

2021 ANNUAL REPORT



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INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the General Assembly of Türkiye İhracat Kredi Bankası A.Ş

1) Opinion

We have audited the annual report of Türkiye İhracat Kredi Bankası A.Ş. ("the Bank") for the period of January 1, 2021 – December 31, 2021.

In our opinion, the unconsolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Bank are presented fairly and consistent, in all material respects, with the audited full set unconsolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated 2 April 2015 published by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Bank in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Our Auditor's Opinion on the Full Set Financial Statements

We have expressed an unqualified opinion in our auditor's report dated February 25, 2022 on the full set financial statements of the Bank for the period of January 1, 2021 – December 31, 2021.



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4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks', the management of the Bank is responsible for the following items:

- a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- b) Preparation and fair presentation of the annual report; reflecting the operations of the Bank for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the financial statements. The development of the Bank and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- c) The annual report also includes the matters below:
 - Subsequent events occurred after the end of the fiscal year which have significance,
 - The research and development activities of the Bank,
 - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.
 - Other matters prescribed in the communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks' published in official gazette no.26333 dated November 1, 2006.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Trade and related institutions.

5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communique on 'Principles and procedures set out by the regulations on preparation and issuance of the annual reports of Banks' published in official gazette no.26333 dated November 1, 2006 , "Regulation on Accounting Applications for Banks Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency ("BRSA"), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Financial Reporting Standards ("TFRS") for the matters which are not regulated by these regulations, on whether the unconsolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Bank's audited unconsolidated financial statements and to prepare a report including our opinion.



The independent audit we have performed is conducted in accordance with InAS and BRSA Independent Audit Regulation. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the unconsolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the unconsolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Fatma Ebru Yücel.

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



Fatma Ebru Yücel, SMMM
Partner

February 25, 2022
İstanbul, Turkey

Presentation

Corporate Profile

Export Credit Bank of Türkiye (Türk Eximbank) is the only official export credit agency in Türkiye.

Being the sole official export credit agency in Türkiye, Türk Eximbank helps Turkish companies engaged in goods and services exports, overseas contracting, and investment goods manufacturing and sales increase their share in international trade by extending them credit and credit insurance support since 1987. While satisfying their business and investment finance needs on one hand, Türk Eximbank also protects our exporters against collection and market risk through credit insurance and derivatives as they carry out their activities.

Domestic credits are offered to exporters, available in short-, medium- and long-term options for fulfilment of pre- or post-shipment needs for the exports of goods and services. Lending is made also through commercial banks and other finance companies, as well as credit programs directly extended by the Bank. Program requirements of pre-shipment export credit include export commitment liability, whereas under the post-shipment credit, exporters can have their credit sales discounted to make use of the Bank's financing facilities. Short Term Export Credit Insurance insures short-, medium- and long-term receivables arising from commodity and service exports against commercial and/or political risks. The Bank also provides insurance cover for short-term receivables arising from the domestic operations of exporters and group companies with the Domestic Receivables Insurance. Today the Bank insures exports to 238 countries with its insurance programs.

Türk Eximbank offers service with 22 branches and 10 liaison offices. Headquartered in İstanbul (Anadolu Yakası), the Bank has 22 units covering İç Anadolu, Marmara and Ege Regional Directorates and Ankara, Gaziantep, İzmir, Bursa, Denizli, Adana, Konya, Kayseri, Antalya, İstanbul (Avrupa Yakası), Gebze, Merkez, İstanbul Odakule, Çorlu, Manisa, Maltepe, Mersin, Eskişehir, İskenderun, Trabzon, İstanbul İkitelli OSB and Kahramanmaraş branches, and 10 liaison offices in Samsun, Ege Region Chamber of Industry, Ege Exporters' Associations, İzmir Kemalpaşa Organized Industry Zone, Aydın, Erzurum, Hatay, Sakarya, İstanbul Anadolu Yakası Organized Industrial Site and İnegöl.

Out of 734 employees on Türk Eximbank's payroll, 10 hold PhD, 380 master's degrees, 252 bachelor's degrees, 28 associate degrees.

Sustainability at Türk Eximbank

Türk Eximbank believes that sustainable exports is of the utmost importance in the rapidly changing world that is confronted with numerous issues from climate change to socioeconomic inequality. In this direction, the Bank takes into account all financial and non-financial risks that are economic and ESG-related while carrying out its activities.

Within this framework, the Bank launched the “Sustainability, Environmental and Social Risk Management” Project to carry out all of its activities in line with sustainability principles and to shape its governance structure on the center of these principles. In the same direction, the Sustainability Principles, Environmental and Social Impact Policy, Climate Change Adaptation and Mitigation Policy were approved by the Board of Directors.

Accordingly, the Environmental and Social Risk Model is applied for the following loan applications although they are not included in “Türk Eximbank Unfunded Activities List” in order to assess the environmental and social risks stemming from the Bank’s lending and insurance transactions and for their effective management in line with the Bank’s strategy:

- All investment loan, medium- and long-term insurance and international loans applications, in which Türk Eximbank’s share is USD 10 million or higher and which have a term of 24 months or longer,
- Investment loan, medium- and long-term insurance and international loan applications, in which Türk Eximbank’s share is below USD 10 million, which have a term of 24 months or longer, which are located within/near sensitive zones or which present a high probability of significant human rights impacts within the scope of the operation,
- Loan applications in the threshold amount and at the terms stipulated in the related agreements within the framework of disbursements from subordinated funds secured from, or with the guarantee of, supranational institutions such as MIGA, World Bank (IBRD), the Council of Europe Development Bank (CEB), Islamic Development Bank and ICIEC.

As Türk Eximbank, we believe that sustainability is a factor that affects not just the world’s future but one that also drives the development of organizations. Accordingly, the Sustainability Committee and the Sustainability Sub-Committee have been set up in 2019. Procedures have been determined for each Sustainability Sub-Committee member within the scope of the Sustainability Management System, and necessary planning has been made in periodic meetings. Furthermore, a Sustainability Department has been set up at the Bank in 2021. The Bank obtained ISO 14064 GHG Verification Document for its 2020 operational activities. The emissions audit for 2021 will be conducted in accordance with ISO 14064:2018 version and related work is ongoing for 2021 operational activities. An agreement has been reached for procuring the Bank’s electrical energy from renewables in 2022 and 1,000 MWh I-REC has been purchased. On another hand, work has been commenced for the Bank’s first Sustainability Report which will be published for 2021. In addition, a Sustainability Bulletin is being prepared to familiarize the Bank employees with global and local developments in relation to sustainability and to make sure that sustainability notion is embraced by all employees. The Bank regularly participates in the Banks Association of Türkiye Working Group meetings, and sustainability-related webinars of various organizations (ERTA, Integrated Reporting, UNEP etc.) to keep abreast of the latest developments, and the senior management is kept informed regularly.

Financial Highlights

Within the frame of its mission to provide financing support to exports being a specialized bank, Türk Eximbank does not target profit maximization.

TÜRK EXIMBANK IN FIGURES

| Balance Sheet Accounts (TL thousand) | 2021 | 2020 |
|--------------------------------------|-------------|-------------|
| Loans | 287,473,621 | 178,253,907 |
| Total Assets | 322,377,480 | 204,227,274 |
| Funds Borrowed | 250,365,374 | 160,630,694 |
| Securities Issued (Net) | 37,284,304 | 22,953,260 |
| Subordinated Loans | 5,523,837 | 4,463,576 |
| Money Market Funds | 6,517,681 | 1,375,566 |
| Shareholders' Equity | 14,550,311 | 11,413,457 |
| Paid-in Capital | 10,800,000 | 9,270,000 |

| Profit-Loss Statement Accounts (TL thousand) | 2021 | 2020 |
|---|------------------|------------------|
| Interest Income | 7,190,739 | 5,011,499 |
| Interest Expenses | -4,388,430 | -3,788,554 |
| Net Interest Income | 2,802,309 | 1,222,945 |
| Net Fees and Commissions and Other Operating Income | 556,923 | 239,271 |
| Trading Income/Losses (Net) | 643,073 | 844,842 |
| Expected Credit Losses | -231,578 | -369,469 |
| Other Provision Expenses | -151,073 | -14,281 |
| Personnel Expenses | -300,661 | -260,866 |
| Other Operating Expenses | -212,476 | -151,054 |
| Net Profit for the Period | 3,106,517 | 1,511,388 |

Türk Eximbank's summary financial statements for 2017-2021 are presented on page 72.

Summary Activity Indicators

Credit Activities (USD million)*

| | 2021 | 2020 |
|--|--------|--------|
| Short-Term Credit Activities | | |
| Total Short-Term Credits | 17,932 | 21,606 |
| Short-Term TL Credits | 1,324 | 2,564 |
| Short-Term FX Credits | 16,608 | 19,042 |
| Medium- and Long-Term Credit Activities | | |
| Medium- and Long-Term Credits | 4,575 | 6,892 |
| Total Credit Activities | | |
| Total Credits | 22,507 | 28,498 |

* The amounts allocated include credits with extended terms.

Türk Eximbank's Insurance Activities (USD million)

| | | |
|--|--------|--------|
| Short-Term Credit Insurance | | |
| Insured Shipment | 23,502 | 17,098 |
| Medium- and Long-Term Export Credit Insurance | | |
| Covered Transaction Amount | 4 | 43 |
| Reinsurance/Guarantee Programs | | |
| Amount of Reinsured Transactions | 60 | - |
| Total Insurance/Reinsurance Activities | | |
| Claims Paid | 30 | 33 |
| Total Insurance/Reinsurance | 23,566 | 17,141 |

Türk Eximbank's Total Support (USD million)

| | | |
|--|--------|--------|
| Total Credit/Insurance/Guarantee Support | 46,073 | 45,639 |
|--|--------|--------|

Chairman’s Message

In 2021, normalcy in our daily lives was somewhat closer so long as we remained adhered to the precautions thanks to the vaccine developed against the Covid-19 pandemic and the vaccination campaigns that gained momentum. This triggered a rapid recovery in the services industry both globally and nationally, along with acceleration in industrial production. Economies encountered soaring demand as people started returning to their daily routines after a lengthy lockdown.

These developments that were enabled by the vaccination accelerated growth and international trade. International organizations estimate 5.9% growth for global economy and 9.3% expansion for global goods and services trade in 2021. During the pandemic, postponed investments failed to respond to the rapidly increased demand particularly in energy and mining industries. As a result, commodity and energy prices shot up. Furthermore, inflation went up on a global scale, stemming from both demand and supply due to interruptions in international supply chains.

The developments regarding global supply and demand we summarized above brought along discussions whether global inflation is temporary or permanent, and whether global supply chains should be replaced by regional ones.

After stating for a long time that the upturn in inflation was caused by supply-originated temporary effects, the US Federal Reserve System (the Fed) implied at the onset of 2022 that demand-side factors might be here to stay. Hence started the Fed’s remarks that it would taper and terminate asset purchases, hike policy rates, and even downsize its balance sheet. These have led to strengthening the expectations that central banks of developed countries would discontinue their expansionary monetary policies and that they might turn to tightening due to inflation concerns in 2022. This predicament, however, gives rise to the anticipation that developing countries might undertake preparations for the potential change of direction in portfolio flows.

Countries’ desire to protect their supply security due to interruptions in global supply chains promoted a regional supply chain trend. In this sense, Türkiye is in a position to put itself forward as a powerful candidate for being a regional manufacturing base with its geographical proximity to Europe, technological and logistical infrastructure, qualified manpower, and relatively competitive investment environment.

Amid the global conjuncture described above briefly, Türkiye successfully attained 11.7% growth in the first three quarters of 2021. 5.1 point of growth was contributed by net exports. For the whole year in 2021, on the other hand, Türkiye is estimated to have displayed a growth performance of 10%. On the other hand, Türkiye’s exports have broken new record in 2021 and reached USD 225.4 billion. Our country not only increased its exports but also acquired additional market share. According to the World Trade Organization, Türkiye’s share in global exports went up to 1.08% as of September 2021.

Growing export revenues is considered as the healthiest way of fulfilling our country's need for foreign currency in a conjuncture of tightened global financial conditions. On the back of its export-oriented new economic model, Türkiye will be able to increase its exports with its competitive structure on the one hand, while targeting to become a regional manufacturing hub by prioritizing production on the other.

Amid a setting where exports gain increasing importance, Türk Eximbank, the key institution of Türkiye's export finance, provided export support amounting to USD 46.1 billion in 2021, USD 22.5 billion thereof in loans and USD 23.6 billion in insurance/reinsurance. In 2022, Türk Eximbank targets to bring its total support volume to the order of USD 50 billion.

Murat ZAMAN

Chairman of the Board of Directors

General Manager's Message

In 2021, exports outperformed the forecasts and amounted to USD 225 billion.

In 2021, vaccination efforts gained momentum worldwide, and hence, industrial sector and the services industry quickly recovered globally. Despite the supply chain issues and the soared energy prices, our country outperformed the expectations and forecasts in 2021, and realized exports worth USD 225 billion, up by 32.9% year-over-year. Export has been the key driving force behind economic growth last year. Accordingly, the mission Türk Eximbank undertakes has become even more important. As Türk Eximbank, we keep contributing to growing our country's exports and we continue to work for providing our exporters with the financing they need. As we broaden our product and service range along this line, we aim to expand the support we extend to our exporters prioritizing our insurance service in this respect.

With a digital-focus, the restructured Türk Eximbank simplified and added speed to its processes to enhance the quality of service furnished to exporters, and launched its new website and mobile branch to achieve a brand-independent service rendering capability. Our initiatives undertaken within the scope of our Digital Transformation Project will continue at the same pace also this year.

Türk Eximbank will keep increasing its support to exports.

In 2021, Türk Eximbank kept producing solutions for exporters' diverse financing needs. To this end, our available products were updated and upgraded, expanding the coverage of our Bank's services. In this context, the Bank introduced the Short-Term Service Insurance that insures the forward receivables of firms engaged in the FC-earning services industry, and updated the term options and amounts per transaction for which applications can be made in Pre-Shipment Export Credit programs. In Financial Leasing Credit programs, term options were increased, TL borrowing was enabled, and borrowing via participation banks was also introduced. A funding agreement for USD 250 million was signed with the Asian Infrastructure Investment Bank for fulfilling the working capital needs of our exporters adversely affected by the pandemic.

In a period when pandemic-originated uncertainties dominated the whole world, we continued to service our exporters with diversified domestic and international funding sources including our syndicated loans. As Türk Eximbank, we believe that the long-lasting relationships we establish with domestic and international banks and institutions underpin the successful deals we realize year after year. Most recently, we rolled over our syndicated loan in November with a ratio of 115% with the participation of 22 leading banks from Europe, US, Far East and the Gulf region. Again in the reporting period, we secured a club loan for EUR 120 million with a 10-year maturity including a grace period of 2 years under the partial guarantee of the World Bank.

We are giving priority to assisting our exporters and contractors to strengthen their competitiveness in the international markets. We have signed cooperation agreements paving the way for co-financing, co-insurance, guarantee and insurance with the export credit agencies of the relevant countries for the projects Turkish exporters and contractors will carry out with their international partners in third countries; our initiatives in this vein will continue.

In keeping with our mission of being by the side of our exporters as Türk Eximbank, we are offering service out of 32 different locations consisting of 22 branches and 10 liaison offices in order to have direct contact with our exporters, to cater to their needs on-site and faster. Hence, we maintain a presence in our provinces realizing 93 percent of our exports, and sustain our close contact with our exporters. Furthermore, we have made numerous services of our Bank accessible through mobile phones without necessitating a branch visit with our electronic banking applications in line with needs and demands. Also ongoing are our initiatives related to business intelligence solutions for monitoring banking services and for their efficient Bank-wide reporting.

A total of USD 46.1 billion support to exports

During 2021, Türk Eximbank's cash loans to our exporters amounted to USD 22.5 billion; we have created a secure sales environment for them on the back of insurance/reinsurance support totaling USD 23.6 billion, including reinsurance, by insuring forward receivables worth USD 23.5 billion. Thus, we have increased our Bank's total support to our exporters to USD 46.1 billion. In 2022, on the other hand, we are targeting to bring our total support to the order of USD 50 billion.

The number of exporter firms extended support by our Bank reached 14,092 in 2021. As Türk Eximbank, we are targeting to reach a higher number of exporters in keeping with our policy to expand our base, and we are delighted that SMEs make up 93% of 1,545 exporters that made use of the Bank's supports for the first time ever in the past one year. While SMEs accounted for around 60% of the exporters benefiting from our Bank's services in 2017, this ratio rose to 77% in 2021.

Türk Eximbank added new ones to its products and services in 2021, as it did in previous years.

Besides upgrading and diversifying our loan and insurance products, we are also carrying on with the expansion of our sphere of activity.

Co-founded by the Turkish Exporters Assembly (TİM) and Türk Eximbank with the purpose of facilitating our exporters' access to financing and contributing to resolution of their collateralization problems, İhracatı Geliştirme A.Ş., a joint stock company, will kickstart a new era in export finance.

In keeping with our broad product and service array priority, the "Borrowing Fund" product has been introduced, whereby accounts are opened for exporters which they use to collect their export receivables, repay their credit debts, and perform money transfers.

Moreover, efforts are underway in line with the action "the infrastructural transformation will be realized which will enable exporters to perform their transactions associated with Eximbank supports without branch-dependency", which is also covered in the Economic Reforms Action Plan. In keeping with this action and strategy, our Bank closely monitors the progress in digitalization which is a prerequisite of the present era. Accordingly, the "new website and mobile branch" have been launched in 2021 within the scope of the initiatives for branch-independent service rendering to our exporters.

In 2022, as we did in 2021, we will carry on with our activities in alignment with our country's 2023 goals and our exporters' needs.

Ali GÜNEY

General Manager

Historical Background

Exports gained great importance in Türkiye after the introduction of outward-oriented policies in the 1980s. In the process, the mission of supporting exports was undertaken by Türk Eximbank that was established in 1987.

Türk Eximbank was chartered by the Board of Ministers through Decision No. 87/11914, following the order of Law No. 3332 dated 31 March 1987 by maintaining the juridical and legal personality of the State Investment Bank. In effect, according to the charter, Türk Eximbank took over the State Investment Bank's credit, funding, support, insurance, guarantees of goods and services, exports and imports, overseas contracting services, manufacturing and sales of domestic investment goods, and foreign investments, but at the same time it was transformed into a joint stock company subject to the provisions of the Private Law of the State Investment Bank. Türk Eximbank was established in 1987 as the official export credit agency according to international classifications, and started to implement its programs at the beginning of 1988.

The objectives of the Bank, which is the only official export credit agency in Türkiye, are spelled out as follows:

- Increasing the volume of exports;
- Diversification of export goods and services;
- Developing new export markets;
- Increasing the exporters' share of international trade and providing necessary support for their initiatives;
- Gaining competitiveness and bringing assurance to exporters, overseas contractors and investors on the international markets; and
- Promoting and supporting the production and sale of investment goods for export through overseas investments.

As a means of aiding export development, Türk Eximbank offers specialized financial services to exporters, export-oriented manufacturers, companies engaged in FC-earning services and overseas investors and contractors through short, medium- and long-term cash credit, insurance and guarantee programs.

Türk Eximbank's role in funding exports has steadily increased over the years. According to the country's liabilities against international institutions regulating the world trade, Türkiye had to terminate the direct export incentives, and because of the commitment to comply with the commercial and competition policies of EU and the Customs Union. As a result of these developments, the funding of exports through credit, guarantee and insurance programs has become the most significant stimulant element in terms of increasing the competitiveness of Turkish exports on international markets.

The "Articles of Association and Duties of the Export Credit Bank of Türkiye", which has since been repealed, was prepared to reflect the changes in legislation required regarding the activities of the Bank in line with the Principles Appendix to Decision No. 87/11914 regulating the establishment of the Bank, Turkish Commercial Code No. 6102, the changes in the banking legislation, and global financial and economic developments that have occurred since the Bank's establishment, and was

published in the Official Gazette dated 23 February 2013 as an attachment to Decision 2013/4286 of the Board of Ministers. Operating principles of the Bank are currently being determined in accordance with the principles set forth in the appendix of Board of Ministers decision numbered 2013/4286.

