

TÜRKİYE İHRACAT KREDİ BANKASI ANONİM ŞİRKETİ

**Interim Financial Statements as at and for the Interim Period
Ended 31 March 2020 with Independent Auditor's Review
Report Thereon**

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REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim financial statements of Türkiye İhracat Kredi Bankası A.Ş. (“the Bank”) as at March 31, 2020, comprising of the interim statement of financial position as at March 31, 2020 and the related interim statement of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim financial statements in accordance with the International Financial Reporting Standard IAS 34, “Interim financial reporting” (IAS 34). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Other Matter

The financial statements of the Bank as at 31 December 2019 were audited by another audit firm which expressed an unqualified opinion in their report issued on 28 February 2020. The statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the three-month period then ended as at 31 March 2019 has not been audited or reviewed by us. Therefore, we do not express an opinion on these financial statements.

Conclusion

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

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



Yaşar Bivas, SMMM
Partner

23 June 2020
Istanbul, Turkey

TÜRKİYE İHRACAT KREDİ BANKASI AŞ
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

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

	<i>Notes</i>	Reviewed 31 March 2020	Audited 31 December 2019
ASSETS			
Cash and due from banks	6	12,238,697	9,988,218
Derivative financial assets	7	6,702	6,327
Derivative assets held for risk management	4	2,158,311	1,405,430
Loans and advances	8	147,320,190	142,342,072
Investment securities			
- Financial assets measured at fair value through profit or loss		282,052	-
- Financial assets measured at fair value through other comprehensive income	9	37,634	37,822
- Financial assets measured at amortized cost	9	9,077,772	7,089,499
Property and equipment	10	21,159	22,290
Intangible assets	11	6,805	7,120
Investment property	12	2,022	2,046
Other assets	13	1,170,484	1,158,085
Total assets		172,321,828	162,058,909
LIABILITIES			
Funds borrowed	14	133,916,096	127,310,483
Debt securities in issue	15	21,075,959	18,791,531
Subordinated liabilities	16	4,036,438	4,025,854
Interbank money market deposits	14	19,029	-
Other liabilities and provisions	18	3,508,786	2,712,989
Derivative financial liabilities	7	129,776	31,766
Derivative liabilities held for risk management	4	13,797	75,183
Retirement benefit obligations	19	31,367	30,076
Total liabilities		162,731,248	152,977,882
EQUITY			
- Share capital	20	7,160,000	7,160,000
- Adjustment to share capital		38,091	38,091
Total paid in share capital		7,198,091	7,198,091
Legal reserves		422,618	422,618
Hedging reserves		63,807	48,999
Fair value reserves		26,403	28,658
Retained earnings		1,879,661	1,382,661
Total equity		9,590,580	9,081,027
Total liabilities and equity		172,321,828	162,058,909

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

TÜRKİYE İHRACAT KREDİ BANKASI AŞ
STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 31 MARCH 2020

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

	<i>Notes</i>	Reviewed 1 January - 31 March 2020	Not reviewed 1 January - 31 March 2019
Interest income	21	1,224,492	1,151,399
Interest expense	21	(944,564)	(932,073)
Net interest income		279,928	219,326
Fees and commission income		105,942	83,387
Fees and commission expense		(66,787)	(55,529)
Net fee and commission income		39,155	27,858
Impairment losses on loans and advances	8	(18,751)	(19,619)
Foreign exchange gain/(losses), net	22	(448,628)	(396,826)
Gains/(losses) on financial assets through profit or loss, net	23	781,865	525,061
Other operating income	24	10,762	916
Operating profit before operating expenses		644,331	356,716
Operating expenses	25	(147,331)	(83,864)
Net profit for the period		497,000	272,852

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

TÜRKİYE İHRACAT KREDİ BANKASI AŞ
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2020

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

	Reviewed 1 January - 31 March 2020	Not reviewed 1 January - 31 March 2019
Net profit for the period	497,000	272,852
Other comprehensive income	-	-
<i>Items that will not be reclassified to profit or loss</i>	-	-
Remeasurements of the defined benefit asset (liability)	-	-
<i>Items that are or may be reclassified to profit or loss</i>	12,553	17,367
Net change in fair values of financial assets measured at fair value through other comprehensive income	(2,255)	10,147
Cash flow hedges - effective portion of changes in fair value	14,808	7,220
Total comprehensive income for the period	509,553	290,219

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

TÜRKİYE İHRACAT KREDİ BANKASI AŞ
STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2020

(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 2019	20	6,350,000	38,091	6,388,091	379,260	-	49,233	11,282	818,719	7,646,585
Profit for the period		-	-	-	-	-	-	-	272,852	272,852
Other comprehensive income for the period		-	-	-	-	-	7,220	10,147	-	17,367
Total comprehensive income		-	-	-	-	-	7,220	10,147	272,852	290,219
(Not reviewed) Balance at 31 March 2019	20	6,350,000	38,091	6,388,091	379,260	-	56,453	21,429	1,091,571	7,936,804
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		-	-	-	-	-	-	-	497,000	497,000
Other comprehensive income for the period		-	-	-	-	-	14,808	(2,255)	-	12,553
Total comprehensive income		-	-	-	-	-	14,808	(2,255)	497,000	509,553
(Reviewed) Balance at 31 March 2020	20	7,160,000	38,091	7,198,091	422,618	-	63,807	26,403	1,879,661	9,590,580

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

TÜRKİYE İHRACAT KREDİ BANKASI AŞ
STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2020

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

<i>Notes</i>	Reviewed 1 January – 31 March 2020	Not reviewed 1 January - 31 March 2019
Cash flows from operating activities:		
	497,000	272,852
Net profit for the period		
Adjustments:		
25	2,477	2,390
Depreciation and amortization		
8	18,751	19,619
Provision for loan losses		
19	1,518	1,374
Provision for employment termination benefits		
18	1,814	2,083
Provision for unused vacation		
	(425,385)	(413,023)
Interest paid		
	1,179,538	963,369
Interest received		
	(466,515)	(677,634)
Unrealized foreign exchange differences		
	(716,632)	(652,107)
Remeasurement of derivative financial instruments		
	92,566	(481,077)
	(4,996,869)	(6,219,413)
Net decrease/(increase) in loans and advances		
	(282,052)	-
Net decrease/(increase) in financial assets at measured fair value through profit or loss		
	6,616,197	10,667,953
Proceeds from borrowings		
	(542,032)	(529,339)
Repayments of borrowings		
	451,966	(408,482)
Net decrease/(increase) in other assets		
	10,366	444,038
Net increase in other liabilities		
Net cash from operating activities	1,350,142	3,473,680
Cash flows from/(used in) investing activities:		
10	(886)	(838)
Acquisition of property and equipment, net		
9	(1,660,902)	-
Acquisition of financial assets measured at amortized cost		
9	-	23,660
Proceeds from financial assets measured at amortized cost		
11	(29)	(48)
Acquisition of intangible assets		
Net cash used in investing activities	(1,661,817)	22,774
Cash flows from/(used in) financing activities:		
14	19,029	(139,005)
Proceeds from interbank money market deposits		
	1,900,833	4,033,284
Proceeds from issue of debt securities		
	(394,306)	(394,644)
Repayment of debt securities		
Net cash from/(used in) financing activities	1,525,556	3,499,635
	1,036,647	638,248
Effects of exchange-rate changes on cash and cash equivalents		
Net increase/(decrease) in cash and cash equivalents	2,250,528	7,634,337
	9,988,318	4,233,933
Cash and cash equivalents at the beginning of the year		
Cash and cash equivalents at the end of the period	12,238,846	11,868,270

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

TÜRKİYE İHRACAT KREDİ BANKASI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

1 GENERAL INFORMATION ABOUT THE BANK

Türkiye İhracat Kredi Bankası AŞ (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 March 2020, the Bank has 3 regional directorates in Ankara, İstanbul and in İzmir, 20 branches and 12 liaison offices. As of 31 March 2020, the Bank has 732 employees (31 December 2019: 740 employees).

The Bank has been mandated to support foreign trade through diversification of the exported goods and services, by increasing the share of exporters and entrepreneurs in international trade, and to create new markets for the exported commodities, to provide exporters and overseas contractors with support to increase their competitiveness and to ensure a lower risk environment in international markets.

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 AŞ

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2020

(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 23 June 2020.

As of 31 March 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 currency and presentation currency

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

2.4 Accounting in hyperinflationary countries

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

2.5 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.

TÜRKİYE İHRACAT KREDİ BANKASI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

2 BASIS OF PREPARATION (continued)

2.5 Use of estimates and judgments (continued)

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 31 March 2020 are consistent with those of the previous financial year. The following new IFRS and IFRIC amendments in effect as of 1 January 2020 do not have significant impact on the accounting policies, financial position and performance of the Bank.

i) The new standards, amendments and interpretations which are effective as at 1 January 2020 are as follows:

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. The amendments did not have a significant impact on the financial position or performance of the Bank.

Amendments to IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform

The amendments issued to IFRS 9 and IAS 39 which are effective for periods beginning on or after 1 January 2020 provide certain reliefs for 4 fundamental matters in connection with interest rate benchmark reform. These reliefs are related to hedge accounting as follows:

- Highly probable requirement
- Prospective Assessments
- Retrospective Assessments
- Separately identifiable risk components

Reliefs used as a result of amendments in IFRS 9 and IAS 39 is aimed to be disclosed in financial statements based on the amendments made in IFRS 7. The amendments did not have a significant impact on the financial position or performance of the Bank.

TÜRKİYE İHRACAT KREDİ BANKASI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

2 BASIS OF PREPARATION *(continued)*

2.6 Changes in accounting policies *(continued)*

Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments did not have a significant impact on the financial position or performance of the Bank.

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. 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.

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 recognized over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. The Bank is in the process of assessing the impact of the standard on financial position or performance of the Bank.

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

23 January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments issued to IAS 1 which are effective for periods beginning on or after 1 January 2022, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted. The amendments are not applicable for the Bank and will not have an impact on the financial position or performance of the Bank.

