	**(2,554,571)**	**13,870,871**	**12,214,750**	**7,498,571**	**13,487,475**

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

	31 December 2020					
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
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**
Total assets	**58,676,022**	**97,667,639**	**35,295,397**	**4,571,932**	**6,857,580**	**203,068,570**
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	-	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	448,215	381,194	1,517,630	-	(398,298)	**1,948,741**
Reserve for employee benefits	-	-	-	-	26,331	**26,331**
Total liabilities	**29,170,759**	**110,830,985**	**49,086,635**	**2,937,898**	**(371,967)**	**191,654,310**
Net repricing gap	**29,505,263**	**(13,163,346)**	**(13,791,238)**	**1,634,034**	**7,229,547**	**11,414,260**

(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 30 September 2021 and 31 December 2020:

	30 September 2021				
	USD (%)	**EUR (%)**	**JPY (%)**	**GBP (%)**	**TL (%)**
Assets					
Cash and due from banks					
- Cash equivalents	0,08	-	-	-	-
- Time deposits in foreign banks	0,67	-	-	-	-
- Time deposits in domestic banks	-	-	-	-	18,15
- Interbank money market placements	-	-	-	-	18,43
Loans and advances	1,64	1,66	-	0,80	15,10
Investment securities					
- Financial assets measured at fair value through profit or loss	5,51	-	-	-	-
- Financial assets measured at amortized cost	4,99	0,98	-	-	9,80
- Financial assets measured at fair value through other comprehensive income	6,53	-	-	-	-
Liabilities					
Funds borrowed	0,69	0,50	-	0,09	-
Subordinated liabilities	-	5,06	-	-	12,54
Debt securities in issue	5,99	-	-	-	15,50
Interbank money market deposits	2,26	-	-	-	-

	31 December 2020				
	USD (%)	**EUR (%)**	**JPY (%)**	**GBP (%)**	**TL (%)**
Assets					
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	-	-	-	-
Liabilities					
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	-	-	-	-

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

As of 30 September 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 30 September 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.

30 September 2021	Currency	Applied shock (+/- x basis points)	Gains / losses	Gains/shareholders' equity – losses/ shareholders' equity (%)
1	TL	500	(57,717)	(-0,33)
		(400)	4,899	0,03
2	EURO	200	77,349	0,44
		(200)	(8,947)	(-0,05)
3	USD	200	481,536	2,72
		(200)	(536,709)	(-3,03)
	Total (For negative shocks)		**501,168**	**2,83**
	Total (For positive shocks)		**(540,757)**	**(-3,05)**

31 December 2020	Currency	Applied shock (+/- x basis points)	Gains / losses	Gains/shareholders' equity – losses/ shareholders' equity (%)
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
	Total (For negative shocks)		**(74,281)**	**(0,46)**
	Total (For positive shocks)		**59,246**	**0,37**

(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.

(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)**
18 July 2021	804.47	19 September 2021	319.65	11 July 2021	672.09	5 September 2021	177.49

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 30 September 2021 are presented in the table below:

		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
Current Period		**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS					
1	High-quality liquid assets (HQLA)			14,248,023	12,050,497
CASH OUTFLOWS		-	-	-	-
2	**Retail deposits and deposits from small business customers**	-	-	-	-
3	Stable deposits	-	-	-	-
4	Less stable deposits	-	-	-	-
5	Unsecured wholesale funding, of which:	19,727,733	19,596,961	10,063,152	9,932,380
6	Operational deposits	-	-	-	-
7	Non-operational deposits	-	-	-	-
8	Unsecured funding	19,727,733	19,596,961	10,063,152	9,932,380
9	**Secured funding**				
10	**Other cash outflows of which:**	601,534	579,813	563,430	551,148
11	Outflows related to derivative exposures and other collateral requirements	539,121	532,041	538,655	532,040
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	62,413	47,772	24,775	19,108
14	**Other revocable off-balance sheet commitments and contractual obligations**	-	-	-	-
15	**Other irrevocable or conditionally revocable off-balance sheet obligations**	14,592,639	14,592,639	729,631	729,631
16	**TOTAL CASH OUTFLOWS**			**11,356,213**	**11,213,159**
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	22,081,947	18,124,802	12,755,570	9,615,200
19	Other cash inflows	18,315	3,711	17,779	3,711
20	**TOTAL CASH INFLOWS**	**22,100,262**	**18,128,513**	**12,773,349**	**9,618,911**
				Max limit applied values	
21	**TOTAL HQLA STOCK**			**14,248,023**	**12,050,497**
22	**TOTAL NET CASH OUTFLOWS**			**2,913,631**	**3,707,265**
23	**LIQUIDITY COVERAGE RATIO (%)**			**489,01**	**325,05**

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

(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:

		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
Prior Period		**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)			14,255,329	11,789,874
CASH OUTFLOWS				-	-
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**	**7,680,006**
6	Operational deposits	-	-	-	-
7	Non-operational deposits	-	-	-	-
8	Unsecured funding	15,174,491	15,174,491	7,680,006	7,680,006
9	**Secured funding**				
10	**Other cash outflows**	**1,755,106**	**1,737,570**	**1,010,548**	**1,002,352**
11	Outflows related to derivative exposures and other collateral requirements	514,178	512,209	514,177	512,208
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	490,144
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**	**544,817**
16	**TOTAL CASH OUTFLOWS**			**9,235,371**	**9,227,175**
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	18,745,490	15,200,064	11,910,832	8,512,980
19	Other cash inflows	26,197	2,610	26,197	2,609
20	**TOTAL CASH INFLOWS**	**18,771,687**	**15,202,674**	**11,937,029**	**8,515,589**
				Max limit applied values	
21	**TOTAL HQLA STOCK**			**14,255,329**	**11,789,874**
22	**TOTAL NET CASH OUTFLOWS**			**2,325,107**	**2,497,747**
23	**LIQUIDITY COVERAGE RATIO (%)**			**613,10**	**472,02**

(*) 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:

a) 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.

b) 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.

c) 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.

(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 30 September 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.