In accordance with Article 4/C of the Chartering Law, which was amended by Act No. 3659 and Article 10 of the Law No. 4749, the Ministry of Treasury and Finance covers any losses incurred by Türk Eximbank in its credit, insurance and guarantee transactions arising from political risks.

In accordance with the second paragraph of Article 2 of the Law numbered 3332, the Ministry which the Bank is related to is determined by the decision of the Presidency. In this context, Türk Eximbank has been linked with the Ministry of Commerce based on the Presidency's Memorandum numbered 2018/1 which was in effect by its issuance at the Official Gazette numbered 30479 dated 15 July 2018.

Most recently, Article 8 of the Law numbered 7341 dated 4 November 2021, which came into force upon its publication in the Official Gazette issue 31651 dated 6 November 2021 amended the first sentence of Article 4 (1) of the Law numbered 3332 and supplemented item (D) to the same Article. This amendment granted the Bank certain exemptions and exceptions in order for the Bank to carry out its operations more effectively and for preventing contraction of the funds allocated for supporting exports.

Changes in the Articles of Association

At the Extraordinary General Assembly Meeting of Türk Eximbank convened on 12 January 2017, “Article 7 - Capital of the Bank”, and “Article 8 - Capital Increase” of the Articles of Association were modified. Under the modification made, the Bank switched to the registered capital system and the registered capital ceiling was set as TL 10,000,000,000. At the Ordinary General Assembly Meeting of the Bank convened on 26 March 2021, Articles 7 and 8 of the Articles of Association were updated and the registered capital ceiling was set as TL 17,500,000,000. Within the specified limit, the Bank’s share capital was increased to TL 10.800,000,000 based on the Board of Directors decision dated 29 December 2021.

In addition to the above, “Article 34 – General Manager” of the Articles of Association was revised to stipulate that the General Manager will be appointed by the Board of Directors in accordance with Article 217 of the Statutory Decree numbered 703.

Capital Structure

The Undersecretariat of Treasury holds all of the Bank's shares. Neither the chair nor the members of the Board of Directors nor the general manager nor any deputy general manager owns shares in the Bank.

Türk Eximbank's Position in the Turkish Banking Sector

| | TURKISH BANKING SECTOR* | TÜRK EXIMBANK** |
|----------------------------|--------------------------------|------------------------|
| Total Assets | TL 9,213 billion | TL 322 billion |
| Total Loans*** | TL 5,061 billion | TL 288 billion |
| Loans/Assets (%) | 54.9 | 89.4 |
| NPL Ratio (%) | 3.2 | 0.2 |
| Shareholders' Equity | TL 711 billion | TL 14.6 billion |
| Capital Adequacy Ratio (%) | 18.34 | 18.02 |
| Net Profit | TL 92.1 billion | TL 3.1 billion |
| Return on Assets (%) | 1.3 | 1.2 |
| Return on Equity (%) | 15.3 | 29.1 |

* BRSA data as of December 2021

** Türk Eximbank temporary data as of December 2021.

*** Total loans include NPLs.

Overview of Türk Eximbank's Activities in 2021

Being the sole official export credit agency in Türkiye, Türk Eximbank helps Turkish companies engaged in goods and services exports, overseas contracting, and investment goods manufacturing and sales increase their share in international trade by extending them credit and credit insurance support.

Being a specialized bank in export financing, Türk Eximbank has embraced it as a primary goal to achieve its predefined targets associated with export finance rather than maximizing profit. However, care is taken to pursue policies that will safeguard a healthy financial structure in keeping with the responsibility of being a bank.

In 2021, Türk Eximbank carried on with the “Türk Eximbank Strategic Transformation Program” initiated in 2020 with the aim of more effectively supporting our country's export strategies and flourish the foreign trade ecosystem in line with the worldwide best practices in collaboration with its stakeholders. Under this program, Türk Eximbank is transforming into a structure that proactively supports the exporters that generate high added-value for the national economy and pursue operations in line with our country's export strategies. It also identifies the needs and obstacles of exporters and companies with export potential, expands its product and service array targeted at their needs, and improves exporters' experience of making use of Türk Eximbank support schemes. The Bank's Strategic Priorities within the scope of the Strategic Transformation Program have been defined as follows: SME Priority, Export Performance-Based Support System, Collateral Diversity, Sectoral Focus, Focused Country Strategy, Digitalization, Broad Product and Service Array, Diversification of Funding Sources, Field of Activity and Structuring, Competence Transformation, Institutional Relations and Communications.

In 2021, under the Strategic Priorities and Transformation Program:

- “Restructuring Bill”, which will allow the Bank to carry through its strategic transformation program faster and more effectively, entered into force on 6 November 2021.
- A new era started in exports with the incorporation of İhracatı Geliştirme A.Ş. (İGE), co-owned by the Turkish Exporters Assembly (TİM) and Türk Eximbank and coordinated by the Ministry of Trade with the aim of facilitating our exporters' access to finance and helping them resolve their credit guarantee problems.
- Türk Eximbank launched its new website and mobile branch in order to achieve a structure capable of branch-independent service rendering to exporters while at the same time simplifying and adding speed to its processes.

Domestic Loans

Türk Eximbank supports exporters, export-oriented manufacturers, companies exporting FC-earning services, and international contractors/investors with short- and medium-long-term cash credit programs. The financing support that companies will need during the production process is extended both for pre-shipment and post-shipment periods through cash loans.

In 2021, short term loans extended by Türk Eximbank including maturity extensions totaled USD 17.9 billion, and medium-long term domestic loans totaled USD 4.6 billion.

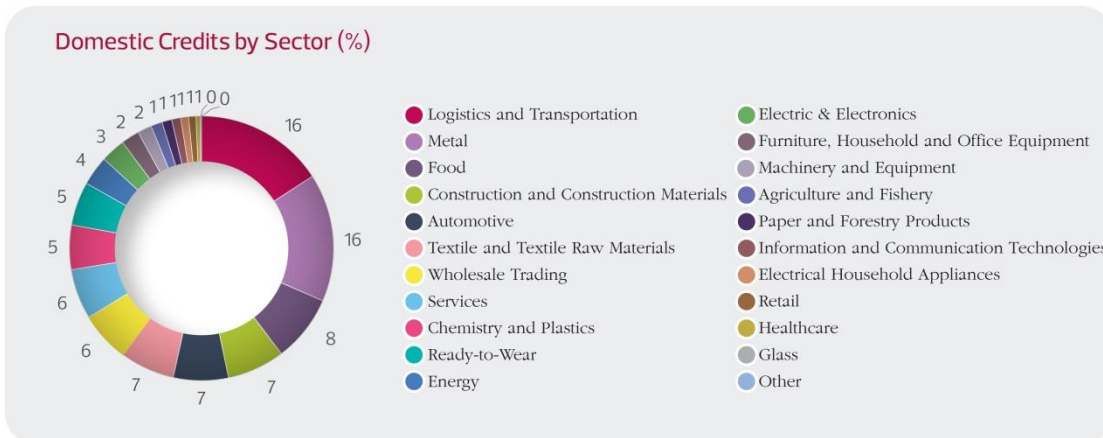
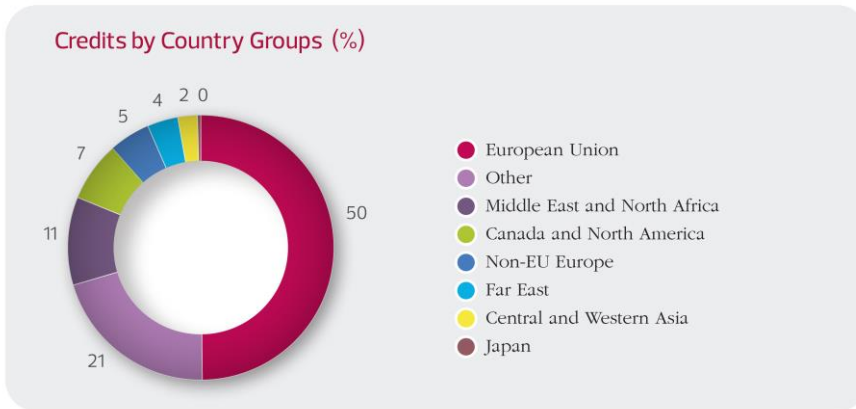
During 2021, 14,092 firms, which together accounted for a significant share of Türkiye's total exports,

benefited from Türk Eximbank's loan programs.

Priority was given to SMEs in lending, and TL credits were predominantly used for SME financing.

As a result of additional funds provided to the SMEs, prioritization of their credit requests, and term extension support offered, TL 14.2 billion in local currency and USD 2 billion in foreign currency were allocated in the form of credit support, and total SME credits amounted to USD 3.6 billion. Accordingly, 16% of the Bank's credit support were allocated to SMEs

In the distribution of loans by country groups, EU countries led with 50% share. Logistics and transportation sector took the lead with 15.8% share in the sectoral distribution of loans.



Recent Adjustments and Changes in Domestic Credit Programs

- Medium- and long-term maturity options were introduced for FC Pre-Shipment Export Credits, maximum maturity was increased to 5 years, and the application limit that was set as USD 1 million per transaction was lifted.
- Maximum maturity in TL Pre-Shipment Export Credits was increased to 540 days, and the application limit per transaction was raised from TL 1 million to TL 5 million.
- Participation Finance Working Capital Loan Program was introduced for financing working capital needs of borrowing companies within the frame of interest-free banking principles. Under the program, goods and services exporters are disbursed working capital loans with

the murabaha method, i.e., the cost-plus method which is one of the interest-free funding methods.

- In Pre-Shipment Export Credits disbursed via Participation Banks, the maximum terms were set as 540 days for TL loans and 5 years for FC loans.
- The number of transaction items that can be financed under the Trademark Credit Program was increased.
- Under the Credit Program for Leasing Companies;
 - The Program limit was increased from USD 2.5 million to USD 5 million,
 - Arrangements were made to enable intermediation of loans by participation banks,
 - Short-term options were introduced in addition to medium long-term options,
 - Also, TL borrowing was introduced as an option in addition to FC credits.
- Agreement was reached with the Asian Infrastructure Investment Bank (AIIB) regarding credit implementation principles for the USD 250 million-fund secured under the guarantee of the Ministry of Treasury and Finance, and the facility has been on-lent in its entirety to our exporters for financing working capital need.
- Total cash limit allocated to our Bank by the CBRT within the scope of the Rediscount Credit Program was increased from USD 17 billion to USD 20 billion. Furthermore, TL borrowing was introduced as an option in addition to FC credits.
- Export products, which are processed with products imported within the frame of Inward Processing Regime but which cannot acquire Türkiye origin due to the problems in proof of origin, can now be financed under any credit program of our Bank and be used for credit closure commitments.
 - With a digital-focused approach, our exporters were given the chance to easily perform numerous transactions via the internet branch accessible at <https://esube.eximbank.gov.tr> and Türk Eximbank mobile branch.
 - Development was made to receive credit demands and application documents through the Türk Eximbank Internet Branch and Mobile Application.
 - Web Application screens were launched, which will allow receipt of the application and analysis documents for companies that will make their first-ever credit application to our Bank, thus facilitating firms' access to our Bank's services.
 - The "Borrowing Fund" product has been introduced, whereby accounts are opened for exporters before Eximbank, which they use for their cash flows including the amounts associated with their exports, and perform money transfers.
 - Apart from the Advanced, Productive, Indigenous Industry (in Turkish: İVME) Financing Package made available to exporters of high technology products, TL loans extended from the Bank's resources were allocated exclusively to firms that qualify as SMEs, and to Agricultural Sales Cooperatives and Associations. Hence, our approach that accords privilege to our exporter SME firms in terms of accessing our Bank's funds continued in line with our strategic priorities.
 - Under the Overseas Letter of Guarantee Program, competitive prices were obtained in the pricing of letters of guarantee to be issued by non-resident banks with the counter-

guarantee of Türk Eximbank particularly as a result of the efforts spent for the shipbuilding industry. As a step that will increase additional undertakings of exporter firms engaged in the shipbuilding industry, the exportation of a fishing vessel to Norway and an all-electric towboat to Canada by two exporters operating in the shipbuilding industry was supported with the letters of guarantee issued by our Bank.

- Under the amendment made to the Law numbered 3332, Türk Eximbank was exempted from certain financial obligations that led to contraction of the funds allocated for supporting exports, which resulted in a significant convenience for exporters.

Actualizations on the basis of Domestic Credit Programs (USD billion)

| | |
|--|-------------|
| Direct Disbursements | 20.7 |
| Bank-Sourced Loans | 4.4 |
| CBRT-Sourced Loans | 16.3 |
| Intermediary Bank/Institution Loans | 1.8 |
| Loans Extended via Intermediary Banks/Financial Institutions | 1.8 |
| TOTAL | 22.5 |

** A minimum portion of 30% of the credit lines allocated to intermediary banks must be disbursed to SMEs; accordingly, PSECs worth USD 1.5 billion were allocated to SMEs during 2021 (83%).*

International Loans Programs

International Loans Programs, under which projects undertaken abroad by Turkish contractors and the buyers (public and private) of Turkish goods in foreign countries, are intended to increase Türkiye's exports, diversify the goods and services exported, acquire new markets for export goods, increase the share exporters get from international trade, and provide competitive strength and assurance to Turkish firms in international markets. All supports provided under International Loans are in the nature of "buyer's credits" and debtors are directly governments, the buyer country's state-guaranteed public institutions or overseas/domestic banks within the allocated limits.

In 2021, loans made available for project and trade finance transactions in foreign countries under the International Loans Programs totaled USD 36.4 million.

In an effort to add momentum to International Loans Programs and in turn, to increase exports of Turkish goods and services, revolving loan agreements are made with acceptable banks in foreign countries for overcoming the hardships borrowers experience in getting a state guarantee and for extending support to the private sector's transactions, as well.

In this context, in line with the target of expanding the network of international banks and covered countries, negotiations are ongoing for potential project and trade finance deals within the frame of the credit lines allocated to three multinational banks (the African Export-Import Bank, ECOWAS Bank for Investment and Development (EBID), and the Eastern and Southern African Trade and Development Bank), as well as commercial banks operating in various countries. The cooperation developed with the multinational banks operating in Africa will allow our Bank to cover a substantial

portion of the countries in that continent.

Under the existing overseas bank analysis and credit line allocation methodology, a first-ever credit line was allocated to a bank in the amount of USD 10 million, in addition to the credit line of USD 478 million of 10 banks which were already allocated lines, three of which are multinational banks. Hence, the number of banks allocated a credit line was 11 and the total credit line was USD 488 million in 2021, and the transaction coverage expanded over 55 countries via the member countries of multinational banks.

During 2021, 34 Letters of Intent were issued for financing projects and goods exports planned to be undertaken by Turkish companies in a total of 18 countries in Africa, Asia and Europe. If the projects/transactions covered by the letters of intent provided to the firms are actually carried out, exports of goods and services ex-Türkiye is anticipated to amount to USD 4.6 billion.

In addition, our Bank participated in the meetings of the Environment Practitioners Group, Country Risk Experts, Technical Experts Group and Shipbuilding Working Group organized under the OECD, and made contributions for the formation of our country's position and opinions.

Actualizations on the Basis of Projects/Deals under International Credit Programs

Having taken the whole world in a tight grip as of the first quarter of 2020 and with its implications that endured throughout 2021, the COVID-19 pandemic restrained buyer credit demands for overseas contracting works due to the worldwide stagnation and the restrictions implemented. Notwithstanding, our support to trade finance was carried on with the Government-Guaranteed Buyer's Credits, Buyer's Credits Through Domestic Banks and Buyer's Credits Through Foreign Banks programs.

Within the scope of State-Guaranteed Buyer's Credits, credit in the amount of USD 17.5 million was allocated in 2021 for various goods exports ex-Türkiye under the credit agreement for the amount of USD 200 million signed in 2018 between the Tunisian Ministry of Development, Investment and International Cooperation and our Bank, and the total amount of credits allocated so far reached USD 150 million.

During 2021, the amount of financing provided to buyers abroad of various goods and equipment exported from our country amounted to USD 20.4 million under State-Guaranteed Buyer's Credits, USD 14.6 million under Buyer's Credits Through Foreign Banks and USD 1.4 million under Buyer's Credits Through Domestic Banks.

Within the frame of the Debt Service Suspension Initiative ("the Initiative") launched by the G20 Finance Ministers and Central Bank Governors and the Paris Club in an effort to mitigate the effects of the Covid-19 pandemic on the poorest countries and to free these countries' resources to be allocated for fighting the pandemic, it was agreed to restructure the debt service of the least developed countries for their debts that became due between 01 May 2020 and 31 December 2021, and their overdue debts that existed before 01 May 2020, preserving the net current value. Accordingly, from out of the credits extended under state guarantee, EUR 28.1 million within the scope of the Congo credit and USD 4.0 million within the scope of the Djibouti credit will be restructured in coordination with the Ministry of Treasury and Finance. Agreement has been reached with the debtor countries regarding deferred due dates and deferment terms, and related deferment agreements are anticipated to be signed by early 2022.

On the other hand, USD 130 million has been collected from our debtors during 2021 within the scope of international credit programs.

Receivable Insurance

Türk Eximbank boasts being the entity that has initiated export receivables insurance in Türkiye and that has established awareness of the need for export insurance. Initially introduced to cover solely short-term export receivables against commercial and political risks, the export credit insurance system's scope was broadened in time, and medium/long-term exports of goods were also included within insurance coverage with the Specific Export Credit Insurance Program.

Through its insurance programs, the Bank today provides insurance cover for exports to 238 countries against losses arising from the importer firm and importer's country. In addition, domestic receivables of exporters are protected against commercial risks also through domestic credit insurance as well as export credit insurance.

Moreover, obtaining a credit from financial institutions is facilitated by putting up credit insurance policies as collateral.

During 2021, shipments with a total worth of USD 23.5 billion were insured under Short-Term Export Credit Insurance, Short-Term Domestic Credit Insurance and Medium-Long Term Export Credit Insurance, and reinsurance support was provided for Turkish goods and services worth USD 60 million.

During 2021:

- The Service Supplemented version of the Short-Term Export Credit Insurance Policy was revised in line with the changes in practice and in the operation of the new system upon introduction of the new insurance system in 2020.
- The Letter of Credit Confirmation Insurance Policy introduced in 2019 was updated to bring it into alignment with the New Insurance Project implementations and our previously revised insurance policies, and to capture the demands of banks that sought to utilize the said program which were deemed acceptable by our Bank.
- Work is being carried out to initiate new implementations for our large-scale insured firms identified according to certain criteria in the first place (Priority Insurance Customers) within the scope of Short-Term Export Credit Insurance and Short-Term Domestic Credit Insurance to enhance service quality, customer satisfaction, and transacting speed.
- Since the use of reference interest rates based on different currencies used in various financial products and agreements such as USD LIBOR, EUR LIBOR, GBP LIBOR, JPY LIBOR, CHF LIBOR or TRLIBOR will be discontinued, it was decided to terminate interest payments made based on LIBOR rates, in addition to shipment amounts, in claims payments made within the scope of the Bank's Short-Term Export Credit Insurance, Short-Term Domestic Credit Insurance and Specific Export Credit Insurance Programs, and the said policies were revised accordingly.
- Within the scope of the cooperation established between our Bank and other banks for financing the export receivables insured under the Short-Term Export Credit Insurance Program by banks, the number of banks partnered with reached 20.
- Work continued for the creation of scoring & rating models specific to Türk Eximbank addressing domestic firms that are allocated a credit line within the scope of the Bank's domestic credit programs, and domestic and foreign firms that are allocated a credit line within the scope of insurance programs, and for the creation of credit line decision models

for automated credit line allocation in insurance programs.