TÜRKİYE İHRACAT KREDİ BANKASI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

2 BASIS OF PREPARATION *(continued)*

2.6 Changes in accounting policies *(continued)*

Standards issued but not yet effective and not early adopted *(continued)*

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. IASB has issued amendments to IFRS 3 Business Combinations to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. With these amendments confirmed that a business must include inputs and a process and clarified that the process shall be substantive, and the inputs and process must together significantly contribute to creating outputs. It narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a concentration test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. This is a simplified assessment that results in an asset acquisition of substantially all the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020; with earlier application permitted.

The Bank does not expect that application of these amendments to IFRS 3 will have significant impact on its financial statements.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Interest Rate Benchmark Reform, which amended IFRS 9, IAS 39 and IFRS 7 issued in September 2019, added Section 6.8 and amended paragraph 7.2.26. About this issue, IASB identified two groups of accounting issues that could affect financial reporting. These are:

- pre-replacement issues—issues affecting financial reporting in the period before the reform; and
- replacement issues—issues that might affect financial reporting when an existing interest rate benchmark is either reformed or replaced.

IASB considered the pre-replacement issues to be more urgent and decided to address the following hedge accounting requirements as a priority in the first phase of the project:

- (a) The highly probable requirement;
- (b) Prospective assessments;
- (c) IAS 39 retrospective assessment; and
- (d) Separately identifiable risk components.

All other hedge accounting requirements remain unchanged. A company shall apply the exceptions to all hedging relationships directly affected by *Interest Rate Benchmark Reform*.

The Bank shall apply these amendments for annual periods beginning on or after 1 January 2020 with earlier application permitted.

TÜRKİYE İHRACAT KREDİ BANKASI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2020

(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 represents 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 March 2020	7.2200	6.5666
31 December 2019	6.6548	5.9407

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 AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2020

(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 comprises gains less loss related to trading assets and liabilities, and includes all realized and unrealized fair value changes, 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 Explanation on 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 with their fair values and related transaction costs as of the contract date are recorded in profit or loss. 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 reflected to the financial statements as a contract-based single asset and liability. The method of accounting gain or loss changes according to related derivative transaction whether to be held for cash flow hedges or not and to the content of 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)

3.8 Explanations on forward transactions, options and derivative instruments (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 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. In the case if financial assets are not measured at fair value through profit or loss, transaction costs are added or deducted to/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)*

3.9 Explanations on financial assets *(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)

3.9 Explanations on financial assets (continued)

Financial assets measured at fair value through profit/loss (continued)

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

The financial assets classified under trading financial assets 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 by reflecting the fair value difference in 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 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 fair value in the periods subsequent to their acquisition. If the underlying fair value is not realized in the active market conditions, it is accepted that the fair value is not determined reliably and the fair value is determined by using the discounted value of other comprehensive income and reflected at amortized cost, are accounted for by rediscount.

Difference between the fair value of financial assets at fair value through other comprehensive income and their amortized costs; unrealized profits and losses, is not shown on the periods’ of profit or loss statement until the value of the financial asset is collected, the asset is sold or disposed of and it is followed under the account “other comprehensive income and expenses to be reclassified to profit or loss” in the shareholder’s equity section. 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.

However, the Bank may, at initial recognition, 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 at their fair value. As an exception, the cost may be an appropriate estimation method for the determination of fair value. This is only possible when there is 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 one of these methods represent the fair value estimation in the best way.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Explanations on financial assets (continued)

Financial assets at fair value through other comprehensive income (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, it shall be used the change in the risk of a default occurring for the financial instrument.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Explanations on financial assets (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 (“EIR”). 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 facility (stage 2).

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Explanations on financial assets (continued)

Measurement of expected credit losses (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)

3.9 Explanations on financial assets (continued)

Measurement of expected credit losses (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 credit 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 credit obligation to the Bank.

Overdrafts are considered as being past due once the customer has breached an advised limit or 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 Group; 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.

3.10 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.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 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

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

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

3.12 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.

3.13 Investment property

Investment properties 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.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Assets held for sale

An asset (or a disposal group) classified as asset held for sale 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.

3.15 Impairment of non-financial assets

The carrying amounts of 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, then the asset's recoverable amount is estimated.

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

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

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

3.16 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.

3.17 Debt securities

Debt securities issued are carried at "amortized cost" using the "effective interest method", except where the Bank chooses to carry the liabilities at fair value through profit or loss. The Bank has no securities issued at fair value through profit / loss.

3.18 Provisions

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.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 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.

3.20 Events after the reporting period

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

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4 FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

As of 31 March 2020, the loan portfolio of the Bank constitutes 85% (31 December 2019: 88%) of total assets. In short, medium and long term lending (except for funded loans and country loans), the Bank is essentially 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"). SCLGC is chaired by the Prime Minister or State Minister appointed by the Prime Minister and includes executive managers. 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 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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4 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (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 March 2020		31 December 2019	
	Corporate loans	Personnel loans	Corporate loans	Personnel loans
Neither past due nor impaired	146,537,809	9,991	141,697,314	10,011
Past due but not impaired	637,401	-	595,045	-
Past due and individually impaired	601,495	-	506,578	20
Total loans and advances	147,776,705	9,991	142,798,937	10,031
Expected credit losses- Stage 1	(42,455)	-	(38,555)	(4)
Expected credit losses- Stage 2	(4,930)	-	(5,034)	-
Expected credit losses- Stage 3	(419,121)	-	(423,285)	(18)
Net loans and advances	147,310,199	9,991	142,332,063	10,009

As of 31 March 2020 and 31 December 2019, the delinquency details of loans and advances that are past due but not impaired are as follows:

	31 March 2020	31 December 2019
Past due up to 30 days	290,173	77,891
Past due 31-60 days	155,439	359,690
Past due 61-90 days	191,789	157,464
Total loans and advances that are past due but not impaired	637,401	595,045

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

4 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

In line with the mission of the Bank, the Bank grants loans only to corporate customers either directly or indirectly through banks and financial institutions and follows its loan portfolio under categories specified below:

	31 March 2020		31 December 2019	
	Corporate loans	Personnel loans	Corporate loans	Personnel loans
Standard loans and advances	144,158,786	9,991	139,422,849	10,011
Loans and advances under close monitoring ⁽¹⁾	3,016,424	-	2,869,510	-
Impaired loans and advances	601,495	-	506,578	20
Total loans and advances	147,776,705	9,991	142,798,937	10,031
Expected credit losses- Stage 1	(42,455)	-	(38,555)	(4)
Expected credit losses- Stage 2	(4,930)	-	(5,034)	-
Expected credit losses- Stage 3	(419,121)	-	(423,285)	(18)
Net loans and advances	147,310,199	9,991	142,332,063	10,009

⁽¹⁾ As of 31 March 2020, loans and advances under close monitoring includes loans amounting to TL 2,379,023 (31 December 2019: TL 2,274,465) that were not past due but had been extended to customers whose other loans are under close monitoring.

As of 31 March 2020 and 31 December 2019 the fair value of collaterals held for total loans and advances are as follows:

	31 March 2020		31 December 2019	
	Corporate loans	Personnel loans	Corporate loans	Personnel loans
Collaterals guaranteed by other banks	134,038,928	-	129,400,500	-
Collaterals guaranteed by a third party	-	9,991	-	10,031
Total	134,038,928	9,991	129,400,500	10,031
Unsecured exposures ⁽¹⁾	13,737,777	-	13,398,437	-
Total loans and advances	147,776,705	9,991	142,798,937	10,031

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

As of 31 March 2020, the Bank does not have repossessed collateral (31 December 2019: None).

TÜRKİYE İHRACAT KREDİ BANKASI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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

4 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (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 March 2020, loans granted by the Bank to banks and other financial institutions amount to TL 17,907,297 (31 December 2019: TL 17,778,906). As of 31 March 2020 and 31 December 2019, the concentration levels of the loans and advances to banks and other financial institutions in accordance with the defined financial analysis of the Bank is as follows:

	Rating class	31 March 2020	31 December 2019
		Concentration level (%)	Concentration level (%)
Low	1-2	54	52
Medium	3	43	45
High	4	3	3

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4 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The risk assessment of the companies:

In the risk evaluation of the 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) and uses investigation and verification methods. In addition to the analysis of the last three year financial statements of the companies, the Bank also analyses 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. In case the company is a member of a group of companies not organized as a holding company, the developments that affect the Bank’s operations are monitored and outstanding bank debts of the Bank are also assessed and company analysis reports are prepared taking into account the group risk as well. The Bank does not utilize a separate rating system regarding the risk assessment of the companies.

As of 31 March 2020 and 31 December 2019, the analysis of the credit limits for top 60 corporate customers, constituting approximately 47% and 45%, respectively of total loans to corporate customers amounting to TL 69,183,516 (31 December 2019: TL 64,646,536). The details of these loans are as follows;

	31 March 2020	31 December 2019
Credit limits (TL)	Concentration level (%)	Concentration level (%)
0 - 20,000	-	-
20,000 - 40,000	-	-
40,000 - 60,000	-	-
Over 60,000	100.00	100.00
Total	100.00	100.00

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4 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The Bank's maximum exposure to credit risk as of 31 March 2020 and 31 December 2019:

	31 March 2020	31 December 2019
Credit risk exposures relating to on-balance sheet assets:		
Due from banks	12.238.697	9,988,218
Loans and advances to		
- Domestic banks and other financial institutions	12.646.060	12,249,813
- Foreign banks and other financial institutions	5.261.237	4,997,081
- Corporate customers other than banks and financial institutions and personnel	129.412.893	125,095,178
Derivative financial assets	6.702	6,327
Derivative assets held for risk management	2.158.311	1,405,430
Investment securities		
Financial assets at fair value through profit or loss	282.052	-
Financial assets measured at amortized cost	9.077.772	7,089,499
Credit risk exposures relating to off-balance sheet items:		
Financial guarantees	11.286.260	10,891,326
Total	182.369.984	171,722,872

As of 31 March 2020 and 31 December 2019, 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)

(b) Credit risk (continued)