	30 September 2021					
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**No stated Maturity (*)**	**Total**
Cash and due from banks	2,231,271	-	-	-	9,552,057	11,783,328
Financial assets measured at fair value through profit or loss	-	-	125,853	-	-	125,853
Derivative financial instruments	16,243	16,066	-	-	-	32,309
Derivative assets held for risk management	-	243,234	565,144	7,563	-	815,941
Loans and advances	52,353,957	108,219,365	45,725,584	16,450,675	534,827	223,284,408
Investment securities						
- Financial assets measured at fair value through other comprehensive income	-	-	541,817	355,241	104,704	1,001,762
- Financial assets measured at amortized cost	3,093,255	907,920	4,994,892	1,700,770	-	10,696,837
Property and equipment and intangible assets	-	-	-	-	23,140	23,140
Investment property	-	-	-	-	2,034	2,034
Other assets	-	-	-	-	445,478	445,478
Total assets	**57,694,726**	**109,386,585**	**51,953,290**	**18,514,249**	**10,662,240**	**248,211,090**
Funds borrowed	55,077,222	111,132,045	22,739,771	8,418,948	-	197,367,986
Subordinated loans	-	-	1,719,350	2,908,539	-	4,627,889
Debt securities in issue	-	4,760,579	20,409,935	-	-	25,170,514
Interbank market deposits	3,602,791	-	1,168,746	-	-	4,771,537
Derivative financial liabilities	2,001	-	-	-	-	2,001
Derivative liabilities held for risk management	-	56,056	43,728	133,205	-	232,989
Other liabilities	124,022	190,801	38,301	(124,895)	2,290,737	2,518,966
Reserve for employee benefits	-	-	-	-	31,733	31,733
Total liabilities	**58,806,036**	**116,139,481**	**46,119,831**	**11,335,797**	**2,322,470**	**234,723,615**
Net liquidity gap	**(1,111,310)**	**(6,752,896)**	**5,833,459**	**7,178,452**	**8,339,770**	**13,487,475**

(*) 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.

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

	31 December 2020					
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**No stated maturity (*)**	**Total**
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
Total assets	**34,624,730**	**90,240,908**	**61,383,841**	**9,469,174**	**7,349,917**	**203,068,570**
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
Total liabilities	**15,509,204**	**94,138,085**	**68,561,910**	**11,543,163**	**1,901,948**	**191,654,310**
Net liquidity gap	**19,115,526**	**(3,897,177)**	**(7,178,069)**	**(2,073,989)**	**5,447,969**	**11,414,260**

(*) 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 30 September 2021 and 31 December 2020 are presented in the tables below:

	30 September 2021						
	Carrying amount	**Demand and up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**No maturity stated**	**Total**
Funds borrowed	197,367,986	56,283,332	111,309,987	23,824,802	8,719,946	-	200,138,067
Debt securities in issue	4,627,889	-	363,028	3,201,419	3,809,329	-	7,373,776
Subordinated liabilities	25,170,514	254,383	5,915,230	22,880,633	-	-	29,050,246
Interbank money market deposits	4,771,537	-	3,616,130	1,231,312	-	-	4,847,442
Other financial liabilities (1)	2,144,456	19,895	108,281	43,998	-	3,055,525	3,227,699
Total financial liabilities	**234,082,382**	**56,557,610**	**121,312,656**	**51,182,164**	**12,529,275**	**3,055,525**	**244,637,230**

(1) Tax liabilities amounting TL 18,146, funds amounting TL 13, other provisions amounting TL 341,110, derivative financial instruments amounting TL 2,001, derivative liabilities held for risk management amounting TL 232,989 and retirement benefit obligations amounting to TL 31,733 are not included in other financial liabilities.

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

31 December 2020	Carrying amount	Demand and up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No maturity stated	Total
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 [2]	1,700,514	2,013	87,785	4,761	-	1,605,968	1,700,527
Total financial liabilities	**190,588,624**	**24,446,165**	**87,372,556**	**71,416,138**	**13,578,267**	**1,605,968**	**198,419,094**

(1) 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 30 September 2021 and 31 December 2020 are presented in the tables below:

30 September 2021	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Derivative financial assets and liabilities:					
Foreign exchange derivatives:					
- Outflow	5,074,535	431,574	-	-	5,506,109
- Inflow	5,102,923	445,563	-	-	5,548,486
Interest rate derivatives:					
- Outflow	-	-	-	-	-
- Inflow	-	-	-	-	-
Foreign exchange derivatives:					
- Outflow	383,887	8,316,304	14,910,606	521,849	24,132,646
- Inflow	546,624	8,796,910	15,728,774	530,831	25,603,139
Interest rate derivatives:					
- Outflow	87,980	86,592	4,710,386	-	4,884,958
- Inflow	118,896	118,896	4,780,738	-	5,018,530
Total outflow	**5,546,402**	**8,834,470**	**19,620,992**	**521,849**	**34,523,713**
Total inflow	**5,768,443**	**9,361,369**	**20,509,512**	**530,831**	**36,170,155**

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

	31 December 2020				
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
Derivative financial assets and liabilities:					
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	-	-	-	-	-
Derivatives held for risk management:					
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
Total outflow	**5,587,211**	**6,019,586**	**24,019,960**	**848,747**	**36,475,504**
Total inflow	**5,785,021**	**6,340,889**	**24,084,176**	**801,204**	**37,011,290**

(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.

(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:

		30 September 2021		
			Net fair value of the hedging instrument	
Hedging instrument	**Hedged item (asset and liability)**	**Nature of hedge risks**	**Asset**	**Liability**
Interest rate swap	Fixed interest rate US dollar debt securities	Fixed interest rate risk	133,357	-
Cross currency swap	Fixed interest rate US dollar debt securities	Currency and interest rate risk	653,932	11,718

		31 December 2020		
			Net fair value of the hedging instrument	
Hedging instrument	**Hedged item (asset and liability)**	**Nature of hedge risks**	**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.

(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.

		30 September 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	49,646	28,652	221,271

		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.

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.

(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.

