TÜRKİYE İHRACAT KREDİ BANKASI ANONİM ŞİRKETİ

Interim Financial Statements as at and for the Interim Period Ended 31 March 2022 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 31 March 2022, comprising of the interim statement of financial position as at 31 March 2022 and the related interim statement of profit or loss and other comprehensive income, interim changes in equity and interim cash flows for the three months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim financial statements in accordance with the International Financial Reporting Standard IAS 34, "Interim financial reporting" (IAS 34). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Conclusion

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

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

Fatma Ebru Yücel, SMMM
Partner

19 July, 2022
Istanbul, Turkey

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

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

	Notes	**Reviewed 31 March 2022**	**Audited 31 December 2021**
ASSETS			
Cash and due from banks	*6*	20,806,376	19,480,810
Derivative financial instruments	*7*	7,159	40,982
Derivative assets held for risk management	*4*	1,260,054	1,498,107
Loans and advances	*8*	305,425,403	286,483,564
Investment securities			
-Financial assets measured at fair value through profit or loss	*9*	198,021	178,275
-Financial assets measured at fair value through profit or loss pledged	*9*	90,690	111,458
-Financial assets measured at fair value through other comprehensive income	*9*	1,635,378	1,391,467
-Financial assets measured at fair value through other comprehensive income pledged	*9*	1,063,532	750,209
-Financial assets measured at amortized cost	*9*	9,826,920	9,955,982
-Financial assets measured at amortized cost pledged	*9*	8,481,404	9,834,729
Subsidiaries (Net)	*10*	73,000	73,000
Property and equipment	*11*	8,934	10,519
Intangible assets	*12*	14,410	12,752
Investment property	*13*	1,983	2,008
Other assets	*14*	723,952	1,111,190
Total assets		**339,981,590**	**320,238,656**
LIABILITIES			
Funds borrowed	*15*	264,899,451	249,217,267
Debt securities issued	*16*	40,189,780	37,284,304
Interbank money market deposits	*15*	5,729,479	6,517,681
Subordinated liabilities	*17*	5,675,304	5,523,837
Other liabilities and provisions	*19*	4,494,552	6,987,729
Lease liabilities	*19*	2,478	5,923
Derivative financial instruments	*7*	58,633	638
Derivative liabilities held for risk management	*4*	104,736	116,339
Retirement benefit obligations	20	37,052	33,824
Total liabilities		**321,191,465**	**305,687,542**
EQUITY	21		
- Share capital		13,800,000	10,800,000
- Adjustment to share capital		38,090	38,091
Total paid in share capital		13,838,090	10,838,091
Legal reserves		725,094	569,768
Hedging reserves		40,400	73,439
Fair value reserves		(31,301)	6,856
Retained earnings		4,217,842	3,062,960
Total equity		**18,790,125**	**14,551,114**
Total liabilities and equity		**339,981,590**	**320,238,656**

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

STATEMENT OF PROFIT OR LOSS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

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

	Notes	**Reviewed 1 January – 31 March 2022**	**Reviewed 1 January – 31 March 2021**
Interest income	*22*	2,708,460	1,454,999
Interest expense	*22*	(1,532,778)	(944,509)
Net interest income		**1,175,682**	**510,490**
Fees and commission income		343,039	176,603
Fees and commission expense		(174,891)	(95,203)
Net fee and commission income	*9*	**168,148**	**81,400**
Impairment losses on loans and advances	*9*	(48,097)	(43,245)
Foreign exchange gain/(losses), net	*23*	(442,814)	(842,692)
Gains/(losses) on financial assets through profit or loss, net	*24*	563,228	997,979
Dividend income		-	-
Other operating income		62,664	60,061
Operating profit before operating expenses		**1,478,811**	**763,993**
Operating expenses	*26*	(168,603)	(120,586)
Net profit for the period		**1,310,208**	**643,407**

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

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

	Reviewed 1 January – 31 March 2022	**Reviewed 1 January – 31 March 2021**
Net profit for the period	**1,310,208**	**643,407**
Other comprehensive income	**(71,197)**	**(34,379)**
Total Comprehensive Income	**-**	**-**
Items that will not be reclassified to profit or loss	**(11,815)**	**-**
Remeasurements of the defined benefit asset/(liability)	(11,815)	-
Items that are or may be reclassified to profit or loss	**(59,382)**	**(34,379)**
Net change in fair values of financial assets measured at fair value through other comprehensive income	(26,343)	(47,361)
Cash flow hedges - effective portion of changes in fair value	(33,039)	12,982
Total comprehensive income for the period	**1,239,011**	**609,028**