As of 31 March 2020 and 31 December 2019, 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	12,100,973	44,299	3,505	89,920	-	12,238,697
Loans and advances to						
- Domestic banks and other financial institutions	12,646,060	-	-	-	-	12,646,060
- Foreign banks and other financial institutions	-	-	-	-	5,261,237	5,261,237
- Corporate customers and personnel	129,412,893	-	-	-	-	129,412,893
Financial assets measured at fair value through profit or loss	282,052	-	-	-	-	282,052
Derivative assets held for trading	2,214	4,488	-	-	-	6,702
Derivative assets held for risk management	-	2,158,311	-	-	-	2,158,311
Investment securities						
- Financial assets measured at amortized cost	9,077,772	-	-	-	-	9,077,772
As of 31 March 2020	163,521,964	2,207,098	3,505	89,920	5,261,237	171,083,724

⁽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	8,930,493	954,025	1,324	102,376	-	9,988,218
Loans and advances to						
- Domestic banks and other financial institutions	12,249,813	-	-	-	-	12,249,813
- Foreign banks and other financial institutions	-	-	-	-	4,997,081	4,997,081
- Corporate customers and personnel	125,095,178	-	-	-	-	125,095,178
Derivative assets held for trading	-	6,327	-	-	-	6,327
Derivative assets held for risk management	-	1,405,430	-	-	-	1,405,430
Investment securities						
- Financial assets measured at amortized cost	7,089,499	-	-	-	-	7,089,499
As of 31 December 2019	153,364,983	2,365,782	1,324	102,376	4,997,081	160,831,546

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

TÜRKİYE İHRACAT KREDİ BANKASI AŞ
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(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise indicated)

4 FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk

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

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

		Risk Weighted Amounts
	Outright Products	
1	Interest rate risk (general and specific)	363,738
2	Stock risk (general and specific)	-
3	Foreign exchange risk	30,300
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitized assets	-
9	Total	394,038

(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 takes on exposure to 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 equity at carrying amounts, categorized by currency.

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

4 FINANCIAL RISK MANAGEMENT (continued)

(d) Currency risk (continued)

The table below summarizes the Bank’s exposure to foreign currency exchange rate risk as at 31 March 2020 and 31 December 2019.

	31 March 2020			
	USD	EUR	Other	Total
Cash and due from banks	418,483	11,416,228	33,647	11,868,358
Financial assets measured at fair value through profit or loss	282,052	-	-	282,052
Derivative financial instruments	6,590	112	-	6,702
Derivative assets held for risk management	122,698	-	-	122,698
Loans and advances	49,401,039	88,946,149	335,730	138,682,918
Investment securities				
- Financial assets measured at fair value through other comprehensive income	-	-	-	-
- Financial assets measured at amortized cost	2,117,149	4,042,640	-	6,159,789
Property and equipment and intangible assets	-	-	-	-
Investment property	-	-	-	-
Other assets	141,299	43,753	9,918	194,970
Total assets	52,489,310	104,448,882	379,295	157,317,487
Funds borrowed	58,021,053	75,600,276	294,767	133,916,096
Subordinated loans	-	1,129,838	-	1,129,838
Debt securities in issue	20,031,267	-	-	20,031,267
Interbank money market deposits	-	-	-	-
Derivative financial instruments	125,793	3,914	69	129,776
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	2,238,368	828,314	12,830	3,079,512
Reserve for employment termination benefits	-	-	-	-
Equity	-	-	-	-
Total liabilities and equity	80,416,481	77,562,342	307,666	158,286,489
Net balance sheet position	(27,927,171)	26,886,540	71,629	(969,002)
Off balance sheet derivative instruments net notional position	28,039,324	(27,004,013)	(75,378)	959,933

At 31 March 2020, assets and liabilities denominated in foreign currency were translated into Turkish lira using foreign exchange rate of TL 6.5666 = US Dollar 1 (“USD”) and TL 7.2200= EUR 1.

TÜRKİYE İHRACAT KREDİ BANKASI AŞ
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(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated)

4 FINANCIAL RISK MANAGEMENT (continued)

(d) Currency risk (continued)

	31 December 2019			
	USD	EUR	Other	Total
Cash and due from banks	2,062,967	7,561,068	24,706	9,648,741
Derivative financial assets	765	56	-	821
Derivative assets held for risk management	1,405,430	-	-	1,405,430
Loans and advances	49,367,617	84,413,705	287,654	134,068,976
Investment securities				
- Financial assets measured at fair value through other comprehensive income	-	-	-	-
- Financial assets measured at amortized cost	1,059,423	3,041,179	-	4,100,602
Property and equipment and intangible assets	-	-	-	-
Investment property	-	-	-	-
Other assets	67,429	67,136	6,120	140,685
Total assets	53,963,631	95,083,144	318,480	149,365,255
Funds borrowed	55,229,561	71,870,280	210,642	127,310,483
Subordinated liabilities	-	1,029,725	-	1,029,725
Debt securities in issue	18,527,877	-	-	18,527,877
Interbank money market deposits	-	-	-	-
Derivative financial liabilities	28,239	3,494	33	31,766
Derivative liabilities held for risk management	75,183	-	-	75,183
Other liabilities	1,733,749	661,260	6,052	2,401,061
Reserve for employment termination	-	-	-	-
Equity	-	-	-	-
Total liabilities and equity	75,594,609	73,564,759	216,727	149,376,095
Net balance sheet position	(21,630,978)	21,518,385	101,753	(10,840)
Off balance sheet derivative instruments net notional position	22,509,213	(21,453,035)	(102,769)	953,409

At 31 December 2019, assets and liabilities denominated in foreign currency were translated into Turkish lira using foreign exchange rate of TL 5.9407 = US Dollar 1 ("USD") and TL 6.6548 = EUR 1.

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

4 FINANCIAL RISK MANAGEMENT (continued)

(d) Currency risk (continued)

As of 31 March 2020 and 31 March 2019, 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 March 2020		31 March 2019	
	Effect on net profit	Effect on equity ⁽¹⁾	Effect on net profit	Effect on equity ⁽¹⁾
USD	11,215	11,215	(2,382)	(2,382)
EUR	(11,747)	(11,747)	2,020	2,020
Other currencies	(375)	(375)	198	198
Total	(907)	(907)	(164)	(164)

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

As of 31 March 2020 and 31 March 2019, 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)

(e) Interest rate risk (continued)

As of 31 March 2020 and 31 December 2019, 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 March 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	1,184,903	-	-	-	11,053,794	12,238,697
Financial assets measured at fair value through profit or loss	-	-	225,317	56,735	-	282,052
Derivative financial instruments	6,590	112	-	-	-	6,702
Derivative assets held for risk management	675,122	1,452,914	14,625	15,650	-	2,158,311
Loans and advances	64,364,484	81,125,719	1,342,189	-	487,798	147,320,190
Investment securities						
- Financial assets measured at fair value through other comprehensive income	-	-	-	-	37,634	37,634
- Financial assets measured at amortized cost	-	722,533	4,416,967	3,938,272	-	9,077,772
Property and equipment and intangible assets	-	-	-	-	27,964	27,964
Investment property	-	-	-	-	2,022	2,022
Other assets	-	-	-	-	1,170,484	1,170,484
Total assets	66,231,099	83,301,278	5,999,098	4,010,657	12,779,696	172,321,828
Funds borrowed	48,005,969	85,023,427	886,700	-	-	133,916,096
Subordinated loans	-	-	1,129,838	2,906,600	-	4,036,438
Debt securities in issue	-	3,573,197	17,502,762	-	-	21,075,959
Interbank money market deposits	19,029	-	-	-	-	19,029
Derivative financial instruments	122,368	7,408	-	-	-	129,776
Derivative liabilities held for risk management	3,648	-	4,308	5,841	-	13,797
Other liabilities	146,907	13,743	1,145,959	-	2,202,177	3,508,786
Reserve for employee benefits	-	-	-	-	31,367	31,367
Total liabilities	48,297,921	88,617,775	20,669,567	2,912,441	2,233,544	162,731,248
Net repricing gap	17,933,178	(5,316,497)	(14,670,469)	1,098,216	10,546,152	9,590,580

TÜRKİYE İHRACAT KREDİ BANKASI AŞ
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(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated)

4 FINANCIAL RISK MANAGEMENT (continued)

(e) Interest rate risk (continued)

	31 December 2019					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	2,568,954	-	-	-	7,419,264	9,988,218
Derivative financial assets	5,931	396	-	-	-	6,327
Derivative assets held for risk management	869,757	508,283	13,231	14,159	-	1,405,430
Loans and advances	55,908,466	85,908,922	476,235	8,750	39,699	142,342,072
Investment securities						
- Financial assets measured at fair value through other comprehensive income	-	-	-	-	37,822	37,822
- Financial assets measured at amortized cost	-	-	3,391,569	3,697,930	-	7,089,499
Property and equipment and intangible assets	-	-	-	-	29,410	29,410
Investment property	-	-	-	-	2,046	2,046
Other assets	622,016	508,680	13,231	14,158	-	1,158,085
Total assets	59,975,124	86,926,281	3,894,266	3,734,997	7,528,241	162,058,909
Funds borrowed	32,475,763	94,834,720	-	-	-	127,310,483
Subordinated liabilities	-	-	1,029,725	2,996,129	-	4,025,854
Debt securities in issue	263,654	-	18,527,877	-	-	18,791,531
Interbank money market deposits	-	-	-	-	-	-
Derivative financial liabilities	31,766	-	-	-	-	31,766
Derivative liabilities held for risk management	24,893	42,122	3,238	4,930	-	75,183
Other liabilities	81,483	52,045	1,086,217	-	1,493,244	2,712,989
Reserve for employee benefits	-	-	-	-	30,076	30,076
Total liabilities	32,877,559	94,928,887	20,647,057	3,001,059	1,523,320	152,977,882
Net repricing gap	27,097,565	(8,002,606)	(16,752,791)	733,938	6,004,921	9,081,027

TÜRKİYE İHRACAT KREDİ BANKASI AŞ
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4 FINANCIAL RISK MANAGEMENT (continued)

(e) Interest rate risk (continued)

The tables below summarize the range for effective average interest rates by major currencies for monetary financial instruments of the Bank at 31 March 2020 and 31 December 2019:

	31 March 2020				
	USD (%)	EUR (%)	JPY (%)	GBP (%)	TL (%)
Assets					
Cash and due from banks					
- Cash equivalents	-	-	-	-	-
- Time deposits in foreign banks	1,42	0,60	-	-	-
- Time deposits in domestic banks	-	-	-	-	9,82
- Interbank money market placements	-	-	-	-	11,24
Loans and advances	3,03	1,33	1,24	2,14	10,88
Investment securities					
- Financial assets measured at fair value through profit or loss	5,37	-	-	-	-
- Financial assets measured at amortized cost	4,82	2,62	-	-	9,93
Liabilities					
Funds borrowed	1,14	0,41	-	-	-
Subordinated liabilities	-	5,06	-	-	12,54
Debt securities in issue	3,60	-	-	-	10,15
Interbank money market deposits	-	-	-	-	8,25
31 December 2019					
	USD (%)	EUR (%)	JPY (%)	GBP (%)	TL (%)
Assets					
Cash and due from banks	-	-	-	-	-
- Cash equivalents	-	-	-	-	-
- Time deposits in foreign banks	2.21	-	-	-	-
- Time deposits in domestic banks	-	2.48	-	-	17.43
- Interbank money market placements	-	-	-	-	-
Loans and advances	3.54	1.44	1.41	2.07	13.73
Investment securities	-	-	-	-	-
- Financial assets measured at amortized cost	6.14	4.40	-	-	10.29
Liabilities					
Funds borrowed	1.34	0.42	-	-	12.35
Subordinated liabilities	-	5.06	-	-	12.54
Debt securities in issue	3.31	-	-	-	-
Interbank money market deposits	-	-	-	-	-

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4 FINANCIAL RISK MANAGEMENT (continued)

(e) Interest rate risk (continued)

As of 31 March 2020 and 31 December 2019, 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 March 2020 and 31 December 2019 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 March 2020	Currency	Applied shock (+/- x basis points)	Gains / losses	Gains/shareholders' equity – losses/ shareholders' equity (%)
1	TL	500	(6,526)	(0.05)
		(400)	(62,713)	(0.46)
2	EURO	200	45,521	0.33
		(200)	(53,060)	(0.39)
3	USD	200	32,160	0.23
		(200)	(30,386)	(0.22)
Total (For negative shocks)			(146,159)	(1.06)
Total (For positive shocks)			71,155	0.52

31 December 2019	Currency	Applied shock (+/- x basis points)	Gains / losses	Gains/shareholders' equity – losses/ shareholders' equity (%)
1	TL	500	(11,169)	(0.08)
		(400)	(52,621)	(0.40)
2	EURO	200	30,608	0.23
		(200)	3,136	0.02
3	USD	200	(27,672)	(0.21)
		(200)	40,066	(0.30)
Total (For negative shocks)			(9,419)	(0.68)
Total (For positive shocks)			(8,233)	(0.06)

(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 the existing and prospective debt requirements is managed by maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit lines and the ability to close out market positions. It is unusual for banks ever to be completely matched since the maturity, interest rates and the types of business transactions are different. 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)

(f) Liquidity risk (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)
5 January 2020	879.65	29 March 2020	431.57	1 March 2020	733.68	29 March 2020	314.39

Prior Period							
Week Info	TL+FC (Max)	Week Info	TL+FC (Min)	Week Info	FC (Max)	Week Info	FC (Min)
22 December 2019	808.64	6 October 2019	529.49	22 December 2019	665.29	13 October 2019	419.05

The Bank's liquidity coverage rates for 31 March 2020 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 Total high-quality liquid assets (HQLA)			16,798,658	14,418,426
Cash Outflows				
2 Retail deposits and deposits from small business customers, of which:				
3 Stable deposits	-	-	-	-
4 Less stable deposits	-	-	-	-
5 Unsecured wholesale funding, of which:	14,139,122	14,010,551	6,491,889	6,363,318
6 Operational deposits	-	-	-	-
7 Non-operational deposits	-	-	-	-
8 Unsecured funding	14,139,122	14,010,551	6,491,889	6,363,318
9 Secured wholesale funding				
10 Other cash outflows of which:	2,049,671	2,028,081	1,929,782	1,921,137
11 Outflows related to derivative exposures and other collateral requirements	1,849,859	1,849,844	1,849,858	1,849,843
12 Outflows related to restructured financial instruments	-	-	-	-
13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets	199,812	178,237	79,924	71,294
14 Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15 Other irrevocable or conditionally revocable off-balance sheet obligations	10,766,077	10,766,077	538,303	538,303
16 Total Cash Outflows			8,959,974	8,822,758
Cash Inflows				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	16,937,834	15,892,619	9,908,341	9,011,200
19 Other cash inflows	34,104	33,374	34,104	33,374
20 Total Cash Inflows	16,971,938	15,925,993	9,942,445	9,044,574
			<i>Max limit applied values</i>	
21 Total HQLA			16,798,658	14,418,426
22 Total Net Cash Outflows			2,330,044	2,391,355
23 Liquidity Coverage Ratio (%)			720.96	602.94

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

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4 FINANCIAL RISK MANAGEMENT (continued)

(f) Liquidity risk (continued)

The Bank's liquidity coverage rates for 31 December 2019 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)		12,822,753	10,416,284
Cash Outflows				
	Retail deposits and deposits from small business customers, of which:		-	-
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
Cash Inflows				
17				
18				
19				
20				
			<i>Max limit applied values</i>	
21	Total HQLA		12,822,753	10,416,284
22	Total Net Cash Outflows		1,898,419	1,877,657
23	Liquidity Coverage Ratio (%)		675.44	554.75

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

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

a) Cash inflows and outflows do not have significant fluctuations because the Bank is less complex and cash inflows are higher than cash outflows during the period.

b) Since the Bank is a development and investment bank and has no deposits, the Bank's high quality liquid asset stock primarily consists of cash, the accounts held at CBRT and unencumbered government bonds which are issued by Turkish Treasury.

c) Important funding sources of the Bank are funds from CBRT rediscount loans, syndicated loans, short-term bilateral and trade loans from domestic and overseas banks, medium and long-term funds borrowed from international financial institutions like World Bank, European Investment Bank (EIB), Council of Europe Development Bank (CEB) and Islamic Development Bank (IDB) and funds obtained from capital market transactions by issuing debt securities.

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4 FINANCIAL RISK MANAGEMENT (continued)

(f) Liquidity risk (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 March 2020 and 31 December 2019, the distribution of assets and liabilities of the Bank according to their remaining maturities is presented in the table below.

	31 March 2020					Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No stated Maturity ^(*)	
Cash and due from banks	1,184,903	-	-	-	11,053,794	12,238,697
Financial assets measured at fair value through profit or loss	-	-	225,317	56,735	-	282,052
Derivative financial instruments	6,590	112	-	-	-	6,702
Derivative assets held for risk management	-	126,144	1,897,446	134,721	-	2,158,311
Loans and advances	45,684,538	72,095,181	24,497,099	4,555,574	487,798	147,320,190
Investment securities						
- Financial assets measured at fair value through other comprehensive income	-	-	-	-	37,634	37,634
- Financial assets measured at amortized cost	-	722,533	4,416,967	3,938,272	-	9,077,772
Property and equipment and intangible assets	-	-	-	-	27,964	27,964
Investment property	-	-	-	-	2,022	2,022
Other assets	-	-	-	-	1,170,484	1,170,484
Total assets	46,876,031	72,943,970	31,036,829	8,685,302	12,779,696	172,321,828
Funds borrowed	31,884,628	79,229,456	15,686,100	7,115,912	-	133,916,096
Subordinated loans	-	-	1,129,838	2,906,600	-	4,036,438
Debt securities in issue	-	3,315,973	17,759,986	-	-	21,075,959
Interbank market deposits	19,029	-	-	-	-	19,029
Derivative financial liabilities	122,368	7,408	-	-	-	129,776
Derivative liabilities held for risk management	-	-	4,307	9,490	-	13,797
Other liabilities	35,590	21,034	21,776	-	3,430,386	3,508,786
Reserve for employee benefits	-	-	-	-	31,367	31,367
Total liabilities	32,061,615	82,573,871	34,602,007	10,032,002	3,461,753	162,731,248
Net liquidity gap	14,814,416	(9,629,901)	(3,565,178)	(1,346,700)	9,317,943	9,590,580

^(*) 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)

(f) Liquidity risk (continued)

	31 December 2019					Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No stated maturity ^(*)	
Cash and due from banks	2,568,954	-	-	-	7,419,264	9,988,218
Derivative financial assets	5,931	396	-	-	-	6,327
Derivative assets held for risk management	-	75,503	1,287,647	42,280	-	1,405,430
Loans and advances	39,211,339	76,790,235	22,117,816	4,182,983	39,699	142,342,072
Investment securities						
- Financial assets measured at fair value through other comprehensive income	-	-	-	-	37,822	37,822
- Financial assets measured at amortized cost	-	-	3,391,569	3,697,930	-	7,089,499
Property and equipment and intangible assets	-	-	-	-	29,410	29,410
Investment property	-	-	-	-	2,046	2,046
Other assets	-	-	-	-	1,158,085	1,158,085
Total assets	41,786,224	76,866,134	26,797,032	7,923,193	8,686,326	162,058,909
Funds borrowed	21,680,183	85,003,603	13,556,506	7,070,191	-	127,310,483
Subordinated liabilities	-	-	-	4,025,854	-	4,025,854
Debt securities in issue	-	49,812	63,418	18,678,301	-	18,791,531
Interbank market deposits	-	-	-	-	-	-
Derivative financial liabilities	18,723	13,043	-	-	-	31,766
Derivative liabilities held for risk management	-	-	17,143	58,040	-	75,183
Other liabilities	-	-	14,699	-	2,698,290	2,712,989
Reserve for employee benefits	-	-	-	-	30,076	30,076
Total liabilities	21,698,906	85,066,458	13,651,766	29,832,386	2,728,366	152,977,882
Net liquidity gap	20,087,318	(8,200,324)	13,145,266	(21,909,193)	5,957,960	9,081,027

(*) 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 undiscounted cash flows of the financial liabilities of the Bank into relevant maturity groupings based on the remaining period at 31 March 2020 and 31 December 2019 to the contractual maturity dates are presented in the tables below:

	31 March 2020					No maturity stated	Total
	Carrying amount	Demand and up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years		
Funds borrowed	133,916,096	44,636,681	65,667,516	16,692,934	7,806,507	-	134,803,638
Debt securities in issue	4,036,438	-	363,027	2,628,462	4,353,869	-	7,345,358
Subordinated liabilities	21,075,959	188,790	4,244,413	19,041,978	-	-	23,475,181
Interbank money market deposits	19,029	19,385	-	-	-	-	19,385
Other financial liabilities ⁽¹⁾	3,296,449	15,773	61,698	19,496	-	3,199,482	3,296,449
Total financial liabilities	162,343,971	44,860,629	70,336,654	38,382,870	12,160,376	3,199,482	168,940,011

(1) Tax liabilities amounting TL 19,817, funds amounting TL 13 and provisions amounting TL 192,507 are not included in other financial liabilities.