	30 September 2021		31 December 2020	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash and due from banks	11,783,328	11,783,328	11,681,430	11,681,430
Investment securities				
- Financial assets measured at fair value through profit or loss	125,853	125,853	153,454	153,454
- Financial assets measured at fair value through other comprehensive income (1)	(83,557)	-83,557	10,575	10,575
- Financial assets measured at amortized cost	10,696,837	10,013,420	10,637,542	10,292,327
Loans and advances	223,284,408	244,627,211	177,630,921	185,439,400
Financial liabilities:				
Funds borrowed	197,367,986	207,252,736	160,095,708	165,883,640
Debt securities in issue	25,170,514	25,760,696	22,953,260	22,886,387
Subordinated loans(2)	4,627,889	4,627,889	4,463,576	4,463,576
Interbank money market deposits(2)	4,778,779	4,778,779	1,388,099	1,388,099

(1) Garanti Faktoring A.Ş. shares amounting to TL 94,131 are not included (31 December 2020: TL 84,957).

(2) It has been observed that there is no difference between the fair values and the IRR of these amounts.

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.

(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 30 September 2021 and 31 December 2020.

30 September 2021	**Level 1[(1)]**	**Level 2[(2)]**	**Level 3[(3)]**	**Total**
Financial assets at fair value through profit or loss				
- Trading securities	125,853	-	-	125,853
- Derivative financial instruments	-	32,309	-	32,309
- Derivative assets held for risk management	-	815,941	-	815,941
Financial assets measured at fair value through other comprehensive income				
- Equity investments [(4)]	10,574	-	-	10,574
- Debt securities	980,614	-	-	980,614
Total assets	**1,117,041**	**848,250**	**-**	**1,965,291**
Financial liabilities at fair value through profit or loss				
- Derivative financial instruments	-	2,001	-	2,001
- Derivative liabilities held for risk management	-	232,989	-	232,989
Total liabilities	**-**	**234,990**	**-**	**234,990**

(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 94,131 are excluded.

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

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

(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.

(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.

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

The Bank's regulatory capital position on at 30 September 2021 and 31 December 2020 were as follows:

	30 September 2021 (*)	31 December 2020
Tier I capital	15,015,253	12,760,951
Tier II capital	3,507,205	3,383,632
Total regulatory capital	**18,522,458**	**16,144,583**
Amount subject to credit risk	97,188,927	77,593,027
Amount subject to market risk	442,702	525,675
Amount subject to operational risk	3,392,164	2,537,427
Total regulatory capital expressed as a percentage of total value at credit, market and operational risks (%)	**18,33**	**20,02**
Total tier 1 capital expressed as a percentage of total value at credit, market and operational risks (%)	**14,86**	**15,82**

(*) The Bank used 31 December 2020 exchange rates for its credit risk calculation based on local regulation.

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.

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

6 CASH AND DUE FROM BANKS

	30 September 2021	31 December 2020
Cash funds:		
Cash on hand	10	10
	10	**10**
Current accounts and demand deposits:		
Central Bank of Republic of Turkey (CBRT)	7,064,107	5,005,572
Foreign banks	2,471,970	84,034
Domestic banks	16,105	10,430
	9,552,182	**5,100,036**
Time deposits:		
Central Bank of Republic of Turkey (CBRT)	-	-
Foreign banks	-	200,688
Domestic banks	1,533,513	4,692,961
	1,533,513	**4,893,649**
Interbank money market placements	697,758	1,688,243
Expected credit loss	(135)	(508)
Total cash and due from banks	**11,783,328**	**11,681,430**

Cash and cash equivalents included in the statements of cash flows for the periods ended 30 September 2021 and 30 September 2020 are as follows:

	30 September 2021	30 September 2020
Cash and due from banks	11,783,328	13,199,086
Less: Interest accruals	(1,518)	(3,050)
Add: Expected credit losses	135	187
Cash and cash equivalents	**11,781,945**	**13,196,223**

Cash and cash equivalents are mainly composed of bank deposits as of 30 September 2021 and 30 September 2020.

(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 30 September 2021 and 31 December 2020 are set out in the following table:

	30 September 2021		**31 December 2020**	
	Fair value		**Fair value**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate and currency swaps purchases and sales	-	-	-	-
Forward purchases and sales	192	(185)	761	(825)
Foreign currency swaps purchases and sales	-	-	-	-
Cross currency and basis swaps purchases and sales	32,117	(1,816)	25,463	(114,104)
Option purchases and sales	-	-	-	-
Total derivative assets/(liabilities)	**32,309**	**(2,001)**	**26,224**	**(114,929)**

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.

(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;

	30 September 2021	31 December 2020
Short-term		
Discount loans	141,971,134	113,624,147
Financial institutions	7,987,237	7,369,587
Export guaranteed loans	2,948,855	3,304,046
Specialized loans	142,450	204,389
Other guaranteed loans	167	241
	153,049,843	**124,502,410**
Medium and long-term		
Export guaranteed loans	37,458,202	24,758,720
Export guaranteed investment loans	14,118,840	13,253,728
Financial institutions	8,217,471	5,326,669
Foreign country loans (political risks)	6,151,679	5,498,684
Specialized loans	2,132,936	665,815
Other	12,267	32,607
	68,091,395	**49,536,223**
Performing loans	**221,141,238**	**174,038,633**
Loans under close monitoring	1,405,459	3,339,967
Impaired loans and advances	1,642,402	1,031,915
Gross loans and advances	**224,189,099**	**178,410,515**
Expected credit losses- Stage 1	(63,431)	(85,234)
Expected credit losses- Stage 2	(91,545)	(3,990)
Expected credit losses- Stage 3	(749,715)	(690,370)
Net loans and advances	**223,284,408**	**177,630,921**

The Bank provides impairment provision for non-performing loans amounting to TL 1,642,402 (31 December 2020: TL 1,031,915) comprising 0.74% (31 December 2020: 0.58%) of the total loans outstanding at 30 September 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 30 September 2021 and 30 September 2020 are as follows:

	30 September 2021	30 September 2020
Balance at the beginning of the period	**779,594**	**466,896**
Recoveries and reversals(*)	(43,497)	(60,539)
Provision for the period	168,594	202,179
Balance at the end of the period	**904,691**	**608,536**

(*)The Bank has derecognized non-performing loans amounting to TL 16,279 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:

	30 September 2021	31 December 2020
Private sector	211,849,279	10,604,785
Public sector	11,435,129	167,026,136
	223,284,408	**177,630,921**

The following tables provide a summary of the Bank's forborne assets as of September 30, 2021

		Stage 2				Stage 3					
	Gross Carrying Amount	**Temporay Mod.**	**Permanent Mod**	**Refinancing**	**Total Performing Forborne Loans**	**Temporay Mod.**	**Permanent Mod**	**Refinancing**	**Total Non-Performing Forborne Loans**	**Total Forborne Loans**	**Forberance Ratio**
Corporate Lending	2,082,779	-	1,119,977	-	1,119,977	-	775,347	-	775,347	1,895,324	0,85
Consumer Lending	-	-	-	-	-	-	-	-	-	-	-
Total	**2,082,779**	**-**	**1,119,977**	**-**	**1,119,977**	**-**	**775,347**	**-**	**775,347**	**1,895,324**	**0,85**

9 INVESTMENT SECURITIES

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

	30 September 2021	31 December 2020
Financial assets measured at fair value through other comprehensive income		
Debt securities		
- Listed	897,058	709,777
- Unlisted	-	-
Equity investments		
- Listed	-	-
- Unlisted	104,704	95,532
Total	**1,001,762**	**805,309**

As of 30 September 2021, securities amounting to TL 751,286 (31 December 2020: 439,424) have been pledged under repurchase agreement.

As of 30 September 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.

(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 30 September 2021 and 31 December 2020 are as follows:

Equity investments	Share % 30 September 2021	Carrying amount 30 September 2021	Share % 31 December 2020	Carrying amount 31 December 2020	Business
Garanti Faktoring A.Ş.	9,78	94,131	9,78	84,957	Factoring
Kredi Garanti Fonu A.Ş.	1,49	7,658	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
		104,704		**95,532**	

The movements of FVOCI investments are summarized as follows;

	30 September 2021	31 December 2020
Balances at January 1	805,309	37,822
Additions	247,198	1,649,507
FX Diff	300,948	(4,893)
Disposals	(322,559)	976,841
Amortisation	-	-
Gains/Loss from changes in FV	(29,134)	99,714
Accrual	-	-
Balances at December 31	**1,001,762**	**805,309**

(b) Financial assets measured at amortized cost:

	30 September 2021	31 December 2020
Debt securities		
- Government bonds	10,696,837	10,637,542
Total	**10,696,837**	**10,637,542**

As of 30 September 2021 and 31 December 2020, government bonds and treasury bills amounting to TL 705,745 (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 6,272,996 (31 December 2020: 1,013,797) have been pledged under repurchase agreement.

The movement of securities classified as financial assets measured at amortized costs as at 30 September 2021 and 31 December 2020 are as follows:

	30 September 2021	31 December 2020
Balance at 1 January	**10,637,542**	**7,089,499**
Purchases	1,500	1,724,460
Redemptions	986,173	-
Foreign exchange difference	1,044,342	1,715,963
Interest income accruals	(644)	108,172
Expected credit loss	(1,972,076)	(552)
Amount at the end of the period	**10,696,837**	**10,637,542**

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

10 PROPERTY AND EQUIPMENT

	Buildings (*)	Leased Assets	Vehicles	Other Tangible Assets	Leasehold Improvements	Total
Cost						
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	-	-	-
Closing balance, 31 December 2020	**23,215**	**-**	**4,361**	**19,657**	**14,257**	**61,490**
Accumulated depreciation:						
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	-	-	-
Closing balance, 31 December 2020	**13,408**	**-**	**3,646**	**12,613**	**14,257**	**43,924**
Cost						
Opening balance, 1 January 2021	23,215	-	4,361	19,657	14,257	61,490
Additions	735	-	-	533	207	1,475
Disposals	-	-	(812)	(40)	-	(852)
Transfers	-	-	-	-	-	-
Closing balance, 30 September 2021	**23,950**	**-**	**3,549**	**20,150**	**14,464**	**62,113**
Accumulated depreciation:						
Opening balance, 1 January 2021	13,408	-	3,646	12,613	14,257	43,924
Additions	5,187	-	156	1,731	20	7,094
Disposals	-	-	(812)	(29)	-	(841)
Transfers	-	-	-	-	-	-
Closing balance, 30 September 2021	**18,595**	**-**	**2,990**	**14,315**	**14,277**	**50,177**
As at 31 December 2020, net carrying value	**9,807**	**-**	**715**	**7,044**	**-**	**17,566**
As at 30 September 2021, net carrying value	**5,355**	**-**	**559**	**5,835**	**187**	**11,936**

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

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

11 INTANGIBLE ASSETS

	Intangible assets
Cost	
Opening balance, 1 January 2020	14,257
Additions	4,567
Disposals	-
Closing balance, 31 December 2020	**18,824**
Accumulated amortization:	
Opening balance, 1 January 2020	(7,137)
Additions	(1,502)
Disposals	-
Closing balance, 31 December 2020	**(8,639)**
Cost	
Opening balance, 1 January 2021	18,824
Additions	2,848
Disposals	-
Closing balance, 30 September 2021	**21,672**
Accumulated amortization:	
Opening balance, 1 January 2021	(8,639)
Additions	(1,829)
Disposals	-
Closing balance, 30 September 2021	**(10,468)**
As at 31 December 2020, net carrying value	**10,185**
As at 30 September 2021, net carrying value	**11,204**

12 INVESTMENT PROPERTY

As of 30 September 2021, The Bank has net investment property amounting to TL 2,034 (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.