- Studies were completed for the revision of the Pre-Shipment Risk Policy intended to indemnify direct production costs borne by firms in the event that the order cancellation risk exporters are confronted with during the production processes occurs.
- Under the reinsurance/guarantee cooperation agreements that are being signed between our Bank and the world's leading export credit agencies in order to diversify and increase the non-cash supports extended to our contractor companies undertaking works abroad, our Bank started providing reinsurance/guarantee support to the creditor export support agency pro rata the goods and services export from Türkiye.

Short-Term Export Credit Insurance

The Short-Term Export Credit Insurance Program provides cover for all shipments of exporters up to 360 days against commercial and political risks.

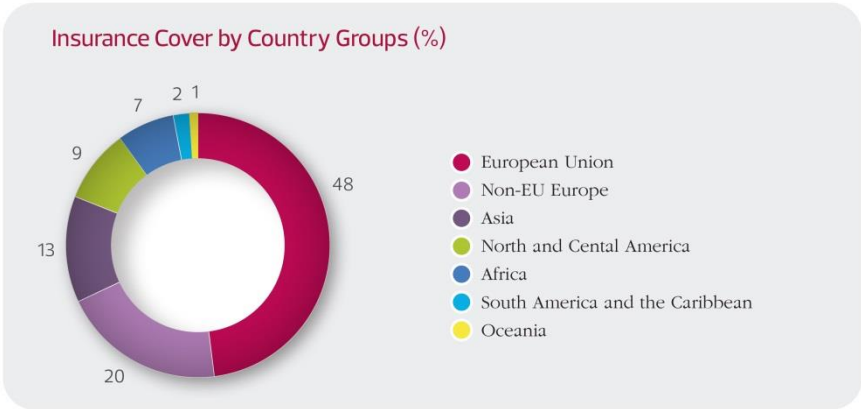
Offered since 1989 by Türk Eximbank, Short-Term Export Credit Insurance became a service recognized and extensively used by exporters in time. As a result, 5,451 export firms were making use of the service as of 2021 year-end.

Under the program, exports worth USD 21.1 billion was provided with insurance cover in 2021, and premiums in the amount of USD 64.2 million were collected for the insured shipments.

In the sectoral distribution of insured shipments, construction and construction products industry took the lead with 10% share, followed by textile and raw materials, food, electrical household appliances, metal, ready-to-wear and garment industries with 8% share each.



The regional distribution, however, is topped by European (European Union and non-EU combined) countries with 68% share, whereas Asia ranked second with 13% share and North and Central America ranked third with 9% share.



The number of buyers granted consistent limit under the Short-Term Export Credit Insurance Program is 59,458.

In 2021, Türk Eximbank indemnified USD 26.5 million in losses, which arose from shipments to various countries and the receivables from which could not be collected when due, under the Short-Term Export Credit Insurance Program. In the same period, Türk Eximbank recovered a portion of USD 3.6 million out of the losses indemnified before. The entirety of the recovered amount is linked to receivables indemnified within the frame of commercial risk.

In 2021, the Bank continued to cede 60% of the commercial and political (associated with non-OECD countries) risks underwritten within the scope of the Short-Term Export Credit Insurance Program to overseas reinsurers.

Financing can be obtained against Türk Eximbank insurance policy under the protocols signed with 20 banks. A total credit volume of approximately USD 172.1 million was created to date, with USD 15.6 million of it generated in 2021.

Short-Term Domestic Credit Insurance

Short-Term Domestic Credit Insurance program for exporters and their group companies is another area of insurance that Türk Eximbank is engaged in.

With this program, receivables of exporters and group companies having a Short-Term Export Credit Insurance Policy from credit-sale shipments up to 360 days, which are associated with their domestic operations, are insured against commercial risks within specified limits.

As of year-end 2021, 165 firms’ shipments worth USD 2.4 billion were insured. Premiums in the amount of USD 5.5 million was collected for the shipments insured, while claims paid amounted to USD 403 thousand.

Medium- and Long-Term Export Credit Insurance

Exporters’ receivables arising from shipments born out of a single sales contract with a maximum term that is defined in line with OECD rules are provided coverage with Specific Export Credit Insurance. Under the program, sales through overseas subsidiaries can also be insured besides

exports of Türkiye-origin investment goods and services of export companies.

Under the Specific Export Credit Insurance Program, insurance support provided during 2021 totaled USD 3.8 million and total claims paid amounted to USD 3 million in total.

Specific Export Credit Insurance Post-Shipment Policy is accepted as an irrevocable guarantee within the scope of Draft & Letter of Credit Discount Program since 2014, providing exporters with low-cost and convenient financing. Through the program whose scope was expanded in 2015 so as to include cash against goods shipments as well and which was relaunched under the name “Export Receivables Discount Program”, disbursements continued in 2021.

Under supplementary protocols signed with the banks that have a protocol with our Bank concerning financing of shipments insured under the Short-Term Export Credit Insurance Program, export deals carried out under Medium- and Long-Term Export Credit Insurance Programs can also be financed.

In 2021, the Bank continued to share the risks underwritten within the scope of the medium- and long-term insurance transactions with reinsurers.

Other Insurance Programs

Expenses directly incurred by the exporter for production during the pre-shipment period under the sales agreement signed between the exporter and the buyer are insured within certain limits against commercial and/or political risks with the Pre-Shipment Risk Insurance Program, which is aimed at the prevention or mitigation of potential pre-shipment losses of exporters.

Financing and Treasury

In 2021, Türk Eximbank secured funds in the amount of USD 3.3 billion from international markets and an additional USD 2.3 billion within the scope of funding from treasury transactions (repurchase agreements, TRS, money swaps, borrowings) and kept offering low-cost financing facilities with various maturities from its fund stock maintained at USD 9.9 billion level, excluding CBRT funds. The Bank’s total fund stock including TL credits and including the CBRT rediscount facility of USD 12.7 billion was registered in the order of USD 22.6 billion. On the other hand, principal repayment by the Bank amounted to approximately USD 3.2 billion during the reporting period.

Developments Regarding the Capital

As approved at the Extraordinary General Assembly convened on 12 January 2017, Türk Eximbank switched to the “Registered Capital System” in accordance with the Turkish Commercial Code no. 6102. The decision was registered with the trade registry and promulgated in the Turkish Trade Registry Gazette issue 9252 dated 30 January 2017.

As a result of the Bank’s Ordinary General Assembly convened on 26 March 2021, the Bank’s registered capital ceiling was increased from TL 10 billion to TL 17.5 billion.

Additionally, the Bank’s paid-in capital was raised from TL 9.27 billion to TL 10.8 billion, which was covered by cash capital transfer of TL 100 million from the Treasury and by offsetting profit reserves in the amount of TL 1.43 billion based on the Board of Directors decision passed on 29 December 2021. Hence, the Bank’s robust capital structure has been preserved.

Borrowing Transactions

TL funds derived within the scope of paid-in capital and interest collections were used for funding

almost the entirety of TL loans disbursed in 2021, excluding Rediscount Credits.

The details about the Bank's borrowings in 2021 are presented below:

- Türk Eximbank heavily utilized the promissory note rediscount facility of the Central Bank of the Republic of Türkiye (CBRT). As of 31 December 2021, the balance of these resources including TL Rediscount Credits amounted to USD 12.7 billion.
- A USD 750 million-Eurobond with a 5-year term was issued in international capital markets.
- Within the scope of syndicated loans, the Bank raised EUR 466.9 million and USD 218 million under a 1-year term facility participated by 31 international financial institutions in May, and EUR 418.8 million and USD 161.5 million under a 1-year term facility participated by 22 international banks in November.
- Of the EUR 250 million-guarantee limit granted to the Bank in June 2020 by the International Bank for Reconstruction and Development (IBRD), the portion of EUR 190 million was utilized in July 2020. The remaining EUR 60 million guarantee limit was tapped and EUR 120 million was secured with a 10-year term under the counter-guarantee of the Ministry of Treasury and Finance and with the 50% principal amount guarantee of the IBRD, which facility will be used within the scope of the Bank's sustainability process and 70% of which will be on-lent to the SMEs.
- The Bank obtained EUR 25 million with a 2-year term as the second tranche under the agreement signed with the Black Sea Trade and Development Bank.
- A USD 250-million fund with a 4.5-year term was secured from the Asian Infrastructure Investment Bank (AIIB) under the guarantee of the Ministry of Treasury and Finance which will be utilized for the Bank's sustainability process.
- The Bank raised a fund for USD 70 million with a 3-year term from China Development Bank.
- The amount of loans secured from international banks totaled USD 636.3 million in 2021.

Furthermore, the Bank secured USD 2,343 million in funds secured through treasury transactions (repurchase transactions, TRS, currency swaps, borrowings). As at year-end 2021, the existing fund stock is in the order of USD 626.5 million.

Fund Management Activities

Türk Eximbank kept a close eye on national and global developments and the difficulties caused by the pandemic, and paid maximum attention to liquidity, interest rate and exchange rate risks management, taking into account such issues as high volatility in interest and exchange rates, global macroeconomic conjuncture, and return-cost balance in 2021.

As part of liquidity management, funds generated through currency swap, repo transactions and borrowings from money markets were invested in CBRT, Takasbank Money Market and interbank market, and high interest income was achieved.

The ratio liquidity in total assets managed by the Treasury Department, which was kept within the legal limits set out in the BRSA Regulation Concerning Measurement and Evaluation of Liquidity

Adequacy of Banks, averaged 6.5% throughout 2021, and nearly 35% of it was used in the marketable securities portfolio consisting of treasury bills and government bonds.

In the reporting period, the Bank carried on with short- and long-term swap operations for cash flow management and assets and liabilities harmonization purposes. Türk Eximbank's swap operations in 2021 aimed at managing the Bank's FX position and cash flows more effectively and ensuring asset-liability harmony, as well as for arbitrage purposes, were worth USD 27.35 billion, of which USD 27.3 billion was in short-term and USD 50 million was kept in long-term.

Hedge accounting continued to be implemented in order to prevent fluctuations on the profit and loss statement resulting from interest and cross-currency swaps carried out for harmonizing FC funds secured from international markets through bond issuances or other borrowings with the assets composition.

Derivatives (forwards, options and swap transactions) continued to be offered with the purposes of protecting exporters' competitive strength in global markets, and strengthening their ability to manage the exchange rate risk stemming from FC receivables and FC liabilities and the interest rate risk that might arise from interest rate fluctuations. Option strategies, currency/cross-currency swaps started to be offered to exporters. Work for provision of derivatives backed by commodity/precious metals is nearing completion.

International Relations

There are over fifty agreements of various content that Türk Eximbank signed with the export credit and insurance agencies of more than thirty countries, as well as multilateral financial institutions. The Bank sustained its close cooperation with these institutions and its efforts for signing new agreements also in 2021.

Within this framework, memoranda of understanding (MoU) were signed for general cooperation in 2021 with Uzbekinvest, the official export credit agency in Uzbekistan, PJSC ECA, the official export credit agency in Ukraine, and Africa Finance Corporation, a multilateral institution supporting infrastructure investments in Africa. The MoU signed with Japan's official export credit agency JBIC in 2018, which expired, was extended, and the expired MoU with the African Trade Insurance Agency was renewed with a broadened scope.

During 2021, contacts continued to be held for signing new cooperation agreements between Türk Eximbank and multilateral agencies and credit export agencies of other countries, with a particular focus on agreements that will allow co-financing of projects jointly undertaken by Turkish and foreign companies, especially in third countries.

The list of reinsurance agreements signed in previous years with USEXIM (USA), UKEF (United Kingdom), BPIFrance (France) and EKF (Denmark) to help Turkish exporters and contractor firms become more competitive in international markets further grew in 2021 with reinsurance agreements signed with OeKB (Austria), MEHIB (Hungary) and EKN (Sweden).

Türk Eximbank continued to attend the meetings of OECD Export Credits and Credit Guarantees Group, which was established to facilitate information and opinion exchange between member countries' related institutions regarding officially supported export credits and of which Türkiye became a permanent member in April 1998.

The Bank actively participated in the negotiations for updating the Arrangement on Officially Supported Export Credits which is addressed in the meetings of OECD's Participants to the Arrangement on Officially Supported Export Credits, within which the Bank acquired "invited

participant” (observer) status in 2006 and “participant” status in 2018, and which is important for setting the minimum requirements for export credits to be provided by Participant countries.

Being a member of the Executive Committee of the Berne Union (the International Union of Credit and Investment Insurers), Türk Eximbank actively participated in the Union’s meetings for setting the future strategy and goals. Our Bank stood for Executive Committee membership and was accepted also in the new term. In 2021, the Bank continued to take part in the Union’s Annual Meetings, seminars and workshops.

Being a permanent Executive Committee member of Aman Union (DHAMAN [The Arab Investment and Export Credit Guarantee Corporation] and Commercial & Non-commercial Risks Insurers & Reinsurers in Member Countries of Organisation of Islamic Cooperation), of which our Bank is a founding member, Türk Eximbank actively took part in the Union’s meetings about the Union’s governance and strategic goals, and contributed to its activities.

Our bank has been a permanent member of the Asian Exim Banks Forum since 2017 and held the presidency in the 2020-2021 term. The Annual Meeting of the Forum, which was planned to be organized in our country, was hosted by our Bank and held online due to the measures adopted against the COVID-19 pandemic.

Information Technology

Türk Eximbank continues to ensure both speed and productivity and to efficiently use resources by backing its service infrastructure with new technologies in the light of the advances in information technology.

Our facilitative projects that will fulfill our exporters’ needs were put into life

Türk Eximbank added speed to its electronic transformation processes and brought lending and insurance transactions together on a single online platform as part of its internal and external digitalization efforts. Major novelties introduced in this framework include uploading credit application documents through the Internet branch, collection of Customs Declaration and invoice data for commitment closure and online application return process. In the same vein, Exim Mobile has been developed and put into service, which will allow our exporters to track their notifications, credit and insurance transactions.

Additional developments, additional workflows and improvements are in progress for the New Insurance Project designed to revamp the insurance infrastructure and manage it by processes, which was launched during 2020. With the Project, online integrations were established with information suppliers and the process of information receiving was accelerated. This project will also contribute to our Insurance Transformation Project.

Steps were taken for external company integrations, giving priority to financial analysis and credit information process digitalization; preparations were completed for the infrastructure that will make the basis of early warning and monitoring systems. System software development for the Domestic Scoring Model was brought to completion. Domestic Scoring Model is developed that will enable its usage also in credit allocation processes, thereby allowing generation of Credit Information and Analysis Reports entailing credit ratings by the system.

Accounting Transformation Project was finalized during 2021, which is designed to renovate both the technical infrastructure and work processes of the accounting system.

New products started to be offered to our exporters include Options, Commodity and Borrowing

accounts.

In addition to the above;

- New term options, TL disbursement and disbursement in return for FC sales commitment were introduced in rediscount credits in keeping with the amended CBRT Rediscount Credits Implementation Directive effective 01 October 2021.
- The internal Exclusion List application was integrated with the incoming payments to our Bank's credit, insurance and other payments systems, thus adding further speed to control processes.
- DWH infrastructure installation was completed regarding business intelligence solutions for monitoring of banking services at the executive level and for their Bank-wide effective reporting and work is initiated on MIS reporting.
- Necessary system-related work is commenced for disbursement of İGE Guarantee credits at Eximbank on the basis of Treasury-guaranteed and equity-guaranteed versions of the İhracatı Geliştirme (İGE) Company, which is established as a fund intended to eliminate the collateralization issue exporters face in their access to financing.
- DTM Data Integration is completed for obtaining import and export data of our exporters within the scope of data sharing and cooperation between the Ministry of Trade and our Bank.
- The Bank initiated assessment of its lending processes. In this framework, Bank-Originated Lending Processes was completed in the first step for shortening the operational processes associated with loans extended from the Bank's funds and thus increasing efficiency of our Bank's workflow. Furthermore, developments were made in credit staging, which also contributed to the Credit Transformation Project carried out at our Bank.
- As a result of the work carried out, all transactions affecting the Bank's cash flow, derivatives limits and guarantees can now be tracked on the SAP Treasury Module.
- As part of the IT security infrastructure management improvements, database security and compliance management system were installed.
- Within the scope of IT trail logging and security warning system infrastructure upgrade, Log Management and Correlation application was procured, and system integration will be completed during 2022.
- To achieve alignment with the Regulation on Banks' Information Systems and Electronic Banking Services published by the Banking Regulation and Supervision Agency (BRSA) in the Official Gazette issue 31069 dated 15 March 2020, and to enhance the IT service level, Technical Help Desk was set up and started activities.
- Within the scope of system infrastructure upgrades, necessary product R&D and PoC activities were carried out across the Bank's digital transformation projects for 2022.
- Disbursement, collection and other processes of country loans within the scope of State-Guaranteed and Buyer's Credits Through Foreign Banks Programs started to be carried out using new technologies.

- Developments on our modules are ongoing in line with the Circular on Exports. In this framework, our Güvas project was launched, which is intended for tracking and monitoring customs declarations and export amounts.
- Developments related to screens and products continued this year as always. Some examples include Limit Details, Credit Based on Insured Receivable Guarantee Program and Overseas Letter of Guarantee Program. Our developments will continue in the years ahead paying regard to our exporters' needs and new technologies.

International Obligations

Work is ongoing to harmonize Türk Eximbank programs with WTO, OECD and EU guidelines, and these rules are taken into consideration in the programs implemented.

International Rules

In the programs it implements, Türk Eximbank must comply with the norms of the World Trade Organization (WTO), the OECD and the EU, as well as with other international regulations in connection with Türkiye's obligations in relation to its membership of the WTO, the OECD ECG and OECD Participants Group, and in relation to the agreement of the Customs Union and the EU accession process. Accordingly, work is ongoing to harmonize Türk Eximbank programs with WTO, OECD and EU guidelines, and these rules are taken into consideration in the programs implemented.

In 2021, the Bank continued to attend the meetings of OECD Export Credits Group (ECG) which aims to evaluate policies, identify problems and provide solutions by multilateral discussions on export credits, and closely monitored the developments. In all of its practices, the Bank adheres to the three recommendations that emerged from the studies at these meetings, i.e., OECD Recommendation on Bribery and Officially Supported Export Credits, Recommendation on Environment and Social Due Diligence and Recommendation on Sustainable Lending Practices and Officially Supported Exports Credits.

Upon our country's acquisition of Participant Status in the PG in 2018 where it was an "Invited Participant" (observer) since 2006, it has become part of the decision mechanism for revisions to the OECD Arrangement that sets the rules governing officially supported export credits with maturities over two years provided by the member countries, and all rules associated with export credits became binding upon Türk Eximbank as well. Restricting export credits to coal-fired power plants that do not have carbon capture, usage and storage technology and the updating of the Arrangement were addressed as priority topics in the PG Meetings held in 2021, and the Bank actively participated in related negotiations.

Harmonization with the EU Acquis

The Bank's activities are covered under the "Competition Policy" and "External Relations" chapters of the EU Acquis, with which harmonization is to be achieved.

Pursuant to an EU rule, which states that marketable risks associated with short-term export credit insurance must be incurred by entities that do not receive governmental assistance, all of the Bank's short-term insurance activities will need to be organized under a separate entity within the frame of harmonization efforts with the EU Acquis. With respect to restructuring activities that will come up within the frame of the said EU Directive, it is anticipated that a joint project with all stakeholders will take place in accordance with the instructions of the Ministry of Treasury and Finance.

With respect to the "External Relations" chapter, medium and long term financial supports to be provided by the Bank have been aligned to a large extent with the EU Acquis, which includes OECD Regulation on Officially Supported Export Credits, following the participant status acquired by Türkiye in relation to the said Regulation in 2018.

Türk Eximbank's Targets and Activities in 2022

A major supporter of exporters' access to financing, Türk Eximbank targets to contribute more efficiently to Türkiye's export-oriented growth strategy with the new services launched and with its revamped visage within the scope of its Strategic Transformation Program.