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4 FINANCIAL RISK MANAGEMENT (continued)

(f) Liquidity risk (continued)

	31 December 2019						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	127,310,483	35,044,132	72,469,128	14,330,322	8,078,858	-	129,922,440
Debt securities in issue	18,791,531	415,823	757,555	23,807,375	-	-	24,980,753
Subordinated liabilities	4,025,854	181,514	181,514	1,640,180	4,353,869	-	6,357,077
Interbank money market deposits	-	-	-	-	-	-	-
Other financial liabilities ⁽²⁾	2,527,902	-	29,398	-	-	2,498,504	2,527,902
Total financial liabilities	152,655,770	35,641,469	73,437,595	39,777,877	12,432,727	2,498,504	163,788,172

⁽²⁾ Tax liabilities amounting TL 18,611, funds amounting TL 13 and provisions amounting TL 166,463 are not included in other financial liabilities.

The undiscounted cash inflows and outflows of derivative transactions of the Bank at 31 March 2020 and 31 December 2019 are presented in the tables below:

	31 March 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	8,683,043	-	-	-	-	8,683,043
- Inflow	8,588,108	-	-	-	-	8,588,108
Interest rate derivatives:						
- Outflow	1,677,353	2,226,412	-	-	-	3,903,765
- Inflow	1,669,084	2,208,202	-	-	-	3,877,286
Derivatives held for risk management:						
Foreign exchange derivatives:						
- Outflow	257,792	1,889,308	16,216,832	1,308,891	-	19,672,823
- Inflow	391,644	2,410,500	18,093,583	1,366,015	-	22,261,742
Interest rate derivatives:						
- Outflow	94,391	3,528,951	3,702,648	-	-	7,325,990
- Inflow	88,239	3,548,019	3,812,734	-	-	7,448,992
Total outflow	10,712,579	7,644,671	19,919,480	1,308,891	-	39,585,621
Total inflow	10,737,075	8,166,721	21,906,317	1,366,015	-	42,176,128

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4 FINANCIAL RISK MANAGEMENT (continued)

(f) Liquidity risk (continued)

	31 December 2019				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	3,260,569	-	-	-	3,260,569
- Inflow	3,254,070	-	-	-	3,254,070
Interest rate derivatives:					
- Outflow	445,562	3,554,899	-	-	4,000,461
- Inflow	444,541	3,537,098	-	-	3,981,639
Derivatives held for risk management:					
Foreign exchange derivatives:					
- Outflow	194,339	1,815,629	16,452,233	1,468,144	19,930,345
- Inflow	355,581	2,322,132	18,410,530	1,516,988	22,605,231
Interest rate derivatives:					
- Outflow	92,415	256,595	6,512,428	-	6,861,438
- Inflow	79,828	239,484	6,499,496	-	6,818,808
Total outflow	3,992,885	5,627,123	22,964,661	1,468,144	34,052,813
Total inflow	4,134,020	6,098,714	24,910,026	1,516,988	36,659,748

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4 FINANCIAL RISK MANAGEMENT (continued)

(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 has subjected USD 250 million of this cross currency swap subject to hedge accounting, to partial termination.
- 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.

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 March 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	122,698	-
Cross currency swap	Fixed interest rate US dollar debt securities	Currency and interest rate risk	1,689,631	4,308
31 December 2019				
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	-	42,036
Cross currency swap	Fixed interest rate US dollar debt securities	Currency and interest rate risk	1,258,289	3,238

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%.

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4 FINANCIAL RISK MANAGEMENT (continued)

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

Fair value hedge accounting (continued)

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.

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 March 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	63,807	345,982	9,489

31 December 2019					
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	48,999	147,141	29,909

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4 FINANCIAL RISK MANAGEMENT (continued)

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

Cash flow hedge accounting (continued)

At the inception date, the Bank documents the relationship between the hedging instruments and hedged items required by the cash flow hedge accounting application 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. The effectiveness tests are performed on a monthly basis. If the underlying hedge does not conform to the cash flow hedge 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, 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 shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur the net cumulative gain or loss is reclassified from other comprehensive income to profit or loss.

(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)

(h) Fair value of financial instruments (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 March 2020		31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash and due from banks	12,238,697	12,238,697	9,988,218	9,988,218
Investment securities				
- Financial assets measured at fair value through profit or loss	282,052	282,052	-	-
- Financial assets measured at fair value through other comprehensive income ⁽¹⁾	9,884	9,884	7,818	7,818
- Financial assets measured at amortized cost	9,077,772	8,520,935	7,089,499	6,883,891
Loans and advances	147,320,190	153,936,562	142,342,072	149,042,930
Financial liabilities:				
Funds borrowed	133,916,096	139,557,909	127,310,483	132,701,700
Debt securities in issue	21,075,959	20,840,455	18,791,531	19,450,006
Subordinated loans	4,036,438	4,036,438	4,025,854	4,025,854
Interbank money market deposits	19,029	19,029	-	-

⁽¹⁾ Garanti Faktoring AŞ shares amounting to TL 27,750 are not included (31 December 2019: TL 30,004).

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)

(h) Fair value of financial instruments (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 March 2020 and 31 December 2019.

31 March 2020	Level 1⁽¹⁾	Level 2⁽²⁾	Level 3⁽³⁾	Total
<i>Financial assets at fair value through profit or loss</i>				
- Trading securities	-	282,052	-	282,052
- Derivative financial instruments	-	6,702	-	6,702
- Derivative assets held for risk management	-	2,158,311	-	2,158,311
<i>Financial assets measured at fair value through other comprehensive income</i>				
- Equity investments ⁽⁴⁾	27,750	-	-	27,750
Total assets	27,750	2,447,065	-	2,474,815
<i>Financial liabilities at fair value through profit or loss</i>				
- Derivative financial instruments	-	129,776	-	129,776
- Derivative liabilities held for risk management	-	13,797	-	13,797
Total liabilities	-	143,573	-	143,573

⁽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 9,884 are excluded.

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4 FINANCIAL RISK MANAGEMENT (continued)

(h) Fair value of financial instruments (continued)

31 December 2019	Level 1⁽¹⁾	Level 2⁽²⁾	Level 3⁽³⁾	Total
<i>Financial assets at fair value through profit or loss</i>				
- Derivative financial assets	-	6,327	-	6,327
Derivative assets held for risk management	-	1,405,430	-	1,405,430
<i>Financial assets measured at fair value through other comprehensive income</i>				
- Equity investments ⁽⁴⁾	30,004	-	-	30,004
Total assets	30,004	1,411,757	-	1,441,761
<i>Financial liabilities at fair value through profit or loss</i>				
- Derivative financial liabilities	-	31,766	-	31,766
Derivative liabilities held for risk management	-	75,183	-	75,183
Total liabilities	-	106,949	-	106,949

⁽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 7,818 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)

(i) Capital management (continued)

The Bank's regulatory capital position on at 31 March 2020 and 31 December 2019 were as follows:

	31 March 2020	31 December 2019
Tier I capital	10,665,970	10,071,322
Tier II capital	3,093,862	3,080,681
Total regulatory capital	13,759,832	13,152,003
Amount subject to credit risk	69,310,169	67,116,236
Amount subject to market risk	394,038	142,963
Amount subject to operational risk	2,537,427	1,757,565
Total regulatory capital expressed as a percentage of total value at credit, market and operational risks (%)	19.05	19.06
Total tier 1 capital expressed as a percentage of total value at credit, market and operational risks (%)	14.76	14.59

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 March 2020	31 December 2019
Cash funds:		
Cash on hand	20	21
	20	21
Current accounts and demand deposits:		
Central Bank of Republic of Turkey (CBRT)	10,968,076	7,320,831
Foreign banks	81,251	166,636
Domestic banks	4,596	3,956
	11,053,923	7,491,423
Time deposits:		
Central Bank of Republic of Turkey (CBRT)	-	-
Foreign banks	56,473	891,105
Domestic banks	1,128,430	1,605,769
	1,184,903	2,496,874
Interbank money market placements	-	-
Expected credit loss	(149)	(100)
Total cash and due from banks	12,238,697	9,988,218

Cash and cash equivalents included in the statements of cash flows for the periods ended 31 March 2020 and 31 March 2019 are as follows:

	31 March 2020	31 March 2019
Cash and due from banks	12,238,697	11,872,230
Less: Interest accruals	-	(4,433)
Add: Expected credit losses	149	473
Cash and cash equivalents	12,238,846	11,868,270

Cash and cash equivalents are mainly composed of bank deposits as of 31 March 2020 and 31 December 2019.