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

13 OTHER ASSETS

	30 September 2021	31 December 2020
Financial assets		
Guarantees given	119,332	452,028
Prepayments	85,987	967,990
Receivables from Reassurance Companies	60,939	105,967
Notes receivable	57,893	47,933
Receivables from banks	5,574	575
Other	116,489	91,127
	446,214	**1,665,620**
Expected credit losses	(736)	(27,905)
	445,478	**1,637,715**

14 FUNDS BORROWED AND INTERBANK MONEY MARKET DEPOSITS

	30 September 2021	31 December 2020
Interbank money market deposits – TL	**4,771,537**	**1,375,566**
Domestic banks	**150,317,741**	120,807,970
Foreign banks	47,050,245	39,287,738
Funds borrowed	**197,367,986**	**160,095,708**
Funds borrowed and interbank money market deposits total	**202,139,523**	**161,471,274**

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

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

The breakdown of funds borrowed as of 30 September 2021 and 31 December 2020 is as follows:

30 September 2021	Interest rate	Original currency amount *(thousands)*	Original currency	TL	Maturity date *(year)*
Due to Central Bank	(LIBOR/EURIBOR + 0%)			**142,663,705**	
CBRT Loan		1,113,883	TRY	1,113,883	(1)
CBRT Loan		7,336,410	USD	64,913,295	(1)
CBRT Loan		60,565	GBP	720,333	(1)
CBRT Loan		7,394,555	EUR	75,916,194	(1)
Due to IFIs	Libor/Euribor + %0,01-%2,95			**13,282,272**	
Black Sea Trade and Development Bank		49,978	EUR	513,099	22.12.2022-06.02.2023
Council of Europe Development Bank		125,598	EUR	1,289,455	8.02.2022-07.08.2025
European Investment Bank		238,051	EUR	2,443,953	17.12.2021-23.12.2024
European Investment Bank		36,255	USD	320,784	16.01.2024-29.07.2024
Islamic Development Bank		255,924	USD	2,264,438	14.04.2026-31.05.2030
World Bank (EFIL) Loans		36,615	EUR	375,912	01/03/2038
World Bank (EFIL) Loans		436,944	USD	3,866,123	1.3.2038-15.7.2038
World Bank (LTEF) Loans		249,603	USD	2,208,508	14/11/2025
Due to Commercial Banks	Libor/Euribor + %0,70-%3,13			**41,422,009**	
ABC International		30,076	USD	266,118	15.02.2022-04.03.2022
China Development Bank		69,846	USD	618,003	23/02/2024
Citibank Türkiye		75,204	USD	665,411	21.01.2022-20.09.2022
Citibank		15,080	USD	133,433	19/01/2022
Doha Bank		50,313	USD	445,175	10/01/2022
ICBC Macau		350,386	USD	3,100,252	28/02/2022
ICBC Turkey		199,216	EUR	2,045,250	25/11/2022
ING DIBA - ICIEC Guaranteed Loan		60,857	EUR	624,791	04/12/2026
Intesa Sanpaolo SPA, Istanbul Branch		100,677	EUR	1,033,605	10.03.2022-04.11.2022
Syndicated Loan MIZUHO		24,557	USD	217,279	19/08/2022
Standard Chartered Bank		81,029	EUR	831,880	17.01.2022-07.03.2022
Sumitomo Mitsui Banking Corporation		66,911	USD	592,032	06.07.2022-14.07.2022
Syndicated loan with IBRD Guarantee		489,733	EUR	5,027,841	26.06.2030-20.05.2031
Syndicated loan with ICIEC Guarantee		175,875	EUR	1,805,617	21/06/2024
Syndicated loan with MIGA Guarantee		583,838	EUR	5,993,974	28.03.2025-27.06.2028
Syndicated loan with MIGA Guarantee		581,236	USD	5,142,832	28.03.2025-27.06.2028
MUFG Bank Turkey		29,531	EUR	303,180	30/06/2022
Syndicated loan		869,940	EUR	8,931,236	17.11.2021-23.05.2022
Syndicated loan		318,085	USD	2,814,448	17.11.2021-23.05.2022
TURKIYE VAKIFLAR BANKASI T.A.O.		20,113	EUR	206,491	23/05/2022
TÜRKİYE KALKINMA BANKASI ANONİM ŞİRKETİ		20,001	USD	176,967	08/10/2021
VAKIF KATILIM BANKASI ANONİM ŞİRKETİ		50,428	USD	446,194	17/05/2022
Total funds borrowed				**197,367,986**	

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

(2) Balance is denominated by USD.

(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 currency amount *(thousands)*	Original currency	TL	Maturity date *(year)*
Due to Central Bank				**114,972,607**	
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)
Due to IFIs	(LIBOR/EURIBOR + 0.05% - 2.95%)			**10,582,056**	
Black Sea Trade and Development 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
Due to Commercial Banks	(LIBOR/EURIBOR + 0.01% - 3.50%)			**34,541,045**	
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
Total funds borrowed		**21,738,252(2)**	**USD**	**160,095,708**	

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

(2) Balance is denominated by USD.