Strongly Carrying on in 2022 with the "Strategic Transformation" Initiated in 2021

Türk Eximbank launched the "Türk Eximbank Strategic Transformation Program" with the aim of more effectively supporting our country's export strategies and flourishing the foreign trade ecosystem in line with the worldwide best practices in collaboration with its stakeholders. Under this program, Türk Eximbank is transforming into a structure that proactively supports the exporters that generate high added-value for the national economy and that pursue operations in line with our country's export strategies. It also identifies the needs and obstacles of exporters and companies with export potential, expands its product and service array targeted at their needs, and improves exporters' experience of making use of Türk Eximbank support schemes.

The Bank's Strategic Priorities have been defined as SME Priority, Export Performance-Based Support System, Collateral Diversity, Sectoral Focus, Focused Country Strategy, Digitalization, Broad Product and Service Array, Diversification of Funding Sources, Field of Activity and Structuring, Competence Transformation, Institutional Relations and Communications.

Also in 2022, our Bank will charge ahead with the realization of the projects covered in its Strategic Transformation Program.

2022 plans within the scope of the Program include Credit Transformation, Insurance Development, Sales Service and Operation Model Project, IT Transformation, Diversification of Funding Sources, Institutional Relations and Communication Project activities. In addition, initiatives undertaken in Human Resources and Cultural Transformation and Digitalization commenced in 2021 will also be carried on.

Ranked at the Top of our Bank's Strategic Priorities: Prioritizing SMEs...

As it did in 2021, the Bank will continue in 2022 to take steps to increase new SME customer acquisition and disbursement frequency, and will introduce new implementations to this end.

Accordingly, to bring our Bank's support programs to a higher number of exporter SMEs, significant customer acquisition is targeted to be achieved by offering iGE guarantee option to customers in the Exporter SME Customer List, which will be obtained under our CBRT Cooperation Protocol.

In addition, rules will be defined which will allow offering term options that will increase new customer acquisition, mainly SMEs, as well as disbursement frequency in loans intermediated by banks, factoring companies and leasing companies, and actualizations will be monitored closely so as to revise the rules as necessary.

Supporting Highly Competitive Sectors Harboring Production and Employment Potential

In view of the changes in global supply chains and trends such as digital and green transformation, it is targeted to increase the share held in global trade by supporting high value-added and medium/high-technology sectors that possess international competitive strength and harbor production/employment potential and to ensure permanent and sustainable improvement in the current accounts balance.

Extending Support to the “Levelling Up Exports to Distant Countries Strategy “

Support will be extended to the Ministry of Trade’s target which is defined as increasing the range of goods and services export, and flourishing trade with high export-potential countries that are geographically distant.

Diversification of the Types of Collaterals

Collateralization, which is one of the major hurdles in exporters’ access to financing, is a topic on Türk Eximbank’s agenda. In 2021, awareness was increased regarding collaterals acceptable to Türk Eximbank besides letters of bank guarantee, and exporters were able benefit from the Bank’s credit programs against different collateral instruments of a financial nature. In addition to that, İhracatı Geliştirme A.Ş. (İGE), which is established in October 2021 under the coordination of the Ministry of Commerce as a partnership of the Turkish Exporters Assembly (TİM) and Türk Eximbank, will provide guarantee that will serve as collateral to credits to be disbursed for export finance. Work is carried out regarding the elements and source of the guarantee to be provided, and in 2022, Türk Eximbank will be extending credit against the said collateral as well. The credits to be disbursed against the guarantee to be provided by İGE will facilitate SMEs’ access to financing in line with the Bank’s strategic goals, thus expanding exports on a broad-base and helping increase exports volume sustainably.

Continued Diversification and Broadening of Derivatives to Protect our Exporters against Currency and Interest Rate Risks

In order to let our exporters manage their currency and interest rate risks, derivatives such as forwards, options and swaps will continue to be offered at the most favorable terms, they will be diversified in line with exporters’ demands and needs, derivatives will be made available intended for commodity risk management besides currency and interest rate risk, and publicity activities will be carried on broadening the usage of those products.

Maintaining Solid Capitalization

On 29 December 2021, the Board of Directors approved increasing Türk Eximbank’s capital of TL 10 billion 800 million, which is fully paid-in, by TL 3 billion to TL 13 billion 800 million, which incremental amount will be paid by the Republic of Türkiye Ministry of Treasury and Finance, and the capital increase process has been finalized by having the capital increase registered before İstanbul Trade Registry Office on 3 February 2022.

New Program Developments

Besides increasing supports in 2021, Türk Eximbank also launched the “Participation Finance Working Capital Loan” program, under which the working capital needs of manufacturers and manufacturer/exporter firms producing goods for export and firms undertaking FC-earning services and activities with the interest-free fund management method.

The Bank’s targets for 2022 include the following:

- Launch the pilot run of the Letter of Credit Confirmation Insurance Program in 2022 with selected one or several banks, which insures the risk of the foreign issuer bank’s non-payment of export letters of credit which are confirmed by a domestic bank due to commercial and/or political risks,

- Bring to completion the work for launching the Political Insurance Risk Program for Overseas Contractors' Services,
- Approval of the Insurance Policy of the Participation Finance-Based Receivable Insurance Program, the policy-related work of which was completed in 2021, by the Board of Directors; launch the program upon execution of reinsurance (retakaful) agreements and establishment of the system infrastructure.

Introduction of New Digital Solutions for our Exporters

E-transformation projects will be carried on for digitalization of our Bank's work processes, and operational efficiency will be increased through integrations with external institutions, while diversification of products and funds will be ensured.

Corporate Governance

Summary Report of the Board of Directors for 2021

Türk Eximbank continued to support Turkish exporters with credit and credit insurance facilities in 2021. In the reporting period, the Bank's total support amounted to USD 46.1 billion. The Bank extended loans worth USD 22.5 billion, of which USD 4.6 billion is medium- and long-term credits. On the other hand, the Bank's credit insurance/reinsurance support amounted to USD 23.6 billion.

As of year-end 2021, Türk Eximbank's paid-in capital was raised from TL 9.27 billion to TL 10.8 billion, which was covered by cash capital transfer of TL 100 million from the Treasury and by offsetting profit reserves in the amount of TL 1.43 billion.

Currently serving through 22 branches and 10 liaison offices, the Bank's active credit customers reached 10,935. The number of active insured exporters, on the other hand, reached 5,484. Hence, the total number of customers increased by 8% to 14,092; of these firms, 77% are SMEs.

An overview of 2021 activities...

2021 has been a year dominated by the pandemic and was characterized by the toils to minimize its impacts. Türk Eximbank continued to lend support to our exporters at a growing extent. In 2021 during which Türkiye's exports broke record, there was a significant rise particularly in insured shipments volume on an annual basis. The fluctuations in CBRT-sourced credits were striven to be compensated with credits funded by Türk Eximbank and by credits secured from international fund institutions.

High demand for Rediscount Credits originating from CBRT, which is an important source of finance for exporters, continued in 2021. Rediscount credits disbursed under the Pre-Shipment and Post-Shipment Rediscount Credit programs amounted to USD 16.2 billion, which accounted for 73% of the Bank's total loan volume. The balance of the said fund reached USD 12.7 billion as of 31 December 2021.

The loans disbursed under International Loans Programs in 2021 amounted to USD 36.4 million, and 34 letters of intent were issued in favor of Turkish companies for projects/export deals to be carried out in 18 countries with goods and services export potential worth USD 7.9 billion. Within the scope of the Ministry of Trade's Commercial Interest Reference Rate (CIRR) support for trade finance transactions, the Bank continued to provide competitive financing options at CIRR to buyers of our exporters with the aim of promoting the exports of high value-added investment goods from our country. Within the scope of CIRR Interest Support, a total of loans worth USD 8.4 million was extended in 2021.

During the reporting period, shipments worth USD 23.5 billion were covered under receivable insurance, with short-term export credit insurance representing 90% of it. While premiums collected totaled USD 73.6 million for the business volume worth USD 23.6 billion including reinsurance support, claims paid amounted to USD 30 million.

Developments in Existing Products Aligned with Exporters' Needs...

Besides increasing the supports in 2021, developments and updates were undertaken to offer better solutions to our exporters' demands with our existing products.

- Service-Included Short-Term Export Credit Insurance policy was introduced, which insures service sales of firms engaged in FC-earning services industry.

- Term options and amounts per transaction that an application can be filed for were updated in the Preshipment Export Credits programs.
- In the Credit Program for Leasing Companies, term options were updated, TL lending option was introduced, and Participation Banks were enabled to utilize the program.

Obtaining Funds for Low-Cost Financing Available in Various Terms to our Exporters...

In 2021, Türk Eximbank secured funds in the amount of USD 3.3 billion from international markets and an additional USD 2.3 billion within the scope of funding from treasury transactions (repurchase agreements, TRS, currency swaps, borrowings) and kept offering low-cost financing facilities with various maturities from its fund stock maintained at USD 9.9 billion level, excluding CBRT funds. The Bank's total fund stock including TL credits and including the CBRT rediscount facility of USD 12.7 billion was registered in the order of USD 22.6 billion.

Processes Accelerated and Facilitated through Digitalization...

As Türk Eximbank simplified and accelerated its processes with a digital focus, it gave exporters easier access to the Bank's products and services. Steps were taken that enhanced service quality, and the number of documents required for filing applications was decreased as the application processing durations were shortened.

In this framework, credit and insurance internet banking platforms were merged and our mobile application was put into use in 2021. As part of these initiatives, our exporters were provided the opportunity to file applications for credit and insurance products, in addition to information and document viewing function which was already available.

Important Moves, Strong Bonds in International Partnerships...

Türk Eximbank attaches special importance to establishing new partnerships and to strengthening the existing bonds of cooperation in order to maximize the support it lends and to help increase the competitiveness of Turkish exporters and contractors in the international arena.

By the same token, reinsurance agreements were signed with OeKB (Austria), MEHIB (Hungary) and EKN (Sweden) in addition to the ones signed in previous years with the official credit export agencies of the USA, United Kingdom, France and Denmark for financing the projects that will be jointly carried out by Turkish firms and the firms of the said countries' companies in third countries.

Efforts were carried on for signing memoranda of understanding (MoU) that will take our existing relations with our foreign counterparts further and pave the way for comprehensive and quality collaborations. In 2021, memoranda of understanding were signed for general cooperation with Uzbekinvest, the official export credit agency in Uzbekistan, PJSC ECA, the official export credit agency in Ukraine, and Africa Finance Corporation, a multilateral institution supporting infrastructure investments in Africa. The MoU signed with Japan's official export credit agency JBIC in 2018, which expired, was extended, and the expired MoU with the African Trade Insurance Agency was renewed with a broadened scope.

We Added Pace to our Sustainability Activities...

ISO 14064:2006 Greenhouse Gas Accounting audit related to our operational impact in 2020 was successfully completed within the scope of Sustainability Activities.

ISO 14064 certification, which will serve as an important endorsement of our Bank's capability in

relation to sustainability in various aspects including the Sustainability Report, sustainability-linked syndicated loans, alternative sustainable financing sources and funding, has been obtained from Bureau Veritas, an international certification agency.

With this certification, Türk Eximbank;

- Pledged to align itself with climate-change related developments to our internal and external stakeholders,
- Evidenced and acknowledged ownership of our emissions,
- Increased institutional capacity in environmental and social terms.

Explanations about Türk Eximbank's Balance Sheet and Profit & Loss Statement

Türk Eximbank's balance sheet size reached TL 322.4 billion (USD 24.4 billion) as at 31 December 2021.

Türk Eximbank's assets are composed of credits by 89%, liquid assets by 7%, and marketable securities measured at amortized cost and other assets by 4%.

The Bank's loan portfolio reached TL 288.1 billion, up by 61% in the twelve months to end-December 2021. Of the total credits, 62% (TL 179.5 billion) are short-term credits and 38% (TL 108.6 billion) are medium- and long-term credits. Through effective risk assessment methods pursued, Türk Eximbank works arduously to timely and fully collect its credits. As a result, although a substantial portion of the Bank's funds are channeled to the exports industry in the form of credits, the ratio of non-performing loans (NPL) to total loans is well below the sector's average and stands at 0.2%.

Türk Eximbank's total liabilities were worth TL 322.4 billion. Of these, 4.5% (TL 14.6 billion) consisted of shareholders' equity, 93% (TL 300 billion) of external funds, and 2.5% (TL 7.8 billion) of provisions and other liabilities.

Out of the Bank's shareholders' equity of TL 14.6 billion, 74% (TL 10.8 billion) pertains to paid-in capital, 4% (TL 573.7 million) to profit reserves and others, and 22% (TL 3.1 billion) to net profit for the period.

TL 299.6 billion of foreign resources used for funding the Bank's assets consisted of TL 167.5 billion in credits sourced by the CBRT, TL 82.8 billion in credits provided from domestic and foreign banks, TL 37.3 billion in marketable securities issued, TL 5.5 billion in subordinated loans, and TL 6.5 billion in borrowings from money markets.

At its Extraordinary General Assembly convened on 26 March 2017, Türk Eximbank switched to the registered capital system and authorized capital practice. At the Ordinary General Assembly convened on 26 March 2021, the authorized capital was increased to TL 17.5 billion. The Bank's paid-in capital is currently TL 10.8 billion.

Although special and general provisioning ratio for the Bank for transactions within the scope of the Law governing its establishment is set at zero percent pursuant to "Article 21 - Exemptions" of the "Regulation on Procedures and Principles for Classification of Loans and Provisions to be Set Aside by Banks", Türk Eximbank sets aside provisions within the frame of Turkish Financial Reporting Standards 9.

The ratio of Türk Eximbank's liquid assets including short term loans to short-term liabilities was registered as 99.2% as of 31 December 2021.

The credit-weighted composition of Türk Eximbank's balance sheet bears effects also on income. The Bank's total interest income is 7.2 billion TL, of which 83.5% is interest received from loans. On the other hand, the Bank's interest expense was TL 4.4 billion since the Bank secures funds by way of borrowing from domestic and international money and capital markets and through bond issuances. Of this amount, 50.4% (TL 2.2 billion) was interest paid on borrowings from domestic and international markets, 47.3% (TL 2.1 billion) was interest paid on marketable securities issued and 2.3% (TL 99 million) was other interest expenses. Hence, net interest income was TL 2.8 billion.

The Bank booked a net profit of TL 3.1 billion as of 31 December 2021. Therefore, the Bank registered return on assets and return on equity ratios of 1.18% and 29.11%, respectively, and a capital adequacy ratio of 18.02%.

The Bank carries out its operations in accordance with the legislation governing it and the provisions of its Articles of Association, and we hereby present our summary report pertaining for the period ended 31 December 2021 for your review.

Murat ZAMAN
Chairman

Rıza Tuna TURAGAY
Deputy Chairman

Ali GÜNEY
Member

Nail OLPAK
Member

İsmail GÜLLE
Member

Fahriye Alev ARKAN
Member

Duygu GÜVEN
Member

Board of Directors and Audit Committee

MURAT ZAMAN

Chairman of the Board of Directors

Mr. Zaman started his career as an Investment Consultant at EVG Menkul Değerler. He worked in research and investment consultancy units at Riva Menkul Değerler and Karon Menkul Değerler, respectively.

He joined Ak Portföy Yönetimi in 2002, where he worked as Group Manager responsible for managing pension and investment funds and determining investment strategies until 2010.

He joined EVG Menkul Değerler in 2011 as Assistant General Manager responsible for individual portfolios and mutual funds. Between 2012 and 2019, he worked at Halk Portföy Yönetimi AŞ as Assistant General Manager responsible for determining general investment strategies and managing mutual/pension funds. At the beginning of 2019, he joined Halk Investment Menkul Değerler AŞ as Assistant General Manager responsible for treasury, research, human resources, administrative and legal affairs, financial affairs, operations, and information technologies units.

He served as General Manager of Financial Markets and Foreign Exchange, responsible for reinforcing the institutional framework for monitoring and managing systemic risks between 2019 and 2021 at the Ministry of Treasury and Finance. During this period, he carried out studies on the development of financial instruments and markets, the development of policies and instruments that will facilitate enterprises' access to finance, and the determination of the principles of the foreign exchange legislation and foreign exchange policies.

In addition, he became a member of the Board of Directors of the TÜBİTAK Risk Venture Capital Support Program, which carries out activities to contribute to the commercialization of early-stage inventions with development potential and products and/or technologies generated as a result of R&D and innovation activities, and of the Turkish Investment Initiative, which was established in partnership with the European Investment Fund and the Ministry of Treasury and Finance to ensure the healthy development of the venture capital sector in our country.

He received a bachelor's degree from İstanbul University, Faculty of Political Sciences, Department of Public Administration in 1997, and a master's degree from Marmara University in 2006. He currently pursues his doctoral studies (PhD).

Appointed as the Vice-Minister of Treasury and Finance on 21 December 2021, Mr. Zaman has been serving as the Chairman of the Board of Directors of Türk Eximbank since February 2022.

RIZA TUNA TURAGAY

Deputy Chairman of the Board of Directors

Vienna, 1964. Mr. Turagay graduated from the Ankara University Faculty of Political Sciences, Department of Business Administration and completed his master's degree in international Banking and Finance at the University of Birmingham. He began his career in 1987 at the Undersecretariat of the Treasury and Foreign Trade, where he served until 1997 in the positions of Specialist, Branch Manager, Undersecretarial Advisor, and Ministerial Advisor. Mr. Turagay also assumed roles as the Trade Advisor at the T.R. Washington D.C. Embassy from 1997-2000, the Undersecretariat of Foreign Trade Deputy General Manager of Exports, President of the Housing Development Administration,

the Vice Chairman of Real Estate Investment Trust Board, Deputy Undersecretary of Customs, Member of the Turkish Export Promotion Center Board, and the Vice Undersecretary of Customs from 2000-2006. He also served in the same period as Member of the TED Board and Member of the Equestrian Federation Board as well as working as Director and Member of the Board at BAT Türkiye, Member of the Exporters' Associations Board, and Member of the Turkish Exporters Assembly (TİM) from 2006 until January 2019. Mr. Turagay was appointed Deputy Minister of Trade on 18 January 2019 and since 5 February 2019 he has been serving as both Member and Deputy Chairman of Türk Eximbank Board of Directors.

ALİ GÜNEY

Member of the Board and General Manager

Rize, 1964. Mr. Güney graduated from Marmara University, Faculty of Economics and Administrative Sciences. He worked in the Fund Management Department of Faisal Finance between 1990 and 1993. He assumed the duty of Assistant Manager in the Fund Management and Treasury Department of İhlas Finance from 1995 until 1999, when he joined Anadolu Finance as Fund Management and Treasury Manager, which position he held until 2005. Mr. Güney functioned as Treasury Manager at Türkiye Finans Participation Bank between 2006 and 2009 and as Deputy General Manager responsible for Treasury and Financial Institutions between 2009 and 2015. He was Deputy General Manager responsible for Treasury and Strategy at Vakıf Participation Bank from 2015 until 2019.

Mr. Güney has been serving as Member of the Board and General Manager of Türk Eximbank since 17 October 2019.

NAİL OLPAK

Member of the Board and Member of the Audit Committee

Burdur, 1961. Mr. Olpak graduated from Istanbul Technical University Faculty of Mechanical Engineering and earned his master's degree from Yıldız Technical University in the field of Energy. He started his career at Umar Makina A. Ş. and after working as Factory Assistant Manager at Özgün A.Ş. he started at Cankurtaran Holding A.Ş. and worked in upper-level management in various levels of the Holding and assumed the position of Vice President of Cankurtaran Holding. He established Nora Elektrik Malzemeleri A.Ş., Pak Yatırım A.Ş. and OMN A.Ş. and is currently the Chairman of the Board of the first two companies, the Board Member of the third company and the Board Member of the subsidiary companies of these companies. Mr. Olpak has served as Board of Directors Chairman for the Foreign Economic Relations Board (DEİK) since 22 September 2017 and also maintains positions as DEİK Chief Executive Officer, World Turkish Business Council President, Istanbul Development Agency Board of Directors Member, Investment Environment Improvement Coordination Council (YOİKK) Member, Independent Industrialists and Businessmen's Association (MÜSİAD) High Advisory Committee Member, International Technological Economic and Social Research Foundation Founders' Committee Member, Tourism Development and Education Foundation Board of Trustees Member, Kandilli Club Founding Board of Trustees Member, Science Propagation Foundation Founders' Committee Member, Huzur Hospital Foundation Board of Trustees Member Human Development and Societal Education Foundation Board of Trustees Member, Istanbul Medeniyet University Support Foundation Board of Trustees Member, Mimar Sinan Association of Engineers Member, Mechanical Engineers Chamber Member, ITU Faculty of Mechanical Engineering Advisory Committee Member, and as of 5 March 2020 Turkcell Board of Directors Member.