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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 necessarily 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 March 2020 and 31 December 2019 are set out in the following table:

	31 March 2020		31 December 2019	
	Fair value		Fair value	
	Assets	Liabilities	Assets	Liabilities
Interest rate and currency swaps purchases and sales	-	-	821	-
Forward purchases and sales	-	-	5,506	-
Foreign currency swaps purchases and sales	6,590	(103,182)	-	-
Cross currency and basis swaps purchases and sales	112	(26,594)	-	(31,766)
Option purchases and sales	-	-	-	-
Total derivative assets/(liabilities)	6,702	(129,776)	6,327	(31,766)

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 March 2020	31 December 2019
Short-term		
Discount loans	91,965,845	90,216,365
Financial institutions	7,642,031	7,444,259
Export guaranteed loans	2,654,878	2,597,849
Specialized loans	246,525	246,709
Other guaranteed loans	151	73
	102,509,430	100,505,255
Medium and long-term		
Export guaranteed loans	21,913,847	20,063,648
Export guaranteed investment loans	8,517,924	8,511,042
Financial institutions	5,007,553	4,980,995
Foreign country loans (political risks)	5,211,369	4,781,243
Specialized loans	219,172	245,105
Other	789,482	345,572
	41,659,347	38,927,605
Performing loans	144,168,777	139,432,860
Loans under close monitoring	3,016,424	2,869,510
Impaired loans and advances	601,495	506,598
Gross loans and advances	147,786,696	142,808,968
Expected credit losses- Stage 1	(42,455)	(38,559)
Expected credit losses- Stage 2	(4,930)	(5,034)
Expected credit losses- Stage 3	(419,121)	(423,303)
Net loans and advances	147,320,190	142,342,072

The Bank provides impairment provision for non-performing loans amounting to TL 601,495 (31 December 2019: TL 506,598) comprising 0.41% (31 December 2019: 0.35%) of the total loans outstanding at 31 March 2020.

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8 LOANS AND ADVANCES (continued)

Movements in the provision for impairment losses for the periods ended 31 March 2020 and 31 March 2019 are as follows:

	31 March 2020	31 March 2019
Balance at the beginning of the period	466,896	370,405
Recoveries and reversals	(19,141)	(7,080)
Provision for the period	18,751	19,619
Balance at the end of the period	466,506	382,944

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

	31 March 2020	31 December 2019
Private sector	136,983,019	132,860,194
Public sector	10,337,171	9,481,878
	147,320,190	142,342,072

9 INVESTMENT SECURITIES

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

	31 March 2020	31 December 2019
Financial assets measured at fair value through other comprehensive income		
Equity investments		
- Listed	-	-
- Unlisted	37,634	37,822
Total	37,634	37,822

There are no securities pledged under repurchase agreements or pledged as collateral with financial institutions.

As of 31 March 2020 and 31 December 2019, 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 March 2020 and 31 December 2019 are as follows:

	Share %	Carrying amount	Share %	Carrying amount	Business
	31 March 2020	31 March 2020	31 December 2019	31 December 2019	
Equity investments					
Garanti Faktoring A.Ş.	9.78	27,750	9.78	30,004	Factoring
Kredi Garanti Fonu A.Ş.	1.49	7,658	1.49	7,658	Financial services
Borsa İstanbul A.Ş.	-	160	-	160	Financial services
JCR Avrasya Derecelendirme A.Ş.	2.86	2,066	-	-	Rating institution
		37,634		37,822	

(b) Financial assets measured at amortized cost:

	31 March 2020	31 December 2019
Debt securities		
- Government bonds	9,077,772	7,089,499
Total	9,077,772	7,089,499

As of 31 March 2020, government bonds and treasury bills amounting to TL 586,202 (31 December 2019: TL 601,396) have been pledged as collateral with the CBRT and Borsa İstanbul AŞ-Settlement and Custody Bank.

The movement of securities classified as financial assets measured at amortized costs as at 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 December 2019
Balance at 1 January	7,089,499	3,249,301
Impact of adopting IFRS 9	-	-
Purchases	1,660,902	4,032,405
Redemptions	-	(271,492)
Foreign exchange difference	366,206	32,550
Interest income accruals	(38,516)	47,718
Expected credit loss	(319)	(983)
Amount at the end of the period	9,077,772	7,089,499

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10 PROPERTY AND EQUIPMENT

	Buildings (*)	Leased Assets	Vehicles	Other Tangible Assets	Leasehold Improvements	Total
Cost						
Opening balance, 1 January 2019	1,330	127	3,379	16,216	14,257	35,309
Additions	21,024	-	951	2,129	-	24,104
Disposals	-	(96)	-	(2,100)	-	(2,196)
Transfers	-	-	-	-	-	-
Closing balance, 31 December 2019	22,354	31	4,330	16,245	14,257	57,217
Accumulated depreciation:						
Opening balance, 1 January 2019	829	127	3,075	10,409	14,257	28,697
Additions	6,119	-	264	1,886	-	8,269
Disposals	-	(96)	-	(1,943)	-	(2,039)
Transfers	-	-	-	-	-	-
Closing balance, 31 December 2019	6,948	31	3,339	10,352	14,257	34,927
Cost						
Opening balance, 1 January 2020	22,354	31	4,330	16,245	14,257	57,217
Additions	98	-	-	886	-	984
Disposals	-	-	-	(7)	-	(7)
Transfers	-	-	-	-	-	-
Closing balance, 31 March 2020	22,452	31	4,330	17,124	14,257	58,194
Accumulated depreciation:						
Opening balance, 1 January 2020	6,948	31	3,339	10,352	14,257	34,927
Additions	1,550	-	69	491	-	2,110
Disposals	-	-	-	(2)	-	(2)
Transfers	-	-	-	-	-	-
Closing balance, 31 March 2020	8,498	31	3,408	10,841	14,257	37,035
As at 31 December 2019, net carrying value	15,406	-	991	5,893	-	22,290
As at 31 March 2020, net carrying value	13,954	-	922	6,283	-	21,159

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

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11 INTANGIBLE ASSETS

	Intangible assets
Cost	
Opening balance, 1 January 2019	12,726
Additions	1,531
Disposals	-
Closing balance, 31 December 2019	14,257
Accumulated amortization:	
Opening balance, 1 January 2019	(5,722)
Additions	(1,415)
Disposals	-
Closing balance, 31 December 2019	(7,137)
Cost	
Opening balance, 1 January 2020	14,257
Additions	29
Disposals	-
Closing balance, 31 March 2020	14,286
Accumulated amortization:	
Opening balance, 1 January 2020	(7,137)
Additions	(344)
Disposals	-
Closing balance, 31 March 2020	(7,481)
As at 31 December 2019, net carrying value	7,120
As at 31 March 2020, net carrying value	6,805

12 INVESTMENT PROPERTY

As of 31 March 2020, The Bank has net investment property amounting to TL 2,022 (31 December 2019: TL 2,046).

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 March 2020	31 December 2019
Financial assets		
Prepayments	937,366	979,611
Guarantees given	110,257	65,354
Notes receivable	30,463	33,917
Receivables from banks	9,947	-
Receivables from Reassurance Companies	1,459	1,366
Other	81,304	78,276
	1,170,796	1,158,524
Expected credit losses	(312)	(439)
	1,170,484	1,158,085

14 FUNDS BORROWED AND INTERBANK MONEY MARKET DEPOSITS

	31 March 2020	31 December 2019
Interbank money market deposits – TL	19,029	-
Domestic banks	98,039,126	94,648,792
Foreign banks	35,876,970	32,661,691
Funds borrowed	133,916,096	127,310,483
Funds borrowed and interbank money market deposits total	133,935,125	127,310,483

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14 FUNDS BORROWED AND INTERBANK MONEY MARKET DEPOSITS (continued)

The breakdown of funds borrowed as of 31 March 2020 and 31 December 2019 is as follows:

31 March 2020	Interest rate	Original currency amount (thousands)	Original currency	TL	Maturity date (year)
Due to Central Bank	(LIBOR/EURIBOR + 0%)			92,203,509	
CBRT Loan		7,520,290	USD	54,067,859	(1)
CBRT Loan		5,762,630	EUR	37,840,883	(1)
CBRT Loan		34,564	GBP	279,532	(1)
CBRT Loan		251,600	JPY	15,235	(1)
Due to IFIs	(LIBOR/EURIBOR + 0.01% - 3.15%)			10,057,345	
Black Sea Trade and Development Bank		50,695	EUR	366,017	23.10.2020
Council of Europe Development Bank		198,333	EUR	1,431,967	08.02.2022-07.08.2025
European Investment Bank		404,176	EUR	2,918,153	17.12.2021-23.12.2024
European Investment Bank		56,471	USD	370,821	16.01.2024-29.07.2024
Islamic Development Bank		261,428	USD	1,716,692	14.04.2026-25.10.2027
World Bank (EFIL) Loans		39,973	EUR	288,606	01.03.2038
World Bank (EFIL) Loans		149,664	USD	982,785	01.03.2038
World Bank (LTEF) Loans		301,877	USD	1,982,304	15.07.2038
Due to Commercial Banks	(LIBOR/EURIBOR + 0.70% - 3.15%)			31,655,242	
China Development Bank		202,395	USD	1,329,044	18.09.2020
ICBC Turkey A.Ş.		250,906	USD	1,647,600	22.05.2020-04.06.2020
ICBC Macau Ltd.		351,583	USD	2,308,706	28.02.2022
ING DIBA		79,484	EUR	573,874	46360
ING European Financial Services		100,880	EUR	728,355	11.11.2020
Mizuho Corporate Bank Ltd		100,717	USD	661,366	14.07.2020
Standard Chartered Bank		88,361	EUR	637,969	4.06.2020-06.07.2020
ABC International Bank PLC		15,111	EUR	109,099	10.11.2020
Intesa Sanpaolo SPA, Istanbul Branch		101,965	EUR	736,189	12.05.2020
Sumitomo Mitsui Banking Corporation Dubai		29,500	USD	193,715	30.06.2020
Syndicated loan with ICIEC Guarantee		180,815	EUR	1,305,486	21.06.2024
Syndicated loan coordinated by ITFC		331,089	USD	2,174,126	16.11.2020
Syndicated loan with MIGA Guarantee		690,659	EUR	4,986,555	28.03.2025-27.06.2028
Syndicated loan with MIGA Guarantee		766,984	USD	5,036,477	28.03.2025-27.06.2028
Syndicated loan		1,000,209	EUR	7,221,512	03.04.2020-22.04.2021
Syndicated loan		305,359	USD	2,005,168	03.04.2020-22.04.2021
Total funds borrowed		20,600,397⁽²⁾	USD	133,916,096	