(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	(1,914,559)	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	(4,166,667)	8 February 2021
Council of Europe Development Bank	EUR	(8,333,333)	8 February 2021
Council of Europe Development Bank	EUR	(3,125,000)	8 February 2021
Eurobond	USD	(500,000,000)	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 with MIGA Guarantee	USD	(10,416,667)	29 March 2021
Syndicated loan with MIGA Guarantee	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
Islamic Development Bank	USD	(12,096,143)	14 April 2021
Sumitomo Mitsui Banking Corporation	USD	(55,000,000)	14 April 2021
Syndicated loan	USD	(50,000,000)	22 April 2021
Syndicated loan	EUR	(30,000,000)	22 April 2021
Islamic Development Bank	USD	(2,253,857)	26 April 2021
Council of Europe Development Bank	EUR	(5,000,000)	26 April 2021
Syndicated loan with MIGA Guarantee	EUR	(7,142,857)	7 May 2021
Syndicated loan with MIGA Guarantee	USD	(2,142,857)	7 May 2021
Council of Europe Development Bank	EUR	(5,000,000)	17 May 2021
NCB Bank	USD	(49,500,000)	17 May 2021
Syndicated loan	EUR	(465,500,000)	21 May 2021
Syndicated loan	USD	(45,000,000)	21 May 2021
Syndicated loan	USD	(166,000,000)	21 May 2021
MUFG Bank London	EUR	(32,000,000)	4 June 2021
ING Diba - ICIEC Guaranteed Loan	EUR	(5,652,632)	4 June 2021
European Investment Bank	EUR	(1,470,588)	17 June 2021
European Investment Bank	EUR	(5,000,000)	21 June 2021
European Investment Bank	EUR	(10,000,000)	21 June 2021
European Investment Bank	EUR	(10,000,000)	22 June 2021
European Investment Bank	EUR	(10,000,000)	22 June 2021
Syndicated loan with MIGA Guarantee	USD	(37,500,000)	29 June 2021
Syndicated loan with MIGA Guarantee	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 Sanpaolo Bank	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
European Investment Bank	EUR	(2,375,000)	27 July 2021
Mizuho Corporate Bank Ltd	USD	(24,500,000)	27 July 2021
European Investment Bank	USD	(2,840,906)	27 July 2021
Council of Europe Development Bank	EUR	(8,333,333)	9 August 2021
Council of Europe Development Bank	EUR	(3,125,000)	9 August 2021
Council of Europe Development Bank	EUR	(4,166,667)	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
Eurobond	USD	(500,000,000)	23 September 2021
Syndicated loan with MIGA Guarantee	EUR	(5,555,556)	28 September 2021
Syndicated loan with MIGA Guarantee	USD	(10,416,667)	28 September 2021

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

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

15 DEBT SECURITIES IN ISSUE

Information regarding securities issued	30 September 2021	31 December 2020
Securities Issued	24,268,532	21,853,312
Discount on Issuance of Securities (-)	58,054	30,528
Bond Interest Accrual	960,036	1,130,476
Total	**25,170,514**	**22,953,260**

- In October 2016, the Bank issued bonds amounting USD 500 million (TL 4,424,050). 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 4,424,050). 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 4,424,050). 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 4,424,050). 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 (6.636.075 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.
- In September 2019, the Bank issued a three-year bond with variable interest payments every six months and a total amount of TL 256.247.

	30 September 2021	31 December 2020
Opening Balance	22,953,260	18,791,531
Proceeds during the year	6,501,600	-
Repayments during the year	(3,527,100)	-
Other non-cash movements	(-757,246)	4,161,729
Total debt securities securities	**25,170,514**	**22,953,260**

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

16 SUBORDINATED LIABILITIES

	30 September 2021	31 December 2020
Subordinated debt instruments (*)	2,908,539	2,998,128
Subordinated loans (**)	1,719,350	1,465,448
Total	**4,627,889**	**4,463,576**

(*) 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 6,780 (31 December 2020: TL 96,369).

(**) It also includes Tier II capital amounting EUR 150 million (TL 1,547,385) and interest expense of EUR 95,369 (TL 979,109).

Changes in liabilities arising from financing activities are as follows;

	Funds Borrowed	Debt Securities Issued	Subordinated Loans
Opening Balances	**160,095,708**	**22,953,260**	**4,463,576**
Cash Flow Items:			
Issuance/Borrowed	104,911,516	6,501,600	-
Repayment	80,465,129	4,424,050	-
Non-cash flow items			
Movement in Accrual	131,536	-170,440	-17,982
Movemnent in Price Diff	-	-27,526	-
FX Differences	13,930,934	337,670	182,295
Commision offset	822,303	-	-
CBRT Upfront Mov	-414,276	-	-
Exim offset	-		-
Ending Balances	**197,367,986**	**25,170,514**	**4,627,889**

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 3rd 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.

(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:

	30 September 2021	31 December 2020
Financial liabilities		
Guarantees received[(1)]	1,632,027	1,181,327
Unearned revenue	26,132	347,030
Tax liability	18,146	12,617
Positive price difference on bonds issued	-	17,700
Funds	13	13
Other	370,740	-
Non-financial liabilities		
Insurance technical provisions	221,489	160,393
Dividend pay liabilities	33,146	105,984
BRSA expense provision	88,704	51,181
Vacation pay liability[(2)]	18,608	56,500
Other	109,961	15,996
	2,518,966	**1,948,741**

(1) 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.

(2) TL 2,612 of vacation pay liability provision is provided during 2021 (30 September 2020: TL 2,319).

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 30 September 2021 actuarial gains/losses amounting to TL (0) related to the reserve for employee termination benefits shown under equity and the current service cost and interest expense amounting to TL 5,401 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 30 September 2021 and 31 December 2020.

	30 September 2021	31 December 2020
Discount rate (%)	12.5	12.5
Inflation rate (%)	8.8	8.8

Movement in the reserve for employment termination benefits for the period ended 30 September 2021 and 30 September 2020 are as follows:

	30 September 2021	30 September 2020
1 January	26,332	30,076
Current service cost	2,933	1,741
Interest expense	2,468	1,295
Actuarial gains	-	
Payments during the period	-	(227)
Total	**31,733**	**32,885**

(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 9,270,000 (31 December 2020: TL 9,270,000) and consists of 9.27 billion (31 December 2020: 9.27 billion) authorized shares with a nominal value of TL 1 each.

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.

	30 September 2021	31 December 2020
Share capital - historical cost	9,270,000	9,270,000
Adjustment to share capital	38,091	38,091
Total paid in share capital	**9,308,091**	**9,308,091**

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 30 September 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:

a) 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.

b) 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 30 September 2021, such gains/(losses) recognized under equity in fair value reserves amounted to TL 82,607 (31 December 2020: TL 116,279).