He also previously worked as the 5th Term General President of Independent Industrialists and Businessmen's Association (MÜSİAD) and the MÜSİAD High Advisory Committee Chairman, the International Business Forum (IBF) Vice President, B20 Türkiye Executive Committee Member, Istanbul Chamber of Commerce Assembly Member Istanbul World Trade Center (İDTM) Board of Directors Member, Huzur Hospital Foundation Board of Directors Member Energy Efficiency Association Board of Directors Member, Architects and Engineers Group Board of Directors Member and High Advisory Committee Member, Turkish Japanese University Founding Board Member, Information Commercialization Center Board of Trustees Member, Muallimköy Teknoloji Bölgesi A.Ş. (Informatics Valley) Board Member.

Mr. Olpak has been a member of Türk Eximbank Board of Directors since 26 April 2018, and a member of the Audit Committee since 13 May 2019.

DUYGU GÜVEN

Member of the Board and Member of the Audit Committee

Ankara, 1982. Having graduated as the class valedictorian from Gazi University, Faculty of Economics and Administrative Sciences, Department of Economics, Ms. Güven received her master's degree in Public Administration in International Development from the Harvard University.

After starting her career as an assistant specialist in the Ministry of Culture and Tourism, Ms. Güven then worked in the Directorate General of Banking and Financial Institutions of the Central Bank of the Republic of Türkiye. She served in various positions dealing with international bond issuances, and relations with the G20 and IMF at the defunct Undersecretariat of Treasury External Economic Relations General Directorate. She worked as a consultant at the World Bank's "Multilateral Unit in External and Corporate Relations" and "Prospects Group in the Development Economics and Chief Economist's Area" units. Upon completion of her graduate studies, she worked as a graduate teaching assistant for one year at the Harvard University, in tandem with which she worked as a research fellow in the Center for International Development at Harvard University, working on the development of macroeconomic plans for Albania and Saudi Arabia. Ms. Güven served as Advisor to the Minister of Development and Advisor to the Minister Industry and Technology. She currently serves as Advisor to the Minister of Treasury and Finance.

Ms. Güven has been a member of Türk Eximbank Board of Directors since 26 March 2021, and a member of Türk Eximbank Board of Directors and Audit Committee since 29 March 2021.

İSMAİL GÜLLE

Member of the Board

Sivas, 1960. Mr. Gülle graduated from Istanbul Technical University Faculty of Electrical Engineering and completed his specialization program at Istanbul University Institute of Business Economics. With his ongoing positions as the Chairman of the Board of Directors and Member of the Board of Trustees of the Ergene-2 Organized Industrial Free Zone, Member of the Board of Directors of the Economic Development Foundation, and Chairman of the Textiles and Raw Materials Sector Board, Mr. Gülle assumed the position of the Chairman of the TİM (Turkish Exporters Assembly) as of 30 June 2018. He established Gülle Entegre Tekstil İşletmeleri A.Ş. and executes the role of Chairman of the Board of Directors of the company. Mr. Gülle has worked as a Member of the Board of Directors between 1999 and 2003 and as the Chairman of the Board of Directors between 2003 and 2018 of the İTHİB (Istanbul Textile and Raw Materials Exporters Association), as a Member of the TİM Sectors Council, as the Vice Chairman of the Assembly of the ISO (Istanbul Chamber of Industry), and as the Chairman of the Board of Directors of the SSİAG (Association of Sivas Industrialists and

Businessmen).

He has been a Member of Türk Eximbank Board of Directors since 24 September 2018.

FAHRIYE ALEV ARKAN

Member of the Board

Trabzon, 1952. Ms. Arkan graduated from Ankara University Faculty of Law and completed her law internship in 1976. She started her career that same year at the Ministry of Energy and Natural Resources and served as Consultant Lawyer at the SSI General Directorate. Ms. Arkan joined the State Investment Bank in 1987 and was involved in the restructuring of the State Investment Bank as Türk Eximbank. She has assumed positions as Specialist, Manager, Legal Advisor, and Department Head at Türk Eximbank and served as Deputy General Manager of Insurance and Guarantee Operations between 2 March 1998 and 19 March 2012.

Ms. Arkan has been a Türk Eximbank Board Member since 10 May 2019.

Şakir Ercan Gül served as the Chairman of Türk Eximbank Board of Directors between 26 March 2021 and 17 December 2021.

Osman Çelik, who was appointed as a member of Türk Eximbank Board of Directors on 12 January 2017, served as Chairman of Türk Eximbank Board of Directors between 21 January 2017 and 13 May 2019 and as member of the Board of Directors and member of the Audit Committee between 13 May 2019 and 26 March 2021.

Türk Eximbank Board of Directors held 13 meetings during 2021 and passed 180 decisions, 21 of them interim decisions. All of the meetings took place in İstanbul. İsmail Gülle was unable to attend the meeting of March 2021, Duygu Güven was absent in the meetings of May 2021 and 21 June 2021, Duygu Güven and Nail Olpak were absent in the meeting of 28 June 2021, Duygu Güven and Rıza Tuna Turagay were absent in the meeting of 6 August 2021, Nail Olpak was absent in the meeting of 31 August 2021, Duygu Güven was absent in the meeting of 4 October 2021, Duygu Güven and İsmail Gülle were absent in the meeting of 1 November 2021, and Rıza Tuna Turagay and Duygu Güven were absent in the meeting of 29 November 2021, on all occasions with justified excuses.

Executive Committee and Managers of Internal System Units

NECDET KARADENİZ

Deputy General Manager

İğdır, 1959. Mr. Karadeniz holds a BSc. degree in metallurgical engineering from İstanbul Technical University and an MBA from İstanbul University. Having started his professional life in 1987, he held the positions of manager and head of department at Emlakbank, Türkiye Finans Participation Bank, Alternatif Bank and Ziraat Bank, respectively, and joined Türk Eximbank in December 2012.

Appointed as a Deputy General Manager of Türk Eximbank on 26 May 2017, Mr. Karadeniz currently serves as the Deputy General Manager in charge of Loan/Insurance Allocation.

MUSTAFA ÇAĞRI ALTINDAĞ

Deputy General Manager

Kocaeli, 1977. Mr. Altındağ graduated from İstanbul University, Business Administration (in English) Department and he started his career as an inspector on the Board of Inspectors at Tekstil Bank. Between 2004 and 2010, Mr. Altındağ worked as Marketing Manager, the Head of Finance and Accounting Department at Creditwest Factoring Services A.Ş. and then joined Citibank, where he served as Commercial Banking Customer Relations Manager, Head of Multinational Corporations Department and Corporate Banking Assistant President between 2010 and 2019.

Appointed as Deputy General Manager at Türk Eximbank on 20 December 2019, Mr. Altındağ currently serves as Deputy General Manager in charge of Marketing.

TANER YAVUZ

Deputy General Manager

İstanbul, 1970. After graduating from Boğaziçi University, Department of Economics, Mr. Yavuz started his banking career as an Inspector at Yapı Kredi Bank in 1994. He worked as MIS Reporting and Budgeting Manager between 1998-2006, as the Senior Manager of Financial Planning, Analysis and Group Reporting at Credit Europe Bank (Romania) in 2007, and as the Senior Manager of Financial Planning and Corporate Performance Management at Türkiye Finans Katılım Bankası in 2009. He assumed different responsibilities in Strategy and Finance fields until 2017 and also served as acting Deputy General Manager for a while. In 2018, he was appointed to Vakıf Emeklilik ve Hayat A.Ş. as Group Manager responsible for Financial Management, which position he held until December 2019. Mr. Yavuz joined Türk Eximbank as Head of Financial Affairs Department in January 2020 and stood proxy as Head of Strategy Department.

Having been appointed as Deputy General Manager to Türk Eximbank on 28 June 2021, Mr. Yavuz currently serves as Strategy and Finance Deputy General Manager.

HAKAN UZUN

Deputy General Manager

Kocaeli, 1968. Mr. Uzun graduated from the Mechanical Engineering Department of the Middle East Technical University and received his master's degree from the University of Illinois, USA between 1992- 1995. He started his banking career at Körfezbank in 1996 and served as a senior manager in

Treasury and Financial Markets departments in several private banks before working as Group Manager in charge of Treasury at ING Bank Türkiye from 2008 until 2011. He worked for Türkiye Finans Participation Bank between 2011 and 2019, where he held the position of Deputy General Manager in charge of Treasury.

Appointed as Deputy General Manager at Türk Eximbank on 20 December 2019, Mr. Uzun currently serves as Deputy General Manager in charge of Treasury/Financing/International Credits.

ERDEM OKUR

Deputy General Manager

Zonguldak, 1977. Okur graduated from the Middle East Technical University Department of Computer Engineering and received his MBA from Marmara University. He started his business life in 1998, and held positions in Information Technology departments at Aselsan, Garanti Technology, and Akbank, respectively, before joining Türk Eximbank in 2015.

Appointed as Deputy General Manager at Türk Eximbank on 19 July 2019, Mr. Okur currently serves as Deputy General Manager in charge of Information Technologies and Operation.

SADIK ÖMER YILBAŞ

Acting Head of Internal Audit

Elazığ, 1970. Mr. Yılbaş graduated from Gazi University, Department of Public Finance and started his business life at Halkbank in 1993. He worked as an Assistant Inspector at Toprakbank between 1995 and 1997. Having started to work as an Assistant Internal Auditor in the Internal Audit Department of Türk Eximbank on 12 May 1997, he was later promoted to the positions of Auditor, Chief Auditor and Deputy Head of Internal Audit. Mr. Yılbaş was appointed as Acting Head of Internal Audit on 06 August 2021, in which position he still serves.

MURAT ŞENOL

Head of Risk Management

Ankara, 1966. Mr. Şenol holds a bachelor's degree in economics from Hacettepe University, and a master's degree in capital markets from İstanbul Commerce University. He started his professional career at the Central Bank of the Republic of Türkiye in 1988 in the General Directorate of Money Markets and Fund Management. He joined Türk Eximbank in 1995 and worked as Manager in Foreign Trade Companies Credits, Performance Credits and Pre-shipment Export Credits departments. He was appointed as Chief Risk Officer at Türk Eximbank on 15 July 2011.

ÖZLEM UÇAR

Head of Internal Control

İstanbul, 1981. Ms. Uçar graduated from the Middle East Technical University, Department of Economics and received her master's degree from the Manchester Business School. She started her business life in 2006 as an Internal Controller at Ziraat Bank, where she later worked as Senior Internal Controller, Internal Control Supervisor and finally as Internal Control and Compliance Department Manager. Ms. Uçar was appointed as the Head of Internal Control at Türk Eximbank on 31 January 2020, in which position she currently serves.

NERGİS CEVHER

Manager of Regulatory Compliance Department

Isperih, Bulgaria, 1960. Ms. Cevher graduated from the Economics-Insurance Department at Svištov Dr. A. Asenov, Bulgarian Academy of Economics and Finance. Having joined Türk Eximbank in 1989 in the Pre-Shipment Export Credits Department, Nergis Cevher worked as an Assistant Manager in the Credit Control Department, and as a Manager in the Performance Credits and Compliance Department. Ms. Cevher was appointed as Manager of Compliance Department of Türk Eximbank on 7 July 2015, where she still serves.

Hüseyin Şahin served as the Head of Internal Audit between 1 June 2017 and 22 July 2019. Appointed as acting Deputy General Manager of Türk Eximbank on 22 July 2019, Hüseyin Şahin functioned as acting Deputy General Manager responsible for Financial Affairs/Operations/Credit Monitoring between 22 July 2019 and 31 May 2021.

Enis Gültekin functioned as Deputy General Manager responsible for Insurance and International Loans between 17 December 2013 and 31 May 2021. He served as Acting General Manager between 13 May 2019 and 16 October 2019.

The Committees for Risk Management and Bank Transactions at Türk Eximbank

Audit Committee

| | |
|---------|-----------------------------------|
| Member: | Duygu GÜVEN (Member of the Board) |
| Member: | Nail OLPAK (Member of the Board) |

The Audit Committee was established by the decision of the Board of Directors dated 31 October 2006. On behalf of the Board of Directors, the Audit Committee is authorized and responsible for: ensuring the efficiency and adequacy of the internal control, risk management and internal audit systems; monitoring the operations of internal systems, accounting and reporting systems, and the integrity of the information generated by them in compliance with related legislation; and, during the Board of Directors' process of choosing independent auditors, rating institutions, evaluation and support services firms, performing pre-assessment of candidates and regularly monitoring the activities of the selected institutions. The Regulations on the Procedure and Principles of the Operations of the Audit Committee was approved by the Board's decision dated 5 February 2007.

Credit Committee

| | |
|-----------|--|
| Chairman: | Ali GÜNEY (General Manager) |
| Member: | Fahriye Alev ARKAN (Member of the Board) |
| Member: | Rıza Tuna TURAGAY (Member of the Board) |

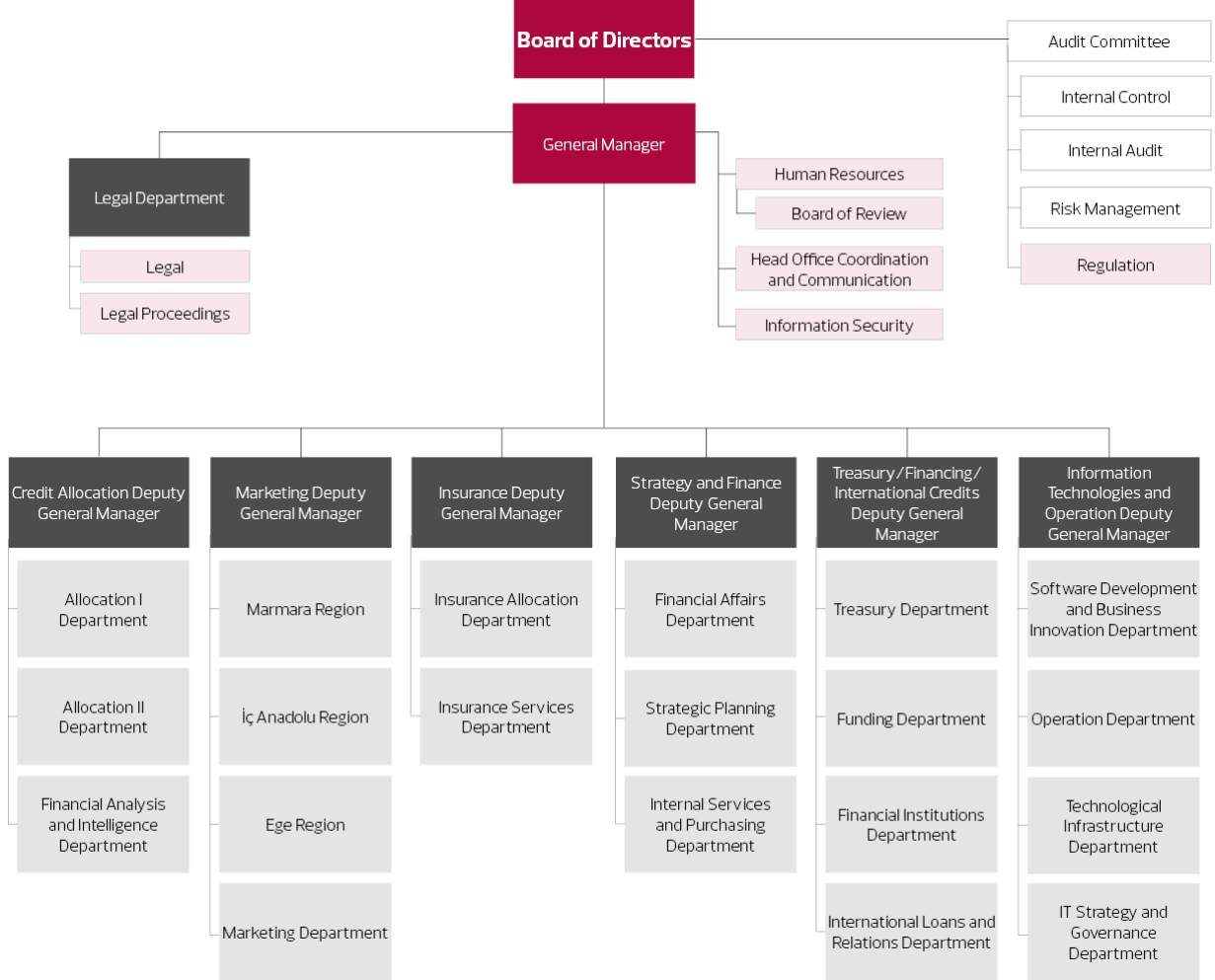
The Credit Committee is vested with the authority to issue to a real or legal person a domestic loan up to ten percent (10%) of the Bank's equities provided that collaterals deemed appropriate by the Board of Directors are created. That kind of authority is limited for different types of guarantees.

The Credit Committee fulfills the said duty delegated thereto by the Board of Directors within the frame of the procedures and principles set out in the applicable legislation in accordance with Article 31 of the Bank's Articles of Association.

Changes in the Organizational Structure

Human Resources Practices

Organization Chart



Organizational Developments

In 2021:

- Marmara, İç Anadolu and Ege Credit Operation Units reporting to the Financial Affairs, Operation and Credit Monitoring Deputy General Manager were merged under the name Rediscount Credits Operation.
- İstanbul İkitelli OSB (Organized Industrial District) Branch and Kahramanmaraş Branch were opened under Marmara Regional Directorate and İç Anadolu Regional Directorate, respectively.
- Treasury and Finance Deputy General Manager position was renamed Treasury, Financing and International Credits Deputy General Manager.
- International Credits and Relations Department Head position reporting to the Insurance and International Credits Deputy General Manager now reports to the Treasury, Financing and International Credits Deputy General Manager.

- Insurance and International Credits Deputy General Manager position was renamed Insurance Deputy General Manager.
- Payment Systems, External Transactions and Banking Operation unit was set up under the Credit Operations Department which reports to the Financial Affairs, Operation and Credit Monitoring Deputy General Manager.
- Financial Affairs, Operation and Credit Monitoring Deputy General Manager position was renamed Strategy and Finance Deputy General Manager, and Technology and Support Deputy General Manager position was renamed Information Technologies and Operation Deputy General Manager.
- Strategy Department that directly reports to the General Manager was renamed Strategic Planning Department, and now reports to the Strategy and Finance Deputy General Manager. The units under the Strategic Planning Department have been redefined as Strategy and Institutional Performance Management, Financial Planning and Analysis, Process and Quality Management, and Sustainability Units. Product Management Unit under the Department was closed and its functions were transferred to the Marketing Coordination Unit.
- The Private Secretary position was renamed Head Office Coordination and Communication, and the Review Board that reported to the renamed Technology and Support Deputy General Manager now reports to Human Resources.
- Allocation I-3 under the Allocation I Department was renamed Credit Analytics Process and Policies and now reports directly to Credit Allocation Deputy General Manager.
- The name of the Insurance Operation Department was revised as Insurance Services Department, and Claims Payment, Tracking and Collection was closed and two separate units were set up under the names Claims Payments and Insurance Collections.
- Insurance Analytics Process and Policies unit was set up, which reports directly to Insurance Deputy General Manager.
- Accounting and Financial Reporting unit under the Financial Affairs Department which reports to the Strategy and Finance Deputy Manager was closed, Budget and Payments was renamed General Accounting, Financial Control and Regulatory Reporting Units were established, and Credit Monitoring and Follow-up unit which was formerly organized under the Operation Department was renamed Credit Monitoring and now reports to Financial Affairs Department.
- The name of the Credit Operation Department was revised as Operation Department and now reports to Information Technologies and Operation Deputy General Manager. The units reporting to the Operation Department were defined as Bank-Funded Credits Operation, Rediscount Credits Operation, Commitment Closure, Treasury Operation, External Transactions, Payments and Banking Services Operation.
- Project Management Office was set up, which reports directly to Information Technologies and Operation Deputy General Manager.
- The name of the Social Services and Communication Department was revised as Internal Services and Purchasing Department, and Purchasing and Contract Management and Internal Services units were organized thereunder.