(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 2019	Interest rate	Original currency amount (thousands)	Original currency	TL	Maturity date (year)
Due to Central Bank	(LIBOR/EURIBOR + 0%)			89,371,564	
CBRT Loan		6,342,416	USD	37,673,953	(1)
CBRT Loan		7,736,734	EUR	51,486,419	(1)
CBRT Loan		25,298	GBP	197,452	(1)
CBRT Loan		251,600	JPY	13,740	(1)
Due to IFIs	(LIBOR/EURIBOR + 0.01% - 3.15%)			9,411,175	
Black Sea Trade and Development Bank		56,342	EUR	334,710	23.10.2020
Counsel of Europe Development Bank		231,509	EUR	1,375,326	8.02.2022-7.08.2025
European Investment Bank		466,584	EUR	2,771,834	17.12.2021-23.12.2024
European Investment Bank		63,854	USD	379,337	16.01.2024-29.07.2024
Islamic Development Bank		260,705	USD	1,548,772	14.04.2026-25.10.2027
World Bank (EFIL) Loans		46,021	EUR	273,398	1.03.2038
World Bank (EFIL) Loans		154,964	USD	920,592	1.03.2038
World Bank (LTEF) Loans		304,208	USD	1,807,206	15.07.2038
Due to Commercial Banks	(LIBOR/EURIBOR + 0.70% - 3.50%)			28,527,744	
Bank ABC		16,846	EUR	100,079	10.11.2020
China Development Bank		200,170	USD	1,189,150	18.09.2020
Citibank Dublin		49,666	USD	295,053	5.03.2020
ICBC Macau Ltd.		351,747	USD	2,089,622	28.02.2022
ICBC Turkey Bank A.Ş.		250,989	EUR	1,491,053	22.05.2020-4.06.2020
ING DIBA		88,738	EUR	527,168	4.12.2026
ING European Financial Services		112,369	EUR	667,551	11.11.2020
Intesa Sanpaolo SPA, Istanbul Branch		113,595	EUR	674,837	12.05.2020
Mizuho Corporate Bank Ltd		100,759	USD	598,581	10.07.2020
MUFG Bank London		37,591	USD	223,317	03.01.2020
Standard Chartered Bank		98,480	EUR	585,041	4.06.2020-6.07.2020
Sumitomo Mitsui Banking Corporation Dubai		49,618	USD	294,767	22.01.2020-30.06.2020
Syndicated loan		1,220,362	EUR	7,249,804	3.02.2020-17.11.2020
Syndicated loan		302,087	USD	1,794,608	3.02.2020-17.11.2020
Syndicated loan with ICIEC Guarantee		201,711	EUR	1,198,302	21.06.2024
Syndicated loan with MIGA Guarantee		773,448	USD	4,594,820	28.03.2025-27.06.2028
Syndicated loan with MIGA Guarantee		778,664	EUR	4,625,811	28.03.2025-27.06.2028
Türkiye Vakıflar Bankası T.A.O.		55,243	USD	328,180	30.11.2020
Total funds borrowed		21,649,682⁽²⁾		127,310,483	

(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 2020:

	FX Type	Repayment amount	Dates
MUFG Bank London	USD	36,630,190	3 January 2020
European Investment Bank	EUR	10,000,000	6 January 2020
European Investment Bank	USD	1,914,559	13 January 2020
Sumitomo Mitsui Banking Corporation Dubai	USD	20,000,000	22 January 2020
European Investment Bank	EUR	2,375,000	27 January 2020
European Investment Bank	USD	2,840,906	27 January 2020
Societe Generale	EUR	93,250,000	3 February 2020
Council of Europe Development Bank	EUR	8,333,333	10 February 2020
European Investment Bank	USD	1,903,235	10 February 2020
World Bank (EFIL) Loans	EUR	1,109,760	2 March 2020
World Bank (EFIL) Loans	USD	4,148,051	2 March 2020
Citibank London	USD	49,500,000	5 March 2020
Syndicated loan with MIGA Guarantee	USD	10,416,667	30 March 2020
Syndicated loan with MIGA Guarantee	EUR	5,555,556	30 March 2020

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15 DEBT SECURITIES IN ISSUE

Information regarding securities issued	31 March 2020	31 December 2019
Securities Issued	19,956,047	18,078,347
Discount on Issuance of Securities (-)	38,793	68,356
Bond Interest Accrual	1,158,705	781,540
Total	21,075,959	18,791,531

- In September 2014, the Bank issued bonds amounting USD 500 million (TL 3,283,300). The bond is subject to annual fixed interest payment of 5.000% every six months and the total maturity is seven years.
- In February 2016, the Bank issued bonds amounting USD 500 million (TL 3,283,300). The bond is subject to annual fixed interest payment of 5.375% every six months and the total maturity is five years.
- In October 2016, the Bank issued bonds amounting USD 500 million (TL 3,283,300). 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 3,283,300). 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 3,283,300). 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 3,283,300). The bond is subject to annual fixed interest payment of 8.250% every six months and the total maturity is five years.

Also, the Bank applied hedge accounting for the measurement of derivative financial assets and liabilities which are related to the bonds issued and accounted for hedge accounting during this period.

In September 2019, the Bank issued bonds amounting TRY 256 million. The bond is subject to annual floating interest payment of every six months and the total maturity is three years.

16 SUBORDINATED LIABILITIES

	31 March 2020	31 December 2019
Subordinated debt instruments (*)	2,906,600	2,996,129
Subordinated loans (**)	1,129,838	1,029,725
Total	4,036,438	4,025,854

(*) 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 4,841 (31 December 2019: TL 94,370).

(**) It includes Tier II capital amounting EUR 150 million (TL 1,083,000) and interest expense of EUR 6,487 (TL 46,838).

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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.

18 OTHER LIABILITIES AND PROVISIONS

The principal components of other liabilities are as follows:

	31 March 2020	31 December 2019
Financial liabilities		
Guarantees received ⁽¹⁾	2,942,657	2,213,813
Tax liability	19,817	18,611
Unearned revenue	8,727	6,526
Funds	13	29,411
Other	257,916	198,632
Non-financial liabilities		
Insurance technical provisions	142,956	133,791
Dividend pay liabilities	42,999	49,872
BRSA expense provision	41,234	32,577
Vacation pay liability ⁽²⁾	18,087	16,420
Other	34,380	13,336
	3,508,786	2,712,989

⁽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 1,814 of vacation pay liability provision is provided during 2020 (31 March 2019: TL 2,083).

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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).

There are no actuarial gains/losses calculated related to the reserve for employee termination benefits shown under equity and the current service cost and interest expense amounting to TL 1,518 is 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 March 2020 and 31 December 2019.

	31 March 2020	31 December 2019
Discount rate (%)	12.1	12.1
Inflation rate (%)	8.2	8.2

Movement in the reserve for employment termination benefits for the period ended 31 March 2020 and 31 March 2019 are as follows:

	31 March 2020	31 March 2019
1 January	30,076	21,854
Current service cost	871	527
Interest expense	647	846
Actuarial gains	-	-
Payments during the period	(227)	-
Total	31,367	23,227

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20 SHARE CAPITAL

The historical paid in share capital of the Bank is TL 7,160,000 (31 December 2019: TL 7,160,000) and consists of 7.16 billion (31 December 2019: 7.16 billion) authorized shares with a nominal value of TL 1 each.

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

	31 March 2020	31 December 2019
Share capital - historical cost	7,160,000	7,160,000
Adjustment to share capital	38,091	38,091
Total paid in share capital	7,198,091	7,198,091

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 March 2020 (31 December 2019: None).

The legal reserves amounting to TL 422,618 (31 December 2019: TL 422,618) 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 March 2020, such gains / (losses) recognized under equity in fair value reserves amounted to TL 26,403 (31 December 2019: TL 28,658).

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21 NET INTEREST INCOME

	1 January – 31 March 2020	1 January - 31 March 2019
Interest income on:		
Interest on loans and advances	1,089,021	1,025,630
Interest on deposits with banks	14,602	43,647
Interest on financial assets measured at amortized cost	115,874	80,537
Interest on interbank money market placements	223	777
Interest on financial assets measured at fair value through profit or loss	-	-
Other interest income	4,772	808
Total interest income	1,224,492	1,151,399
Interest expense on:		
Interest on funds borrowed	(542,032)	(529,339)
Interest on debt securities in issue	(394,306)	(394,644)
Other interest expenses	(8,226)	(8,090)
Total interest expense	(944,564)	(932,073)
Net interest income	279,928	219,326

22 FOREIGN EXCHANGE GAINS AND LOSSES

	1 January – 31 March 2020	1 January - 31 March 2019
Foreign exchange gain	14,572,385	9,123,695
Foreign exchange losses	(15,021,013)	(9,520,521)
Net foreign exchange gains/(losses)	(448,628)	(396,826)

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

	1 January – 31 March 2020	1 January - 31 March 2019
Derivative income ^(*)	1,748,512	892,248
Derivative expenses ^(*)	(966,647)	(367,187)
Total	781,865	525,061

(*) Derivative income/expense include fair value hedge valuation differences amounting TL 764,347 (31 March 2019: TL 457,876).

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24 OTHER OPERATING INCOME

	1 January – 31 March 2020	1 January - 31 March 2019
Cancelled provisions	10,099	236
Rent income	337	289
Sale of assets	-	-
Other	326	391
Total	10,762	916

25 OPERATING EXPENSES

	1 January – 31 March 2020	1 January - 31 March 2019
Personnel expenses	(62,459)	(55,164)
BRSA contribution expense	(8,657)	(5,812)
KOSGEB fee (*)	(10,143)	(5,568)
Taxes and duties expenses	(7,193)	(4,315)
Depreciation and amortization charges	(2,477)	(2,390)
Premiums paid to reinsurance companies	(1)	(981)
Employment termination benefits and unused vacation	(3,332)	(3,457)
Rent expenses	-	-
Research expenses	-	-
Other	(53,069)	(6,177)
Total	(147,331)	(83,864)

(*) As more than 50% of the Bank’s paid-in share capital is owned by government entities, the Bank is obliged to pay an annual fee at a rate of 2% of its corporate tax base to Small and Medium Industries Development Organization (“KOSGEB”) in accordance with the establishment law of KOSGEB.