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

21 NET INTEREST INCOME

	1 January – 30 September 2021	1 January – 30 September 2020
Interest income:		
Interest on loans and advances	3,719,589	3,202,494
Interest on deposits with banks	215,220	64,956
Interest on financial assets measured at amortized cost	478,026	392,749
Interest on interbank money market placements	95,746	35,291
Interest on financial assets measured at fair value through profit or loss	9,590	6,316
Interest on financial assets measured at fair value through other comprehensive income	53,446	10,166
Other interest income	2,114	9,449
Total interest income	**4,573,731**	**3,721,421**
Interest expense:		
Interest on funds borrowed	(1,409,497)	(1,611,340)
Interest on debt securities in issue	(1,357,114)	(1,254,728)
Other interest expenses	(107,018)	(15,301)
Total interest expense	**(2,873,629)**	**(2,881,369)**
Net interest income	**1,700,102**	**840,052**

22 FOREIGN EXCHANGE GAINS AND LOSSES

	1 January – 30 September 2021	1 January – 30 September 2020
Foreign exchange gains	54,701,425	52,761,202
Foreign exchange losses	(55,648,838)	(51,332,838)
Net foreign exchange gains/(losses)	**(947,413)**	**1,428,364**

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

	1 January – 30 September 2021	1 January – 30 September 2020
Derivative income (*)	2,388,948	1,815,372
Derivative expenses (*)	(811,482)	(2,552,805)
Trading income	3,941	6,808
Trading expense	(353)	-
Total	**1,581,054**	**(730,625)**

(*) Derivative income/expense includes fair value hedge valuation differences amounting TL (1,576,452) (30 September 2020: TL 159,501).

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

24 OTHER OPERATING INCOME

	1 January – 30 September 2021	1 January – 30 September 2020
Released reserves	-	-
Rent income	1,255	1,011
Sale of assets	110	-
Other (*)	13,965	7,334
Total	**15,330**	**8,345**

(*) The related amount consists of real estate rental income, personnel disability income, adjustments to previous years' expenses and other transactions within the scope of TAS40.

25 OPERATING EXPENSES

	1 January – 30 September 2021	1 January – 30 September 2020
Personnel expenses	(201,180)	(177,955)
BRSA contribution expense	(37,523)	(31,348)
KOSGEB fee (*)	(42,658)	(10,143)
Taxes and duties expenses	(24,062)	(18,207)
Depreciation and amortization charges	(9,002)	(7,864)
Operating expenses	(20,449)	(17,025)
Premiums paid to reinsurance companies	-	(9)
Employment termination benefits and unused vacation	(8,013)	(6,873)
Rent expenses	(392)	-
Research expenses	-	-
Other	(30,805)	(46,097)
Total	**(374,084)**	**(315,521)**

(*) 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.

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 30 September 2021, there are legal proceedings outstanding against the Bank amounting to TL 12,947, USD 5,843, EUR 771 thousand and GBP 44 thousand. In addition, there are legal proceedings outstanding filed by the Bank. These legal proceedings amounting to TL 276,424, USD 52,955, EUR 16,264 thousand and GBP 29 thousand.

The Bank has allocated provisions amounting to TL 18,619 (31 December 2020: 14,035) for these legal proceedings. A number of the outstanding litigation cases in Turkish courts relate to employee bonus payments.

(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 30 September 2021 and 31 December 2020 is as follows:

		30 September 2021		31 December 2020	
	Currency	**Foreign currency amount**	**TL**	**Foreign currency amount**	**TL**
Transaction type					
Interest rate swap purchases	USD	500,000	4,424,050	1,000,000	7,364,700
	EUR	-	-	-	-
Foreign currency swap purchases	USD	428,417	3,790,680	334,525	2,463,673
	TL	1,297,767	1,297,767	172,345	172,345
	GBP	-	-	1,150	11,560
	EUR	-	-	-	-
Foreign currency forward purchases	USD	-	-	2,741	20,187
	TL	5,408	5,408	21,814	21,814
	GBP	-	-	260	2,613
	EUR	500	5,133	-	-
Cross currency swaps purchases	USD	2,100,380	18,584,374	2,653,743	19,544,022
	JPY	-	-	-	-
	EUR	-	-	-	-
Option purchases	TL	-	-	-	-
	EUR	-	-	-	-
	USD	-	-	-	-
Total purchases			**28,107,412**		**29,600,914**
Interest rate swap sales	USD	500,000	4,424,050	1,000,000	7,364,700
	EUR	-	-	-	-
Foreign currency swap sales	EUR	488,604	5,016,257	226,821	2,053,005
	GBP	3,000	35,680	4,500	45,234
	JPY	110	866	10,322	737
	TL	-	-	490,869	490,869
	USD	-	-	20,000	147,294
Foreign currency forward sales	TL	5,400	5,400	24,538	24,538
	USD	-	-	2,741	20,187
	EUR	500	5,133		
Cross currency swaps sales	TL	-	-	-	-
	EUR	1,826,151	18,748,184	2,285,201	20,683,815
	JPY	-	-	-	-
	USD	-	-	-	-
Option sales	TL	-	-	-	-
	EUR	-	-	-	-
	USD	-	-	-	-
Total sales			**28,235,570**		**30,830,379**
Total			**56,342,982**		**60,431,293**

(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:

	30 September 2021				
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Interest rate swap purchases	-	-	4,424,050	-	4,424,050
Foreign currency swap purchases	4,646,042	442,405	-	-	5,088,447
Forward foreign currency purchases	10,541	-	-	-	10,541
Cross currency swaps purchases	-	7,520,884	6,789,629	4,273,861	18,584,374
Option purchases	-	-	-	-	-
Total purchases	**4,656,583**	**7,963,289**	**11,213,679**	**4,273,861**	**28,107,412**
Interest rate swap sales	-	-	4,424,050	-	4,424,050
Foreign currency swap sales	4,188,629	864,174	-	-	5,052,803
Forward foreign currency sales	10,533	-	-	-	10,533
Cross currency swaps sales	-	7,450,351	6,859,816	4,438,017	18,748,184
Option sales	-	-	-	-	-
Total sales	**4,199,162**	**8,314,525**	**11,283,866**	**4,438,017**	**28,235,570**

	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	-	-	-	-	-
Total purchases	**5,258,451**	**4,798,441**	**15,097,635**	**4,446,387**	**29,600,914**
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	-	-	-	-	-
Total sales	**5,246,545**	**4,933,878**	**15,742,509**	**4,907,447**	**30,830,379**

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.