- Business Intelligence and Reporting Unit was set up and organized under the Software Development and Business Innovation Department.
- Infrastructure Support Unit under the Technological Infrastructure Department was closed down, and System and Network Management and Technical Help Desk Units were set up under the said Department.
- Money and Capital Markets under the Treasury Department was renamed Financial Markets, and Derivatives and Asset and Liability Management was renamed Asset and Liability Management. Treasury Products Marketing and Treasury Middle Office was set up under the said Department.
- Investor Relations Unit under the Funding Department was closed.
- IT Strategy and Governance Department was set up under the Information Technologies and Operation Deputy General Manager. Business Intelligence and Reporting Unit and Project Management Unit are organized under the said Department.

Human Resources Policy

The Bank's human resources policy is executed according to the general principles dictated in the Bank's Articles of Association and Human Resources Regulations.

The main principles of the Bank's human resources policy are as follows:

1. To employ an efficient number of competent, exceptionally skilled, creative and inquisitive personnel who have a capacity for analytical thinking, for the execution of the Bank's activities in order to reach its goals;
2. To take special care in recruiting employees according to principles of equity and under equal conditions, determining the recruitment criteria in writing by use of titles, and applying these criteria;
3. To provide employees with an equal-opportunity work environment in which they can utilize and improve their abilities and qualifications;
4. To establish an employee personal rights and wage system that increases their motivation and encourages them to work at the Bank, allowing the Bank to employ manpower with qualifications and numbers required by the service.

The specialized nature of the Bank's operations requires a highly qualified and professional staff, hence career development is very important.

After two years of service, assistant specialists prepare a thesis, and after three years, they take a qualification exam to be appointed as specialists.

In addition, efforts are being spent to build on the qualifications of employees and employee engagement by backing training programs carried out in cooperation with various institutions with e-learning programs.

During 2021, 24 employees left the Bank and 47 new employees were employed.

Financial Information and Assessment on Risk Management

Relations of Türk Eximbank with Its Risk Group

Türk Eximbank does not have a Risk Group, since the Bank is fully owned by the Turkish Treasury and does not have subsidiaries or affiliates which it controls, either directly or indirectly.

Support Services Obtained by Türk Eximbank

Within the scope of the BRSA's "Regulation on Support Services to be Received by Banks" that went into force upon its publication in the Official Gazette issue 28106 dated 5 November 2011, Türk Eximbank received 12 support services detailed below in 2021.

| Support Service Provider | Service Received by the Bank |
|---|--|
| Fineksus Bilişim Çözümleri Ticaret A.Ş. | SWIFT Payment Systems |
| BTC Bilişim Hizmetleri A.Ş. | SAP TRM Application Licensing Update, Maintenance, Support and BASIS Technical Support Services |
| İnnova Bilişim Çözümleri A.Ş. | Software Development Services |
| İş Yazılım Donanım Elektronik Danış. Ltd. Şti. | Electronic Document Management System Software Maintenance and Support Services |
| Datasafe Arşivleme Hizmetleri A.Ş. | Archiving Services |
| Avi Gayrimenkul Yatırım Değerleme ve Danışmanlık A.Ş. | Mortgage and Pledge Establishment Transactions |
| Fu Gayrimenkul Yatırım Danışmanlık A.Ş. | Mortgage and Pledge Establishment Transactions |
| Modefinance SRL | Rating/Scoring and Limit Decision Models |
| Veripark Yazılım A.Ş. | Online Banking System Maintenance and Support Services |
| Vizyoneks Bilgi Teknolojileri A.Ş. | Procurement of Software, Maintenance and Training Services Required for Developing a New Insurance Application |
| ESG Strateji Dan. ve Eğt. Ltd. Şti. | Revision of Environmental and Social Risk Assessment Model for Credit and Insurance Activities |
| Superonline Bilişim Hizmetleri A.Ş. | Purchasing Order and Management System |

Prior to commencement of the support services listed in the table, "Technical Adequacy Reports" were drawn up showing that the service providers possess the technical equipment, infrastructure, financial strength, experience, know-how and human resource, and satisfy the requirements set out in the applicable legislation, as well as "Risk Management Programs" about the support services to be procured and "Risk Analysis Reports" studying the potential risks that may stem from these services, their management and expected benefits and costs as stipulated in the applicable legislation. As a result of these processes, service agreements were executed with the companies listed in the table above, and services continue to be received therefrom as of the date of this writing.

On another note, an empirical risk assessment study was conducted, which measures the relative severity of the risks that may arise from the qualities of support services providers and the services furnished thereby, based on which support services providers were audited. The assessment made and audits performed produced no findings associated with the procurement of these support services to an extent that would prevent efficient and adequate operation of the Bank's internal systems or execution of internal control or internal audit activities.

The General Assessment of the Audit Committee for the Year 2021 Regarding Activities and Risk Management, Internal Control and Internal Audit Systems at Türk Eximbank

As the sole official export credit agency in Türkiye, Türk Eximbank supports the exports sector with its credit, guarantee and insurance programs through non-profit activities. However, the Bank also seeks to ensure the most appropriate rate of return in order to maintain its capital and financial strength, and it complies with broadly accepted banking and investment principles in all its activities. In this regard, while conducting its legal function, which is “to provide financial support to exports sector”, the Bank maintains its risk level without weakening its financial strength.

As per the provisions of the legislation issued by the BRSA regarding Banking Law No. 5411, necessary organizational changes were made at the Bank on 31 October 2006, internal systems of the Bank were established with their current status, and an Audit Committee was established. Internal Audit, Internal Control, Risk Management and Compliance departments carry out their activities under the supervision of the Audit Committee made up of two members elected by the Board of Directors from amongst its own members.

Internal Audit

The Internal Audit Department carries out its responsibilities to the Board of Directors via the Audit Committee, which was established to perform the supervisory and regulatory obligations of the Board of Directors and to perform the following tasks within the framework of Audit Committee Regulation issued within the scope of the Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process:

- Analyzing and evaluating the compliance of the Bank’s activities with the relevant laws, regulations, decrees, communiqués, articles of association, banking principles, instructions and other statutes;
- Reviewing and evaluating the functioning, efficiency and adequacy of the Bank’s internal control and risk management systems;
- Providing opinions, suggestions and comments regarding effective and efficient use of the Bank’s resources,
- Reviewing the accuracy and reliability of accounting records and financial reports,
- Evaluating the operation, efficiency and adequacy of the Bank’s information systems and communication channels,
- Conducting audits and examinations of operations, accounts and activities in the Bank’s headquarters units, regional directorates and branches.

Assigned with risk-based auditing of all activities of the Bank without any limitations periodically, the Internal Audit Department performs its activities in an impartial and independent manner exercising the required professional diligence, with the aim of ensuring that the resources are used efficiently and that all activities make the maximum contribution to the Bank.

The annual Audit Plans are prepared and implemented in keeping with this understanding, using other comprehensive criteria in line with the Bank’s risk assessment matrix. Auditing the Bank’s

units, branches and processes financially, operationally and in terms of compliance and reporting within the framework of the annual Audit Plan, the Internal Audit Department communicates the findings covered in the reports that are produced as a result of the audits to the Board of Directors via the Audit Committee and closely monitors the steps taken in relation to the findings. In addition, the Board of Directors keeps abreast of the activities of the Internal Audit Department through its quarterly and annual activity reports submitted via the Audit Committee.

According to the relevant legislation issued by the BRSA, the Bank must present a “management declaration” to its external independent auditors, signed by the Board of Directors for each audit period, concerning the current situation and internal control activities carried out on information systems and banking processes. In this regard, the control and audit activities intended to be the basis of this management declaration were prepared by the Internal Control Department and the Internal Audit Department for information systems and banking processes, and the report prepared was presented to the Board of Directors. The Management Declaration was signed by the Board of Directors and submitted to the external auditor.

The Audit Committee continued its activities in 2021 with the aim of developing the activities of the Bank and adding value to them, and it ensured that the internal control activities that form the basis of the management declaration are performed in a coordinated manner.

Internal Control

Carrying out its activities within the scope of the Regulation on Banks’ Internal Systems and Internal Capital Adequacy Assessment Process, the Internal Control Department works to ensure that assets are protected and that the Bank’s activities are carried out effectively and efficiently and in compliance with the Law, other applicable legislation, internal policies, guidelines and banking customs. The Department is also responsible for guaranteeing the reliability and integrity of accounting and financial reporting system, and timely availability of information.

The duties of the Internal Control Department are set out in the Internal Control Department Regulation which is approved and enforced by the Board of Directors decision no. 108, dated 31 August 2021.

The Internal Control Department, in cooperation with the senior managers of related units, designs the internal control system and internal control activities that need to be established at the Bank, as well as how the same will be executed, and thus ensures the creation and development of the internal control environment. The Internal Control Department verifies the compliance of the Bank’s activities and products with the Law, other applicable legislation, internal policies and guidelines, and banking customs.

Within the duties delegated to it, the Internal Control Department performed monitoring, analysis and control activities by observing the matters mentioned below, giving priority to processes and transactions identified based on a risk-focused approach and within the materiality criteria during 2021:

- Establishing functional separation of duties, distribution of responsibilities and creation of workflow diagrams at the Bank,
- Integrity and security of accounting and financial reporting system and information systems, and timely availability of information,
- Functionality of internal communication channels that will ensure communicating the information produced and problems confronted with related individuals,

- Identification of the deficiencies or weaknesses in the design of operation of internal control mechanisms embedded in information systems applications employed in the performance of operations related to banking processes that are comprised of credit, insurance, accounting, financial reporting and payment systems,
- Verification of the existence and operation of manual and systemic approval mechanisms for critical processes and whether restrictions are adhered to,
- Verification of the compliance of the Bank’s activities and products with the Law and other applicable legislation, and controls regarding new product processes
- Implementation of guidelines set regarding the recording, retention and accessibility of documents and assets kept in physical safe deposit boxes and especially the guarantees received,
- Existence and update of business continuity plans consisting of information systems business continuity and emergency and contingency plans,
- Activities related to information systems management at the Bank and at the providers of outsourced services, processes supporting these activities, and compliance of the information systems controls in place with the legislation and internal policies, procedures and standards.

Findings of on-site or distant monitoring, review and controls performed manually or with systematic methods conducted by the Internal Control Department in 2021 on matters such as functioning of internal control mechanisms in units where banking operations are performed, compliance with rules and limitations and existence of required control points in information systems, have been shared with the related units. Instructions on correction of deficiencies and flaws were shared and results of the actions taken by the relevant units were followed up.

The quarterly reports of the Internal Control Department relating internal control activities were presented to the Audit Committee regularly. The control and audit activities concerning information systems and banking processes that form the basis of the Management Declaration to be submitted to the independent auditor were carried out by the Internal Control Department and the Internal Audit Department, and the report produced was presented to the Board of Directors via the Audit Committee.

Risk Management

According to the Charter and Procedures of the Risk Management Department approved by the Board of Directors, the Risk Management Department is responsible for:

- Describing, measuring and analyzing the Bank’s risk exposure as a whole within the frame of the principles approved by the Bank’s Board of Directors; managing and monitoring them in view of internal limits/early warning thresholds approved by the Board of Directors, and creating and exploring risk policies and implementation procedures,
- Performing profit and cost calculations regarding all risks and their manageability in cooperation with related departments, and timely reporting risk data to the Board of Directors via the Audit Committee.

Risk management activities at the Bank are being carried out with the target of bringing the risk management function close to best practices by establishing a risk culture across the Bank and by

constantly improving the system and human resource in accordance with the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks, other applicable regulations, and the BRSA Best Practices Guides.

Within the frame of risk management activities;

Under the **Credit Risk**, risks arising from cash and non-cash loan transactions are monitored against the regulatory and Bank-specific limits. Commercial bank risk taken directly or indirectly gets the highest share within the credit risk, which is the largest category of the Bank's risk exposure. Therefore, cash and non-cash limits made available to banks are assessed in detail, and updated as needed. Credit Risk is reported to the BRSA according to the BRSA's Standard Method. **Counterparty Credit Risk**, which is a sub-item of credit risk and refers to the losses that may result from potential deteriorations in creditworthiness upon defaulting of banks particularly engaged in derivatives and repurchasing transactions, is measured using the Current Exposure Method and includes the same in capital adequacy calculations.

Market risk is calculated monthly using the Standard Method devised by the BRSA and is considered in the calculation of the Capital Adequacy Ratio. In order to duly manage the interest rate and exchange rate risks that make up the main elements of the market risk; transactions performed in money and capital markets need to be diversified, taking into consideration the instruments, maturity, currency, type of interest and similar parameters. As the trading portfolio making the basis for market risk have a very little share in risk-weighted assets and as almost the entire trading portfolio is hedged at Türk Eximbank, the market risk obligation is also very low. The Bank implements hedge accounting principles for derivative transactions.

Operational Risk entails identification of risks arising from banking operations, and evaluation and monitoring of controls associated with these risks. Operational risk, which is one of the capital adequacy items, is calculated once a year using the basic indicator method, and reported to the BRSA. IT risks, which represent another source of operational risk, is managed by an independent risk management process, and is included in the integrated risk matrix which consolidates the impact and probabilities for all of the Bank's risks.

Apart from credit, market and operational risks which make up the First Pillar of Basel II, quantitative and/or qualitative studies are carried out on other risk types such as country risk, concentration risk, structural interest rate risk, liquidity risk and reputation risk that take place within the **Second Pillar**. All risks that the Bank is exposed to are closely monitored within the frame of Internal Limits and Early Warning Thresholds approved by the Board of Directors.

The **ICAAP report** prepared based on the actualizations of the previous year-end, which makes the capital planning for the next three years, and the **Stress Testing** attended thereto, were approved by the Board of Directors and sent to the BRSA in accordance with the BRSA legislation in force. According to the relevant articles of the ICAAP Report that refers to the **Risk Appetite**, Türk Eximbank has adopted maintaining the capital adequacy ratio in the 13%-15% interval as its risk appetite indicator, and embraced the principle that any capital adequacy ratio level below 13% should trigger initiatives to increase the capital.

In Stress Testing and Scenario Analyses studies, calculations are performed also for Economic Capital under the scenarios of increased loss ratios in case of downgraded country rating or in case of default in credit risk; for Value at Risk using Historical Simulation and Parametric Methods under exchange rate and interest rate shocks for information purposes in Market Risk, and for capital requirements within the frame of stress scenarios such as early recalled debts or non-renewal of debts at maturity and sudden and unforeseeable rises in NPL ratios in Liquidity Risk, and within the frame of scenarios

where the severity and significance of findings are assumed to have worsened by one level based on the Operational Risk Methodology approved by the Board of Directors for Operational Risks.

Results of stress tests performed with internal models as well as standard methods demonstrate that, with its stable and strong capital structure, the Bank can operate free of any problems while under intense stress factors.

Real-time cash inflow/outflow are monitored for the Liquidity Risk, which is managed within the frame of the Liquidity Action Plan approved by the Board of Directors and monitored closely by the Bank; continuity and sustainability of liquidity adequacy are ensured with the GAP analyses, scenario analyses and stress/reverse-stress tests conducted. The said policy document also incorporates the set of rules that grades the actions that will be taken depending on the severity of the situation experienced in case of liquidity squeeze. During the year, the Bank did not experience any negativities with respect to Liquidity Adequacy and Liquidity Coverage Ratios, which are regulatory reporting techniques, and ratios were registered well above legal requirements.

As per the legislation in force, the Bank is exempted from provisions. Notwithstanding, under the prudence concept, Türk Eximbank makes TFRS 9 New Financial Instruments Set –Expected Credit Loss Provisioning calculations using a validated model, and pursues a highly conservative provisioning policy. The model used is regularly reviewed, and necessary improvements are carried out in coordination with the related units.

Regulatory Compliance

Regulatory Compliance Department follows up regulatory framework in order to ensure compliance of the Bank's operations with the applicable legislation governing the Bank, makes sure that they are captured in internal practices through the announcements and guidance it provides, and evaluates and forms opinions regarding the regulatory compliance of new products and services. The Department represents the Bank in various Working Groups active within the Banks Association of Türkiye. In addition, the Department carries out the activities for putting into practice the regulations in relation to anti money-laundering and prevention of terrorist financing by keeping a close eye on local/international regulations and regulations related to personal data protection. The Department is also assigned with exchanging opinions with regulatory and supervisory authorities, and sharing the opinions received with related units.

Duygu GÜVEN

Member of the Audit Committee

Nail OLPAK

Member of the Audit Committee

Risk Management Policies Based on Risk Types

Credit Risk

Credit risk indicates the failure of a borrower to fulfill its capital, interest payments and other obligations, the failure of an institution exporting securities to fulfill its obligations in cash credits, and losses arising from indemnity payment by the Bank to a financing institution afforded with a guarantee or to an exporter, contractor or institution afforded with insurance cover in non-cash credits.

The risk weights of the Bank's assets are determined within the boundaries of the regulations of the BRSA.

Loans are extended within the framework of the authority given to the Board of Directors for achieving the Bank's sub-lending targets as set out in its annual programs.

Losses sustained by Türk Eximbank due to political risks undertaken for the sake of credit, guarantee and insurance activities are covered by the Ministry of Treasury and Finance according to Article 4/C, added to Law No. 3332 under Law No. 3659 and Law No. 4749 on the Regulation of Public Finance and Debt Management dated 28 March 2002.

International credits are granted by approval of the Board of Directors and approval of the Minister to whom the Ministry of Treasury and Finance is reporting, according to Article 10 of Act No. 4749 dated 28 March 2002 on the Regulation of Public Finance and Debt Management. The limit of a country is restricted by both the maximum risk that can be undertaken and the maximum amount that can be utilized annually.

The fundamental collateral of the international credits is the sovereign guarantee of the counter country or the guarantee of banks that Türk Eximbank accepts as accredited. Sovereign guarantee letters are regulated by the Finance or Economy Ministry related to the counter country legislations. Letters of Guarantee cover the principal, interest and all other obligations of the borrower and are valid until the maturity date. In addition to state guarantees, additional guarantees such as debt notes may be requested depending on the status of the debtor and project, the "comfort letter", and the "deposit account" issued by the authorities of the relevant countries.

The Bank reviews various reports of the OECD on country risk classification, reports of the members of the Berne Union, and reports of independent credit rating institutions, as well as the financial statements of banks and the country reports prepared by the Bank during the assessment and review of loans granted.

Firms' and banks' risks and limits are monitored on daily and weekly bases by responsible units and the same can be revoked in real-time. Domestic and foreign banks' limits are calculated using a Bank methodology, which seeks to simplify the limit amounts unnecessarily allocated and to bring them in complete alignment with Basel III Guidelines.

The risk ratings of banks are determined by analyzing financial and other indicators, such as the group to which a bank belongs, the shareholders of a bank, whether a bank is part of a financial holding company, the situation of a bank's sister companies, whether a bank is a foreign bank, the situation of the ultimate parent company, ratings issued by international rating agencies, and evaluation of subjective criterion like management quality and information from the press.