26 COMMITMENTS AND CONTINGENT LIABILITIES

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

Legal proceedings

As of 31 March 2020, there are legal proceedings outstanding against the Bank amounting to TL 20,075 and USD 576 thousand. In addition, there are legal proceedings outstanding filed by the Bank. These legal proceedings amounting to TL 255,163, USD 12,711 thousand and EUR 60,301 thousand.

The Bank has allocated provisions amounting to TL 8,180 (31 December 2019: None) 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 March 2020 and 31 December 2019 is as follows:

	Currency	31 March 2020		31 December 2019	
		Foreign currency amount	TL	Foreign currency amount	TL
Transaction type					
Interest rate swap purchases	USD	1,379,500	9,058,624	1,449,000	8,608,076
	EUR	186,500	1,346,531	186,500	1,241,120
Foreign currency swap purchases	USD	1,307,847	8,588,108	40,000	237,628
Foreign currency forward purchases	USD	-	-	-	-
	TL	-	-	-	-
Cross currency swaps purchases	USD	2,981,603	19,578,991	3,748,983	22,271,584
	JPY	-	-	-	-
	EUR	-	-	-	-
Option purchases	TL	-	-	-	-
	EUR	-	-	-	-
	USD	-	-	-	-
Total purchases			38,572,254		32,358,408
Interest rate swap sales	USD	1,379,500	9,058,624	1,449,000	8,608,076
	EUR	186,500	1,346,531	186,500	1,241,120
Foreign currency swap sales	EUR	1,174,500	8,479,890	-	-
	GBP	8,500	68,743	-	-
	JPY	109,573	6,635	-	-
	TL	-	-	233,015	233,015
	USD	-	127,775	-	-
Foreign currency forward sales	TL	-	-	-	-
	USD	-	-	-	-
Cross currency swaps sales	TL	-	-	-	-
	EUR	2,565,668	18,524,123	3,223,693	21,453,034
	JPY	-	-	131,091	7,159
	USD	-	-	14,367	95,610
Option sales	TL	-	-	-	-
	EUR	-	-	-	-
	USD	-	-	-	-
Total sales			37,612,321		31,638,014
Total			76,184,575		63,996,422

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26 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Maturity analysis of swap and forward transactions are as follows:

	31 March 2020				Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	
Interest rate swap purchases	1,641,650	5,480,205	3,283,300	-	10,405,155
Foreign currency swap purchases	8,588,108	-	-	-	8,588,108
Forward foreign currency purchases	-	-	-	-	-
Cross currency swaps purchases	-	1,313,320	14,421,703	3,843,968	19,578,991
Option purchases	-	-	-	-	-
Total purchases	10,229,758	6,793,525	17,705,003	3,843,968	38,572,254
Interest rate swap sales	1,641,650	5,480,205	3,283,300	-	10,405,155
Foreign currency swap sales	8,683,043	-	-	-	8,683,043
Forward foreign currency sales	-	-	-	-	-
Cross currency swaps sales	-	1,212,223	13,521,069	3,790,831	18,524,123
Option sales	-	-	-	-	-
Total sales	10,324,693	6,692,428	16,804,369	3,790,831	37,612,321
	31 December 2019				Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	
Interest rate swap purchases	412,879	3,495,617	5,940,700	-	9,849,196
Foreign currency swap purchases	237,628	-	-	-	237,628
Forward foreign currency purchases	-	-	-	-	-
Cross currency swaps purchases	3,016,442	1,188,140	13,960,645	4,106,357	22,271,584
Option purchases	-	-	-	-	-
Total purchases	3,666,949	4,683,757	19,901,345	4,106,357	32,358,408
Interest rate swap sales	412,879	3,495,617	5,940,700	-	9,849,196
Foreign currency swap sales	233,015	-	-	-	233,015
Forward foreign currency sales	-	-	-	-	-
Cross currency swaps sales	3,027,554	1,117,327	13,274,415	4,136,507	21,555,803
Option sales	-	-	-	-	-
Total sales	3,673,448	4,612,944	19,215,115	4,136,507	31,638,014

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 March 2020 and 31 December 2019:

	31 March 2020	31 December 2019
Financial guarantees		
Other guarantees		
- Foreign currency (Note 4)	11,286,260	10,891,326
Total financial guarantees	11,286,260	10,891,326

The Bank provides cover for Turkish exporters, against credit risk by offering variety of 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 the credit operations), which is reported in manner consistent with the internal reporting provided to the chief operating decision maker, the Assistant General Manager of Finance.

The analysis is as follows:

31 March 2020	Corporate banking	Investment banking	Unallocated	Total
Segment revenue	1,204,103	912,564	6,394	2,123,061
Segment expenses	(627,057)	(440,983)	(558,021)	(1,626,061)
Net profit	577,046	471,581	(551,627)	497,000
Interest income	1,093,793	130,699	-	1,224,492
Interest expense	(549,507)	(394,393)	(664)	(944,564)
Depreciation and amortization	-	-	(2,477)	(2,476)
Impairment charges on loans	(18,383)	(368)	-	(18,751)
Total segment assets	147,320,190	23,801,168	1,200,470	172,321,828
Segment liabilities	133,916,096	25,131,426	3,683,726	162,731,248
Equity	-	90,210	9,500,370	9,590,580
Total liabilities and equity	133,916,096	25,221,636	13,184,096	172,321,828
31 March 2019	Corporate banking	Investment banking	Unallocated	Total
Segment revenue	1,109,508	650,022	1,233	1,760,763
Segment expenses	(597,475)	(409,159)	(481,277)	(1,487,911)
Net profit	512,033	240,863	(480,044)	272,852
Interest income	1,026,438	124,961	-	1,151,399
Interest expense	(529,339)	(402,734)	-	(932,073)
Depreciation and amortization	-	-	(2,390)	(2,390)
Impairment charges on loans	(19,350)	(269)	-	(19,619)
Total segment assets^(*)	142,342,072	18,489,474	1,227,363	162,058,909
Segment liabilities	127,310,483	22,817,385	2,850,014	152,977,882
Equity	-	77,657	9,003,370	9,081,027
Total liabilities and equity^(*)	127,310,483	22,895,042	11,853,384	162,058,909

(*) The indicated information is presented as of December 31, 2019 for balance sheet items.

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27 SEGMENT ANALYSIS (continued)

Reconciliation of segment results of operations to:

31 March 2020	Corporate banking	Investment banking	Unallocated	Total
Interest income	1,093,793	130,699	-	1,224,492
Fee and commissions income	105,327	-	615	105,942
Gains on financial instruments measured at fair value profit or loss	-	781,865	-	781,865
Other operating income	4,983	-	5,779	10,762
Total segment revenue	1,204,103	912,564	6,394	2,123,061

31 March 2020	Corporate banking	Investment banking	Unallocated	Total
Interest expense	(549,507)	(394,393)	(664)	(944,564)
Fee and commissions expense	(59,167)	(7,311)	(309)	(66,787)
Impairment charges on loans	(18,383)	(368)	-	(18,751)
Losses on financial instruments measured at fair value profit or loss	-	-	-	-
Foreign exchange losses	-	-	(448,628)	(448,628)
Other operating expenses	-	(38,911)	(108,420)	(147,331)
Total segment expense	(627,057)	(440,983)	(558,021)	(1,626,061)

31 March 2019	Corporate banking	Investment banking	Unallocated	Total
Interest income	1,026,438	124,961	-	1,151,399
Fee and commissions income	82,807	-	580	83,387
Gains on financial instruments measured at fair value profit or loss	-	525,061	-	525,061
Other operating income	263	-	653	916
Total segment revenue	1,109,508	650,022	1,233	1,760,763

31 March 2019	Corporate banking	Investment banking	Unallocated	Total
Interest expense	(529,339)	(402,734)	-	(932,073)
Fee and commissions expense	(48,786)	(6,156)	(587)	(55,529)
Impairment charges on loans	(19,350)	(269)	-	(19,619)
Losses on financial instruments measured at fair value profit or loss	-	-	-	-
Foreign exchange losses	-	-	(396,826)	(396,826)
Other operating expenses	-	-	(83,864)	(83,864)
Total segment expense	(597,475)	(409,159)	(481,277)	(1,487,911)

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

28 RELATED PARTIES

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

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

(a) Balances with related parties:

	31 March 2020	31 December 2019
Due from banks:		
- Other related parties ⁽¹⁾	11,624,094	8,725,384
Loans and advances:		
- Other related parties ⁽²⁾	4,631,568	4,766,578
Investment securities ("FV through P/L")		
- Shareholder ⁽³⁾	56,734	-
Investment securities ("Held to maturity")		
- Shareholder ⁽⁴⁾	9,077,772	7,089,499
Funds borrowed		
- Other related parties ⁽⁵⁾	96,468,583	93,999,658
Other liabilities		
- Other related parties	19,817	20,598

⁽¹⁾ Average interest rate for due from banks for FX and TL are respectively 0.25% and 8.94% (31 December 2019: 1.65% for FX and 11.13% for TL)

⁽²⁾ Average interest rate for loans and advances for FX and TL are respectively 3.24% and 10.20% (31 December 2019: 9.29% for TL)

⁽³⁾ Average interest rate for investment securities ("FV through P/L") for FX is 7.31% (31 December 2019: None)

⁽⁴⁾ Average interest rate for investment securities ("Held to maturity") for FX and TL are respectively 1.74% and 9.28% (31 December 2019: 7.31% for TL)

⁽⁵⁾ Average interest rate for funds borrowed for FX and TL are respectively 0.80% and 12.55% (31 December 2019: 1.54% for TL)

(b) Transactions with related parties:

	31 March 2020	31 March 2019
Interest income on investment securities:		
- Shareholder	115,874	80,537
Interest income on loans and advances:		
- Other related parties	70,012	52,170
Interest expense on funds borrowed:		
- Other related parties	229,509	256,256
Operating expenses (taxes paid)		
-Other related parties	7,193	4,315

(c) Remuneration of key management personnel:

	31 March 2020	31 March 2019
Salaries and other short-term employee benefits	1,396	1,193

29 EVENTS AFTER THE REPORTING PERIOD

None.