(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 30 September 2021 and 31 December 2020:

	30 September 2021	31 December 2020
Financial guarantees		
Letters of Guarantee	171,896	11,040
Other guarantees		
- Foreign currency (Note 4)	15,197,957	11,979,838
Total financial guarantees	**15,369,853**	**11,990,878**

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

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

27 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.

30 September 2021	Corporate banking	Investment banking	Unallocated	Total
Segment revenue	4,313,108	2,433,282	30,532	6,776,922
Segment expenses	(2,007,814)	(1,382,375)	(1,296,475)	(4,686,664)
Net profit	**2,305,294**	**1,050,907**	**(1,265,943)**	**2,090,258**
Interest income	3,721,703	852,028	-	4,573,731
Interest expense	(1,515,170)	(1,357,212)	(1,247)	(2,873,629)
Depreciation and amortization	-	-	(9,002)	(9,002)
Impairment charges on loans	(196,230)	643	26,993	(168,594)
Total segment assets	**223,284,408**	**24,456,030**	**470,652**	**248,211,090**
Segment liabilities	197,367,986	34,569,940	2,785,689	234,723,615
Equity	-	132,253	13,355,222	13,487,475
Total liabilities and equity	**197,367,986**	**34,702,193**	**16,140,911**	**248,211,090**

31 December 2020	Corporate banking	Investment banking	Unallocated	Total
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)
Net profit	**2,022,737**	**(2,494,206)**	**1,982,857**	**1,511,388**
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)
Total segment assets (*)	**177,630,921**	**23,770,072**	**1,667,577**	**203,068,570**
Segment liabilities	160,095,708	28,792,402	2,766,200	191,654,310
Equity	-	149,296	11,264,964	11,414,260
Total liabilities and equity (*)	**160,095,708**	**28,941,698**	**14,031,164**	**203,068,570**

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

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

27 SEGMENT ANALYSIS *(continued)*

Reconciliation of segment results of operations:

30 September 2021	Corporate banking	Investment banking	Unallocated	Total
Interest income	3,721,703	852,028	-	4,573,731
Fee and commissions income	591,405		15,202	606,607
Gains on financial instruments measured at fair value profit or loss	-	1,581,054	-	1,581,054
Other operating income	-	200	15,330	15,530
Total segment revenue	**4,313,108**	**2,433,282**	**30,532**	**6,776,922**

30 September 2021	Corporate banking	Investment banking	Unallocated	Total
Interest expense	(1,515,170)	(1,357,212)	(1,247)	(2,873,629)
Fee and commissions expense	(296,414)	(23,720)	(2,810)	(322,944)
Impairment charges on loans	(196,230)	643	26,993	(168,594)
Losses on financial instruments measured at fair value profit or loss				-
Foreign exchange losses	-	-	(947,413)	(947,413)
Other operating expenses	-	(2,086)	(371,998)	(374,084)
Total segment expense	**(2,007,814)**	**(1,382,375)**	**(1,296,475)**	**(4,686,664)**

31 December 2020	Corporate banking	Investment banking	Unallocated	Total
Interest income	2,120,847	282,198	-	2,403,045
Fee and commissions income	216,225	-	6,706	222,931
Gains on financial instruments measured at fair value profit or loss	-	435,460	-	435,460
Other operating income	358	89	122,859	123,306
Total segment revenue	**2,337,430**	**717,747**	**129,565**	**3,184,742**

31 December 2021	Corporate banking	Investment banking	Unallocated	Total
Interest expense	(1,067,248)	(800,934)	(1,323)	(1,869,505)
Fee and commissions expense	(114,439)	(20,193)	(1,845)	(136,477)
Impairment charges on loans	(155,802)	(487)		(156,289)
Losses on financial instruments measured at fair value profit or loss	-	-	-	-
Foreign exchange losses	-	-	-	-
Other operating expenses	-	(9,357)	(198,811)	(208,168)
Total segment expense	**(1,337,489)**	**(830,971)**	**(201,979)**	**(2,370,439)**

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

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:

	30 September 2021	31 December 2020
Due from banks:		
- Other related parties [1]	9,107,387	10,123,457
Loans and advances:		
- Other related parties [2]	5,275,021	4,490,861
Investment securities ("FV through P/L")		
- Shareholder [3]	86,185	74,891
Investment securities ("FV through OCI")		
- Shareholder [4]	897,057	668,849
Investment securities ("Held to maturity")		
- Shareholder [5]	10,696,838	10,637,542
Funds borrowed		
- Other related parties [6]	147,298,942	119,971,167
Other liabilities		
- Other related parties	18,159	20,340

(3) Average interest rate for due from banks for TL is 18.92% (31 December 2020: 1.06% for FX and 19.25% for TL)

(4) Average interest rate for loans and advances for FX and TL are respectively 2,52% and 14,37% (31 December 2020: 2.78% for FX and 10.8% for TL)

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

(6) Average interest rate for investment securities (FV through OCI) for FX is 6,59% (31 December 2020: 6,61%)

(7) Average interest rate for investment securities (Held to maturity) for FX and TL are respectively 2,49% and 9.81% (31 December 2020: 2.33% for FX and 9.82% for TL)

(8) Average interest rate for funds borrowed for FX and TL are respectively 0.23% and 10,11% (31 December 2020: 0.30% for FX and 9.02% for TL)

(b) Transactions with related parties:

	30 September 2021	31 December 2021
Interest income on investment securities:		
- Shareholder	530,693	245,218
Interest income on loans and advances:		
- Other related parties	195,821	132,436
Interest expense on funds borrowed:		
- Other related parties	874,756	470,801
Operating expenses (taxes paid)		
-Other related parties	24,062	16,961

(c) Remuneration of key management personnel:

	30 September 2021	31 December 2021
Salaries and other short-term employee benefits	7,808	2,606

29 EVENTS AFTER THE REPORTING PERIOD

As of 13 October 2021, Eximbank has the status of founding partner with 5% of its shares by paying 500,000 TL in cash to the İhracat Geliştirme A.Ş.. The 95% share belongs to the Turkish Exporters Assembly.