Besides the financial and organizational information given by companies, the Bank receives

intelligence from other sources (such as the Risk Centralization Records of CBRT, the Turkish Trade Registry Gazettes, the registration information from the Chamber of Commerce, data of the Ministry of Trade, banks, other companies in the same sector, etc.) for proof and for detailed research on companies. At the same time, the Bank takes into consideration the company's financial statements for the last three years, as well as the overall situation of the sector of the company in question; the economic and political circumstances of foreign target markets; and the advantages and disadvantages of the company compared to domestic and/or foreign competing companies. If the company is a subsidiary of a holding company or is a member of a group of companies, the bank loans of the group and the scenarios which may affect the activities of the group are investigated and the risk of the whole group is considered while analyzing the company.

All operations denominated in foreign currency and derivative transactions of the Bank are carried out under the limits approved by the Board of Directors. Sectoral and regional distributions of credit risks are conducted in parallel with the export composition of Türkiye, and this is monitored by the Bank regularly.

Türk Eximbank is not obliged to conform to Article 54 of Banking Law No. 5411 on loan limits. Nevertheless, the Bank obeys the general credit limit constraints mentioned in the Banking Law. As per guaranteeing policy, since credits are mostly extended based on the risk of the domestic bank, the Bank can undertake risk of up to 20% of the cash and non-cash total credit risk amount, excluding treasury transactions for a single bank, in order to fulfill its mission to provide credits depending on the economic conjuncture.

Türk Eximbank's short-, medium- and long-term credit programs are carried out with respect to financial conditions (terms, interest rates, collaterals, etc.) and procedures approved by the Board of Directors. Credit prices are determined by the Assets and Liabilities Committee in view of the cost of funds, maturity of the transaction, structure of the collateral and variation in market interest rates are taken into consideration. The Bank's mission to provide financing opportunities with costs that will lead exporters to gain competitive advantages in existing markets and risky or new countries is also considered during the process of pricing loans.

Each year, Türk Eximbank cedes the commercial and political risks borne under its insurance programs to a group of domestic and overseas reinsurance companies under renewed agreements. Türk Eximbank holds a certain portion of the aforementioned risks that can be indemnified from its own sources. This portion was 40% in 2021.

Premium rates for Export Credit Insurance vary according to criteria such as the risk classification of the buyer's country, payment terms, credit tenor, the legal status and the risk group of the buyer (private or public). The premium rates get higher as the risk of the country, the buyer or the payment method increase, or the delivery term becomes longer. The quotation strategy, which is the basis for determining premium rates, is generated taking into account domestic market conditions, international quotations of export credit insurance services, and the size of accumulated losses in past years.

Short-Term Export Credits and Credits for Foreign Currency-Earning Services are granted to companies upon approval by the General Directorate Credit Committee within the guarantee determined by the Board of Directors and maturity and interest rate elements determined by the General Directorate, provided that the credit risk level that can be reached by a given firm will not be exceeded. This authorization is limited to 1% of the Bank's equity.

The collateral required for the Pre-Shipment Export Credits Program is the Debtor Bank's Current Account Undertaking Contract, similar to a comprehensive bond, issued by intermediary commercial

banks in accordance with their respective credit limits allocated by Türk Eximbank.

The cash/non-cash domestic bank limits for the Bank's short-term TL and foreign currency credits are approved by the Board of Directors. These limits can be changed under restrictions determined by the Board of Directors.

Direct lending secured by fundamental collateral amounts to 100% of the principal, interest and export commitment risk of the loan. Fundamental collaterals include letters of bank guarantee, government securities, our Bank's insurance policies, cash and securities pledge, mortgage and KGF guarantees.

In the Bank's annual program, within the framework of the insurance and buyers' credit facilities including foreign risk, the limit of a country implies the "maximum limit that can be undertaken", and the exposure limit of a country implies "maximum amount that can be utilized annually".

Within the framework of the authority given by the Board of Directors, up to the authorized amount of buyers' limits are granted by the underwriting department. The higher amounts are granted directly by the Board of Directors.

The maximum amount of credit risk to which the Bank may be exposed is indicated in the Implementation Principles of relevant credits, and these amounts are determined by the decision of the Board of Directors.

While Türk Eximbank is exempted from Article 54 – Loan Limits of the Banking Law, the metrics Risk Management Department identified in relation to concentration risk are monitored in the Internal Limit and Early Warning Thresholds document approved by the Board of Directors. In addition, the concentration risk is addressed in the ICAAP report, and risk is measured using the Herfindahl-Hirschman method, which is among the methods suggested by the BRSA.

Market Risk

Market risk is defined as the probability of loss at the Bank's on- and off-balance-sheet positions due to price, interest and exchange-rate movements arising from market fluctuations, leading to variations in income statement items and profitability of shareholders' equity.

For measuring its market risk exposure, the Bank calculates the "Exchange Rate Risk" and the "Interest Rate Risk" based on the "Market Risk Measurement Using the Standardized Approach" issued by the BRSA (the Bank is not exposed to any equity position risk). The market risk covering the aggregate interest and exchange rate risks calculated according to the said approach is prepared and reported to the BRSA on a monthly basis, whereas the exchange rate risk calculated according to the "Regulation on Measurement and Implementation of Banks' Net Overall FC Position / Equity Standard Ratio on a Consolidated and Unconsolidated Basis" is calculated and reported to the BRSA on a weekly basis.

Value at Risk (VaR) and Expected Shortfall are also calculated at the Bank with the aim of analyzing the amounts of potential loss that may be suffered by derivatives for trading purposes under various market conditions and of deriving statistical data in view of international finance literature.

Currency Risk

The Bank's foreign exchange positions are monitored daily. All positions are managed by authorized personnel within the limits set out in the Risk Management Implementation Principles approved by the Bank's Board of Directors, considering the market developments and expectations.

The Bank gives high importance to implementing the strategy of matching its assets and liabilities in terms of currency, maturity and interest. In this framework, debt management is pursued in accordance with the Bank's asset structure to the greatest possible extent. In cases where this is not possible, the Bank tries to achieve a matching strategy using the appropriate types of swap transactions (cross-currency swaps, interest swaps or currency swaps) or by changing the asset structure of the Bank in such ways as may be possible under the given conditions.

The Bank follows a balanced strategy with respect to exchange rate risk between assets and liabilities.

The exchange rate risk for each currency is monitored separately and on a daily basis. The effects of the Bank's activities and of market conditions on the Bank's positions are closely monitored, and the necessary measures are taken promptly.

Interest Rate Risk

The interest structure (fixed or floating) of interest-sensitive assets and liabilities, and their weight in total assets and liabilities, are evaluated to determine the probable effects of changes in market rates on the Bank's profitability. The Bank's approach is that all assets and liabilities bearing fixed interest rates will be repriced at maturity, and that those bearing floating rates are at the payment terms. By using this approach, the Bank calculates the interest-sensitive gap or surplus for each period remaining to contractual repricing dates (gapping report). The gapping report is used to predict how the Bank will be affected by the probable market rate changes at any period of time provided that all assets and liabilities sensitive to interest are sorted according to the interest renewal periods.

Maturity mismatches are monitored periodically for FX-denominated assets and liabilities, and TL-denominated assets and liabilities are monitored via tables showing weighted averages of days to maturity, which are prepared periodically.

According to the Risk Management Principles approved by the Board of Directors, the Bank attaches importance to the alignment of assets and liabilities in different currencies at fixed and variable interest rates, and takes care to maintain the fixed/variable rate assets and liabilities mismatch that can be undertaken at a reasonable level, with the purpose of limiting the negative effects interest rate changes might have on the Bank's profitability.

In accordance with the "Regulation on Calculation and Evaluation of Interest Rate Risk Arising from the Banking Accounts with Standard Shock Methods" issued by the BRSA and published in the Official Gazette, issue No. 28034, on 23 August 2011, submission of a report that is intended to act as a stress test by measuring the impact of interest rate shocks (of between +5% and -4% for lira and between +2% and -2% for foreign currencies) on the Bank's balance sheet, has continued in 2021.

According to the regulation, the ratio of net present value changes caused by interest rate shocks on the equity of the related month must not exceed 20%.

The said ratio remains well below the legal limit owing to the Bank's solid equity structure and the high level of match between its assets and liabilities.

Liquidity Risk

The Bank's overall policy for liquidity risk is to carry a low-cost liquidity level at an amount sufficient to meet the potential cash flow needs under various operational conditions. Accordingly, based on

existing credit stocks and existing cash, cash flow statements are being prepared, according to which additional funding needs and timing are determined.

Besides liquidity ratios, other balance sheet ratios, amount and term structure of liquid assets and rules for diversification of funding resources are all taken into consideration in liquidity management.

The Bank covers its short-term liquidity needs from short-term credits from domestic and foreign banks and short-term funds obtained through repo from money markets. Long-term liquidity need is provided from medium-long term loans obtained from international institutions such as World Bank and European Investment Bank and funds raised from capital markets through bond issuances.

The Bank tries to fund short-term credit with short-term resources and medium-long term credits with medium-long term resources and reduce the mismatch as much as possible.

In determining the overall limits of liquidity management, minimum liquidity levels and emergency liquidity resources are identified by the Board of Directors of the Bank.

In this context, legal limits as per the “Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks” are considered for liquidity risk in Turkish Lira and foreign currency.

In terms of liquidity, the Bank chooses to use borrowing limits in TL and foreign currency markets as per CBRT and short-term money market borrowing limits from domestic and foreign banks in emergency situations as much as possible.

Moreover, in case of a projection or detection of an emergency situation, “Liquidity Action Plan” which is approved by the Board of Directors is applied.

Liquidity Action Plan was prepared to mitigate risks that may occur due to non-performance of liabilities resulting from liquidity squeeze and to protect rights and interests of the Bank’s shareholder, creditors and all parties which may be affected by the liquidity status and healthy management of operations.

In order to meet the urgent liquidity need, in addition to “Base Ratio to be Used in Measurement of Liquidity Risk” an additional minimum 1% of the Bank’s total assets are maintained as liquid assets. The composition of these assets is determined by Vice Presidency responsible from Treasury (assets as indicated in Article 5 of the Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks).

In addition to legal liquidity obligations, the Bank’s asset and liability items are classified based on their maturities as demand, up to 1 month, 1-3 months, 3-12 months, 1-5 years, 5 year and above, and asset-liability harmony is closely monitored.

First precaution for liquidity need that may arise at an unexpected time is to keep liquid assets and/or short-term assets at a higher amount than the liabilities to be paid in the short term. In this context, the following actions are taken:

- Level of liquid assets are increased and/or
- Maturities of existing liabilities are being lengthened and/or
- New credit requests are met in a limited manner and/or
- Terms of extended credits are shortened and/or

- Limits of financial institutions which the Bank performs transactions with are being monitored and transactions are performed under approved limits when needed.
- Part of the security stock may be liquidated through firm sale or repo.

Operational Risk

Operational risk is defined as the probability of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Amount subject to operational risk, which is calculated using the “Basic Indicator” approach in accordance with the BRSA regulations, is taken into consideration in calculating the Bank’s capital adequacy ratio within the scope of Basel II First Pillar risks.

In addition to regulatory reports, operational risk is also measured using internal metrics. Created using the data infrastructure classified on the basis of lines of business within the frame of improvements made with the purpose of effective management of operational risk associated with banking processes and referring to the determination of Operational Risk Limit and Early Warning thresholds, the Operational Risk Methodology Document, which is deemed appropriate by the Audit Committee and approved by the Board of Directors, went into effect.

Evaluation of Financial Position

Türk Eximbank's total assets reached TL 322.4 billion (USD 24.4 billion) as of 31 December 2021.

Assets

Türk Eximbank's total assets consist of 89% loans, 7% liquid assets and 4% securities held-to-maturity and other assets.

The Bank's loan portfolio reached TL 288.1 billion, and increased by 61% over the previous year.

Of the total credits, 62% (TL 179.5 billion) are short-term credits and 38% (TL 108.6 billion) are medium- and long- term credits.

By using appropriate risk management techniques, Türk Eximbank has shown great efforts to collect receivables on time and in full.

Thus, although the Bank extends most of its resources as loans to the export sector, the NPL ratio is low, at 0.2%, when compared to the banking sector average.

Liabilities

Türk Eximbank's liabilities reached TL 322.4 billion as of the end of 2021. Of these, 4.5% (TL 14.6 billion) was shareholder's equity, 93% (TL 300 billion) was funds obtained from domestic and international markets, and 2.5% (TL 7.8 billion) was provisions and other liabilities.

The Bank's shareholders' equity was TL 14.6 billion, of which 74% (TL 10.8 billion) was paid-up capital, 4% (TL 573.7 million) was profit reserves and others, and 22% (TL 3.1 billion) was net profit.

The foreign resources amounted to TL 299.6 billion used for funding the Bank's assets consisted of TL 167.5 billion in credits provided from the Central Bank of the Republic of Türkiye, TL 82.8 billion in credits provided from domestic and foreign banks, TL 37.3 billion in marketable securities issued, TL 5.5 billion in subordinated loans, and TL 6.5 billion in borrowings from money markets.

At its Extraordinary General Assembly convened on 26 March 2017, Türk Eximbank switched to the registered capital system and authorized capital practice. At the Ordinary General Assembly convened on 26 March 2021, the authorized capital was increased to TL 17.5 billion. The Bank's paid-in capital is currently TL 10.8 billion.

As per Article 21 entitled Exemptions of "Regulations Concerning the Classification of Credits and Procedures and Principles of the Provisions for These by Banks", the private and general provisioning ratio for the Bank for transactions within the scope of the Law of its Establishment is set at zero percent. However, Türk Eximbank makes provisions within prudent banking principles.

Solvency

The ratio of Türk Eximbank's liquid assets including short term loans to short-term liabilities was registered as 99.2% as of 31 December 2021.

Profit & Loss Statement and Profitability

As the balance of Türk Eximbank is concentrated on credits, its effects can be seen on incomes. Of the Bank's TL 7.2 billion in total interest income, 83.5% (TL 6 billion) came from interest earned from

credits.

On the other hand, as the Bank secures funds by way of borrowing from domestic and international money and capital markets and through bond issuances, the Bank's interest expense was TL 4.4 billion, of which 50.4% (TL 2.2 billion) was interest paid on borrowings from domestic international money markets, 47.3% (TL 2.1 billion) was interest paid on marketable securities issued and 2.3% (TL 99 million) was other interest expenses. Net interest income was TL 2.8 billion.

The Bank's net profit was TL 3.1 billion as of 31 December 2021, yielding return on assets and return on equity ratios of 1.18% and 29.11%, respectively. The Bank's capital adequacy ratio at year-end was 18.02%

Credit Ratings Assigned to Türk Eximbank by International Rating Agencies

The issuer credit ratings assigned to Türk Eximbank by Moody's and Fitch Ratings as of the end of 2021 are as follows:

| Fitch Ratings* | |
|---------------------------|------------------|
| Foreign Currency IDR** | B+/Negative/B |
| Local Currency IDR ** | BB-/Negative/B |
| National Credit Rating** | AAA (tur)/Stable |
| Government Support Rating | b+ |

*Recent revision as of 10 December 2021

** Long-term/Outlook (if available)/Short-term

| Moody's* | |
|--|------------------|
| Foreign Currency Issuer Rating | B2/ Negative /NP |
| Local Currency Issuer Rating | B2/ Negative /NP |
| Senior Unsecured Regular Bond/Debenture Rating | B2/ Negative |
| Senior Unsecured MTN Program Rating | (P)B2 |

*Recent revision as of 15 September 2020

** Long-term/Outlook (if available)/Short-term

Financial Indicators for the 2017-2021 Period

| Balance Sheet Accounts (TL thousand) | 2021 | 2020 | 2019 | 2018 | 2017 |
|--------------------------------------|-------------|-------------|-------------|-------------|------------|
| Loans | 287,473,621 | 178,253,907 | 142,892,035 | 129,497,250 | 80,271,104 |
| Total Assets | 322,377,480 | 204,227,274 | 162,883,112 | 139,429,094 | 85,375,189 |
| Funds Borrowed | 250,365,374 | 160,630,694 | 127,584,542 | 108,730,948 | 67,368,670 |
| Securities Issued (Net) | 37,284,304 | 22,953,260 | 18,791,531 | 17,178,988 | 10,279,210 |
| Subordinated Loans | 5,523,837 | 4,463,576 | 4,025,854 | 2,995,130 | 31,596 |
| Money Market Funds | 6,517,681 | 1,375,566 | - | 139,005 | 152,000 |
| Shareholders' Equity | 14,550,311 | 11,413,457 | 9,080,224 | 7,654,051 | 5,774,083 |
| Paid-in Capital | 10,800,000 | 9,270,000 | 7,160,000 | 6,350,000 | 4,800,000 |

| Profit-Loss Statement Accounts (TL thousand) | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|------------------|------------------|------------------|----------------|----------------|
| Interest Income | 7,190,739 | 5,011,499 | 4,856,159 | 3,391,095 | 2,238,086 |
| Interest Expense | -4,388,430 | -3,788,554 | -3,741,609 | -2,531,631 | -1,224,198 |
| Net Interest Income | 2,802,309 | 1,222,945 | 1,114,550 | 859,464 | 1,013,888 |
| Net Fees and Commissions and Other Operating Income | 556,923 | 239,271 | 183,021 | 154,632 | 207,362 |
| Trading Income/Losses (Net) | 643,073 | 844,842 | 627,029 | 181,863 | -281,121 |
| Expected Credit Losses | -231,578 | -369,469 | -132,997 | -81,696 | -77,418 |
| Other Provision Expenses | -151,073 | -14,281 | -422 | - | - |
| Personnel Expenses | -300,661 | -260,866 | -225,572 | -170,115 | -132,734 |
| Other Operating Expenses | -212,476 | -151,054 | -133,974 | -102,346 | -161,502 |
| Net Profit for the Period | 3,106,517 | 1,511,388 | 1,431,635 | 841,802 | 568,475 |

**Publicly Announced Unconsolidated Financial Statements and
Related Disclosures together with Independent Auditor’s Report at
31 December 2021.**

TÜRKİYE İHRACAT KREDİ BANKASI ANONİM ŞİRKETİ

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

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Türkiye İhracat Kredi Bankası Anonim Şirketi

1) Opinion

We have audited the accompanying financial statements of Türkiye İhracat Kredi Bankası Anonim Şirketi (the "Bank") which comprise the unconsolidated statement of financial position as at December 31, 2021, statement of profit or loss and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

2) Basis for opinion

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

3) Key audit matters

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

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



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



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

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

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

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

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



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

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

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

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



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

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

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

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

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of Ernst & Young Global Limited

Fatma Ebru Yücel, SMMM
Partner

İstanbul, Türkiye
April 29, 2022

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

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

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

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

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

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

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

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

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

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

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

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

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

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

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

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

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

1 GENERAL INFORMATION ABOUT THE BANK

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

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

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

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

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

2.2 Basis of measurement

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

2.3 Functional and reporting currency

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

2.4 Accounting in hyperinflationary countries

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

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

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

2 BASIS OF PREPARATION (continued)

2.5 Use of estimates and judgments

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

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

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

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

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

2.6. Changes in accounting policies

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION (continued)

IFRS 17 - The new Standard for insurance contracts

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

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

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

Amendments to IAS 8 - Definition of Accounting Estimates

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

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

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

2 BASIS OF PREPARATION (continued)

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

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

Amendments to IFRS 3 – Reference to the Conceptual Framework

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

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

Amendments to IAS 16 – Proceeds before intended use

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

2 BASIS OF PREPARATION (continued)

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

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

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

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

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

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

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

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

2 BASIS OF PREPARATION (continued)

Relief from discontinuing hedging relationships

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

Separately identifiable risk components

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

Additional disclosures

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

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

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

2 BASIS OF PREPARATION (continued)

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

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

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

ii) Annual Improvements – 2018–2020 Cycle

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

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

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

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Foreign currency

i) Foreign currency transactions

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

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

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

ii) Foreign currency operations

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

3.2 Interest income and expense

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

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

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

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

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.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Income tax expense

According to Act number 3332 and article 4/b of Act number 3659, dated 25 March 1987 and 26 September 1990, respectively, the Bank is exempt from Corporate Tax. Due to the 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.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

b.1.) Derivative financial instruments held for hedging

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

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

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

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

3.9 Explanations on financial assets

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

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

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification and measurement of financial instruments

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

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

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

Business model Evaluation

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

Measurement categories of financial assets and liabilities

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

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

Financial assets measured at fair value through profit/loss

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

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

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Financial assets at fair value through other comprehensive income

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

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

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

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

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

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

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Financial assets measured at amortized cost

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

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

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

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

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

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

Explanations on impairment of financial assets

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

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

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Explanations on expected credit losses

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

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

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

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

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

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

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

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

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

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

Measurement of expected credit losses

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

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3 SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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

Maturity

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

Probability of Default (PD)

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

Loss Given Default (LGD)

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

Exposure at Default (EAD)

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

Forward looking

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

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant increase in credit risk

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

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

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

Definition of default

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

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

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

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

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

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

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

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

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

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Explanations on the write-off policy

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

3.11 Cash and cash equivalents

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

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

3.12 Property and equipment

Recognition and measurement

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

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

Subsequent costs

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

Depreciation

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

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

| | 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.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Intangible assets

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

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

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

3.14 Investment property

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

3.15 Assets held for sale

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

3.16 Impairment of non-financial assets

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

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

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

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

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3 SIGNIFICANT ACCOUNTING POLICIES (*continued*)

3.17 Funds borrowed and subordinated liabilities

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

3.18 Debt securities

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

3.19 Provision

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

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

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

3.20 Employee benefits

Reserve for employee severance indemnity

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

Short-term employee benefits

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

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

3.21 Events after the reporting period

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

3.22 Affiliates and subsidiaries

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

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

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4 FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

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

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

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

(b) Credit risk

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

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

The Board of Directors of the Bank fulfilled authorizations for the determination of loan limits for a person or legal entity, limited with only the loans which were given with respect to specified guaranties, within the framework of the 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.

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

4 FINANCIAL RISK MANAGEMENT (continued)

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

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

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

Impairment and provisioning policies

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

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

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

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

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

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4 FINANCIAL RISK MANAGEMENT (continued)

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

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

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

| | 31 December 2021 | | 31 December 2020 | |
|---|--------------------|-----------------|--------------------|-----------------|
| | Corporate loans | Personnel loans | Corporate loans | Personnel loans |
| Collaterals guaranteed by other banks | 267,408,123 | - | 164,562,560 | - |
| Collaterals guaranteed by a third party | - | 13,353 | - | 13,414 |
| Total | 267,408,123 | 13,353 | 164,562,560 | 13,414 |
| Unsecured exposures ⁽¹⁾ | 19,712,059 | - | 13,834,541 | - |
| Total loans and advances | 287,120,182 | 13,353 | 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 31 December 2021, the Bank does not have repossessed collateral (31 December 2020: None).

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

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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

4 FINANCIAL RISK MANAGEMENT (continued)

Bank's credit rating policy

The risk assessment of banks and other financial institutions

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

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

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

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

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

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

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4 FINANCIAL RISK MANAGEMENT (continued)

The risk assessment of the companies:

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

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

| | 31 December 2021 | 31 December 2020 |
|---------------------------|-------------------------|-------------------------|
| | Concentration level (%) | Concentration level (%) |
| Credit limits (TL) | | |
| 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 31 December 2021 and 31 December 2020:

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

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

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4 FINANCIAL RISK MANAGEMENT (continued)

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

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

⁽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.

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4 FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk

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

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

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

(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.

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4 FINANCIAL RISK MANAGEMENT (continued)

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

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

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

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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

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4 FINANCIAL RISK MANAGEMENT (continued)

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

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

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

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

(e) Interest rate risk

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

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

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

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4 FINANCIAL RISK MANAGEMENT (continued)

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

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

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4 FINANCIAL RISK MANAGEMENT (continued)

| | 31 December 2020 | | | | | Total |
|--|-------------------|---------------------|---------------------|------------------|----------------------|--------------------|
| | Up to 3 months | 3 months to 1 year | 1 year to 5 years | Over 5 years | Non-interest bearing | |
| Cash and due from banks | 6,581,892 | - | - | - | 5,099,538 | 11,681,430 |
| Financial assets measured at fair value through profit or loss | - | - | 78,554 | 74,900 | - | 153,454 |
| Derivative financial assets | 25,960 | 264 | - | - | - | 26,224 |
| Derivative assets held for risk management | 35,221 | 156,559 | 274,333 | - | - | 466,113 |
| Loans and advances | 50,866,005 | 94,403,968 | 31,870,924 | - | 490,024 | 177,630,921 |
| Investment securities | | | | | | |
| - Financial assets measured at fair value through other comprehensive income | 39,911 | 40,839 | 309,081 | 322,700 | 92,778 | 805,309 |
| - Financial assets measured at amortized cost | 909,292 | 2,791,413 | 2,762,505 | 4,174,332 | - | 10,637,542 |
| Property and equipment and intangible assets | - | - | - | - | 27,751 | 27,751 |
| Investment property | - | - | - | - | 2,111 | 2,111 |
| Other assets | 217,741 | 274,596 | - | - | 1,145,378 | 1,637,715 |
| 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 | 0 | 1,375,566 | - | - | - | 1,375,566 |
| Derivative financial liabilities | 114,682 | 247 | - | - | - | 114,929 |
| Derivative liabilities held for risk management | 307,798 | 368,401 | - | - | - | 676,199 |
| Other liabilities | 348,215 | 281,194 | 1,319,332 | - | - | 1,948,741 |
| Reserve for employee benefits | - | - | - | - | 26,331 | 26,331 |
| Total liabilities | 29,070,759 | 110,730,985 | 48,888,337 | 2,937,898 | 26,331 | 191,654,310 |
| Net repricing gap | 29,605,263 | (13,063,346) | (13,592,940) | 1,634,034 | 6,831,249 | 11,414,260 |

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NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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4 FINANCIAL RISK MANAGEMENT (continued)

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

| | 31 December 2021 | | | | |
|--|------------------|---------|---------|---------|--------|
| | USD (%) | EUR (%) | JPY (%) | GBP (%) | TL (%) |
| Assets | | | | | |
| Cash and due from banks | | | | | |
| - Cash equivalents | - | - | - | - | - |
| - Time deposits in foreign banks | 0.08 | - | - | - | - |
| - Time deposits in domestic banks | - | - | - | - | - |
| - Interbank money market placements | - | - | - | - | 16.88 |
| Loans and advances | 1.90 | 1.85 | - | 0.78 | 14.92 |
| Investment securities | | | | | |
| - Financial assets measured at fair value through profit or loss | 7.03 | - | - | - | - |
| - Financial assets measured at amortized cost | 5.66 | 8.28 | - | - | 6.73 |
| - Financial assets measured at fair value through other comprehensive income | 6.46 | - | - | - | - |
| Liabilities | | | | | |
| Funds borrowed | 0.70 | 0.27 | - | 0.11 | - |
| Subordinated liabilities | - | 5.06 | - | - | 11.21 |
| Debt securities in issue | 5.99 | - | - | - | - |
| Interbank money market deposits | 2.20 | - | - | - | - |
| 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 | - | - | - | - |

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4 FINANCIAL RISK MANAGEMENT (continued)

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

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

| 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.

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4 FINANCIAL RISK MANAGEMENT (continued)

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

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

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

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

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

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

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4 FINANCIAL RISK MANAGEMENT (continued)

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

| Prior Period | Total Unweighted Value (Average) (*) | | Total Weighted Value (Average) (*) | |
|-----------------------------------|--|-------------------|------------------------------------|---------------------------------|
| | TL+FC | FC | TL+FC | FC |
| 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 |
| 6 | Operational deposits | - | - | - |
| 7 | Non-operational deposits | - | - | - |
| 8 | Unsecured funding | 15,174,491 | 15,174,491 | 7,680,006 |
| 9 | Secured funding | | | |
| 10 | Other cash outflows | 1,755,106 | 1,737,570 | 1,010,548 |
| 11 | Outflows related to derivative exposures and other collateral requirements | 514,178 | 512,209 | 514,177 |
| 12 | Outflows related to restructured financial instruments | - | - | - |
| 13 | Payment commitments and other off-balance sheet commitments granted for debts to financial markets | 1,240,928 | 1,225,361 | 496,371 |
| 14 | Other revocable off-balance sheet commitments and contractual obligations | - | - | - |
| 15 | Other irrevocable or conditionally revocable off-balance sheet obligations | 10,896,351 | 10,896,351 | 544,817 |
| 16 | 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 |
| 19 | Other cash inflows | 26,197 | 2,610 | 26,197 |
| 20 | TOTAL CASH INFLOWS | 18,771,687 | 15,202,674 | 11,937,029 |
| | | | | <i>Max limit applied values</i> |
| 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:

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

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4 FINANCIAL RISK MANAGEMENT (continued)

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

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

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

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

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

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

^(*)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.

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4 FINANCIAL RISK MANAGEMENT (continued)

| | 31 December 2020 | | | | | Total |
|--|-------------------|--------------------|--------------------|--------------------|-----------------------------------|--------------------|
| | Up to 3 months | 3 months to 1 year | 1 year to 5 years | Over 5 years | No stated maturity ^(e) | |
| 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 |

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

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

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

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

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4 FINANCIAL RISK MANAGEMENT (continued)

| | 31 December 2020 | | | | | | Total |
|--|--------------------|---------------------------|--------------------|-------------------|-------------------|--------------------|--------------------|
| | Carrying amount | Demand and up to 3 months | 3 months to 1 year | 1 year to 5 years | Over 5 years | No maturity stated | |
| Funds borrowed | 160,095,708 | 20,147,365 | 81,586,951 | 51,035,907 | 9,587,424 | - | 162,357,647 |
| Debt securities in issue | 4,463,576 | 181,514 | 181,514 | 3,154,371 | 3,990,843 | - | 7,508,242 |
| Subordinated liabilities | 22,953,260 | 4,115,273 | 4,439,975 | 16,884,982 | - | - | 25,440,230 |
| Interbank money market deposits | 1,375,566 | - | 1,076,331 | 336,117 | - | - | 1,412,448 |
| Other financial liabilities ⁽¹⁾ | 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 31 December 2021 and 31 December 2020 are presented in the tables below:

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

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4 FINANCIAL RISK MANAGEMENT (continued)

| | 31 December 2020 | | | | Total |
|---|-------------------|-----------------------|----------------------|-----------------|-------------------|
| | Up to 3 months | 3 months to 1 year | 1 year to 5 years | Over 5 years | |
| 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.

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4 FINANCIAL RISK MANAGEMENT (continued)

Fair value hedge accounting

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

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

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

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

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

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

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

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4 FINANCIAL RISK MANAGEMENT (continued)

Cash flow hedge accounting

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

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

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

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

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

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4 FINANCIAL RISK MANAGEMENT (continued)

(h) Fair value of financial instruments

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

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

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

(i) *Financial assets*

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

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

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

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

(ii) *Financial liabilities*

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

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

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4 FINANCIAL RISK MANAGEMENT (continued)

(iii) Derivative financial assets and liabilities

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

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

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

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

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

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4 FINANCIAL RISK MANAGEMENT (continued)

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

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

(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.

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4 FINANCIAL RISK MANAGEMENT (continued)

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

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4 FINANCIAL RISK MANAGEMENT (continued)

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

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

(*) As of

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Allowances for credit losses

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

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

(b) Fair value of derivatives

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

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6 CASH AND DUE FROM BANKS

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

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

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

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

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7 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The Bank utilizes the following derivative financial assets and liabilities:

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

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

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

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

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8 LOANS AND ADVANCES

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

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

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

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8 LOANS AND ADVANCES (continued)

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

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

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

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

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

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

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

9 INVESTMENT SECURITIES

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

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

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

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

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9 INVESTMENT SECURITIES (continued)

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

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

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

The movements of FVOCI investments are summarized as follows;

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

(b) Financial assets measured at amortized cost:

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

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

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

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

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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 | 2,076 | - | - | 655 | 348 | 3,079 |
| Disposals | (1,216) | - | (812) | (39) | - | (2,067) |
| Transfers | - | - | - | - | - | - |
| Closing balance, 31 December 2021 | 24,075 | - | 3,549 | 20,273 | 14,605 | 62,502 |
| Accumulated depreciation: | | | | | | |
| Opening balance, 1 January 2021 | 13,408 | - | 3,646 | 12,613 | 14,257 | 43,924 |
| Additions | 6,991 | - | 204 | 2,309 | 31 | 9,535 |
| Disposals | (634) | - | (812) | (30) | - | (1,476) |
| Transfers | - | - | - | - | - | - |
| Closing balance, 31 December 2021 | 19,765 | - | 3,038 | 14,892 | 14,288 | 51,983 |
| As at 31 December 2020, net carrying value | 9,807 | - | 715 | 7,044 | - | 17,566 |
| As at 31 December 2021, net carrying value | 4,310 | - | 511 | 5,381 | 317 | 10,519 |

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

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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 | 5,062 |
| Disposals | - |
| Closing balance, 31 December 2021 | 23,886 |
| Accumulated amortization: | |
| Opening balance, 1 January 2021 | (8,639) |
| Additions | (2,495) |
| Disposals | - |
| Closing balance, 31 December 2021 | (11,134) |
| As at 31 December 2020, net carrying value | 10,185 |
| As at 31 December 2021, net carrying value | 12,752 |

12 INVESTMENT PROPERTY

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

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

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13 OTHER ASSETS

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

14 FUNDS BORROWED AND INTERBANK MONEY MARKET DEPOSITS

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

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14 FUNDS BORROWED AND INTERBANK MONEY MARKET DEPOSITS (continued)

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

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

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

(2) Balance is denominated by USD.

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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) |
| | (LIBOR/EURIBOR + 0.05% - 2.95%) | | | 10,582,056 | |
| Due to IFIs | | | | | |
| 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 |
| | (LIBOR/EURIBOR + 0.01% - 3.50%) | | | 34,541,045 | |
| Due to Commercial Banks | | | | | |
| 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.

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14 FUNDS BORROWED AND INTERBANK MONEY MARKET DEPOSITS (continued)

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

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

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

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15 DEBT SECURITIES IN ISSUE

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

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

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

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16 SUBORDINATED LIABILITIES

| | 31 December 2021 | 31 December 2020 |
|-----------------------------------|------------------|------------------|
| Subordinated debt instruments (*) | 2,999,127 | 2,998,128 |
| Subordinated loans (**) | 2,524,710 | 1,465,448 |
| Total | 5,523,837 | 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 97,368 (31 December 2020: TL 96,369).

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

Changes in liabilities arising from financing activities are as follows;

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

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.

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18 OTHER LIABILITIES AND PROVISIONS

The principal components of other liabilities are as follows:

| | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| Financial liabilities | | |
| Guarantees received ⁽¹⁾ | 2,472,847 | 1,181,327 |
| Unearned revenue | 35,265 | 12,617 |
| Tax liability | 12,995 | 17,700 |
| Positive price difference on bonds issued | - | - |
| Funds | 246,796 | 13 |
| Other ⁽³⁾ | 3,371,004 | 347,030 |
| Non-financial liabilities | | |
| Insurance technical provisions | 343,920 | 160,393 |
| Dividend pay liabilities | 88,103 | 56,500 |
| BRSA expense provision | 107,120 | 51,181 |
| Vacation pay liability ⁽²⁾ | 18,002 | 15,996 |
| Other | 297,600 | 105,984 |
| | 6,993,652 | 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 2,062 of vacation pay liability provision is provided during 2021 (31 December 2020: TL 51).

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

19 RETIREMENT BENEFIT OBLIGATIONS

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

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

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

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

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

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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20 SHARE CAPITAL

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

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

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

| | 31 December 2021 | 31 December 2020 |
|------------------------------------|-------------------|------------------|
| Share capital - historical cost | 10,800,000 | 9,270,000 |
| Adjustment to share capital | 38,091 | 38,091 |
| Total paid in share capital | 10,838,091 | 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 31 December 2021 (31 December 2020: None).

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

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

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

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

Fair value reserve

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

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

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21 NET INTEREST INCOME

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

22 FOREIGN EXCHANGE GAINS AND LOSSES

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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24 OTHER OPERATING INCOME

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

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

25 OPERATING EXPENSES

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

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

26 COMMITMENTS AND CONTINGENT LIABILITIES

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

Legal proceedings

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

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

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26 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Commitments under derivative instruments:

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

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

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26 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Maturity analysis of swap and forward transactions are as follows:

| | 31 December 2021 | | | | Total |
|------------------------------------|------------------|--------------------|-------------------|------------------|-------------------|
| | Up to 3 months | 3 months to 1 year | 1 year to 5 years | Over 5 years | |
| Interest rate swap purchases | - | - | 6,593,250 | - | 6,593,250 |
| Foreign currency swap purchases | 2,619,142 | - | - | - | 2,619,142 |
| Forward foreign currency purchases | - | - | - | - | - |
| Cross currency swaps purchases | 4,615,275 | 6,593,250 | 10,118,720 | 5,919,516 | 27,246,761 |
| Option purchases | - | - | - | - | - |
| Total purchases | 7,234,417 | 6,593,250 | 16,711,970 | 5,919,516 | 36,459,153 |
| Interest rate swap sales | - | - | 6,593,250 | - | 6,593,250 |
| Foreign currency swap sales | 2,576,638 | - | - | - | 2,576,638 |
| Forward foreign currency sales | - | - | - | - | - |
| Cross currency swaps sales | 4,583,644 | 6,232,625 | 9,958,944 | 5,982,149 | 26,757,362 |
| Option sales | - | - | - | - | - |
| Total sales | 7,160,282 | 6,232,625 | 16,552,194 | 5,982,149 | 35,927,250 |
| | | | | | |
| | 31 December 2020 | | | | Total |
| | Up to 3 months | 3 months to 1 year | 1 year to 5 years | Over 5 years | |
| 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.

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26 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Credit related commitments:

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

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

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

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

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

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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.

| 31 December 2021 | Corporate banking | Investment banking | Unallocated | Total |
|---|--------------------------|---------------------------|--------------------|--------------------|
| Segment revenue | 6,922,073 | 3,200,915 | 44,399 | 10,167,387 |
| Segment expenses | (2,926,395) | (2,122,742) | (2,011,733) | (7,060,870) |
| Net profit | 3,995,678 | 1,078,173 | (1,967,334) | 3,106,517 |
| Interest income | 6,013,269 | 1,177,470 | - | 7,190,739 |
| Interest expense | (2,309,811) | (2,077,074) | (1,545) | (4,388,430) |
| Depreciation and amortization | - | - | (12,133) | (12,133) |
| Impairment charges on loans | (161,447) | 267 | 26,990 | (134,190) |
| Total segment assets | 286,483,564 | 32,545,623 | 1,209,469 | 320,238,656 |
| Segment liabilities | 249,217,267 | 49,325,822 | 7,144,453 | 305,687,542 |
| Equity | - | 80,295 | 14,470,819 | 14,551,114 |
| Total liabilities and equity | 249,217,267 | 49,406,117 | 21,615,272 | 320,238,656 |
| 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.

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27 SEGMENT ANALYSIS (continued)

Reconciliation of segment results of operations:

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

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

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

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

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28 RELATED PARTIES

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

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

(a) Balances with related parties:

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

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

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

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

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

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

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

(b) Transactions with related parties:

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

(c) Remuneration of key management personnel:

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

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29 EVENTS AFTER THE REPORTING PERIOD

None.

Directory

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|---------------------------------|--------------------|--|--|---|
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| REGIONAL DIRECTORATES | | | | |
| İÇ ANADOLU REGIONAL DIRECTORATE | (90 216) 800 75 00 | (90 312) 425 78 96 (90 216) 666 59 10 | icanadolubolge@eximbank.gov.tr | Oğuzlar Mah. 1377 Cad. No:11 06520 Balgat, Çankaya / ANKARA |
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