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

STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

(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
¤	**H1**									
Balance at 1 January 2021	**20**	**9,270,000**	**38,091**	**9,308,091**	**494,199**	**-**	**33,017**	**116,279**	**1,462,674**	**11,414,260**
Profit for the period		-	-	-	-	-	-	-	643,407	643,407
Other comprehensive income for the period		-	-	-	-	-	12,982	(47,361)	-	(34,379)
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**12,982**	**(47,361)**	**643,407**	**609,028**
Capital increase	20	-	-	-	-	-	-	-	-	-
Dividends to equity holders		-	-	-	-	-	-	-	-	-
Transfers to legal reserves		-	-	-	75,569	-	-	-	(75,569)	-
(Reviewed) Balance at 31 March 2021	**20**	**9,270,000**	**38,091**	**9,308,091**	**569,768**	**-**	**45,999**	**68,918**	**2,030,512**	**12,023,288**
Balance at 1 January 2022	**20**	**10,800,000**	**38,090**	**10,838,090**	**569,768**	**-**	**73,439**	**6,857**	**3,062,960**	**14,551,114**
Profit for the period		-	-	-	-	-	-	-	1,310,208	1,310,208
Other comprehensive income for the period		-	-	-	-	-	(33,039)	(38,158)	-	(71,197)
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**(33,039)**	**(38,158)**	**1,310,208**	**1,239,011**
Capital increase		3,000,000	-	3,000,000	-	-	-	-	-	3,000,000
Dividends to equity holders		-	-	-	-	-	-	-	-	-
Transfers to legal reserves		-	-	-	155,326	-	-	-	(155,326)	-
(Reviewed) Balance at 31 March 2022	**20**	**13,800,000**	**38,090**	**13,838,090**	**725,094**	**-**	**40,400**	**(31,301)**	**4,217,842**	**18,790,125**

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

STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

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

	Notes	**Reviewed 1 January – 31 March 2022**	**Reviewed 1 January – 31 March 2021**
Cash flows from operating activities:			
Net profit for the period		1,310,208	643,407
Adjustments:			
Depreciation and amortization	26	3,209	2,867
Provision for loan losses	8	48,097	43,245
Provision for employment termination benefits	26	3,229	1,800
Provision for unused vacation	19	7,855	68
Net gain on sale of property and equipment		-	-
Interest paid		(599,216)	(363,737)
Interest received		2,574,942	1,450,943
Unrealized foreign exchange differences		429,538	(472,438)
Remeasurement of derivative financial instruments		318,268	(777,974)
Net Cash flows from operating activities		**4,096,130**	**528,181**
Net decrease/(increase) in loans and advances		(18,989,936)	(33,987,338)
Net decrease/(increase) in financial assets at measured fair value through profit or loss		(19,746)	39,888
Net decrease/(increase) in other assets		1,129,327	512,470
Net increase in other liabilities		(4,932,118)	(506,445)
Net cash from operating activities		**(18,716,343)**	**(33,413,244)**
Cash flows from/(used in) investing activities:			
Acquisition of property and equipment, net	*11*	(840)	(170)
Acquisition of financial assets measured at amortized cost	*9*	(757,337)	(1,500)
Proceeds from financial assets measured at amortized cost	*9*	1,426,186	899,750
Additions		122,860	-
Disposals		-	(5,224)
Acquisition of intangible assets	*12*	(2,417)	(1,850)
Net cash used in investing activities		**788,452**	**891,006**
Cash flows from/(used in) financing activities:			
Proceeds from borrowings		84,318,915	55,370,952
Repayments of borrowings		(69,262,754)	(22,601,137)
Proceeds from interbank money market deposits	15	(788,202)	186,352
Proceeds from issue of debt securities		2,690,423	(1,840,286)
Increase/(decrease) due to issue of subordinated liabilities		-	-
Repayment of debt securities		(710,167)	(422,574)
Dividends paid	21	-	-
Proceeds from capital increase	21	3,000,000	-
Purchase of the subsidiaries		-	-
Net cash from/(used in) financing activities		**19,248,215**	**30,693,307**
Effects of exchange-rate changes on cash and cash equivalents		491,302	770,462
Net increase/(decrease) in cash and cash equivalents		**1,323,804**	**(1,058,469)**
Cash and cash equivalents at the beginning of the year	6	19,469,436	11,670,056
Cash and cash equivalents at the end of the period	6	**20,793,240**	**10,611,587**

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

1 GENERAL INFORMATION ABOUT THE BANK

Türkiye İhracat Kredi Bankası A.Ş. (the "Bank" or "Eximbank") was established as Turkey's "Officially Supported Export Credit Agency" on 25 March 1987 as a development and investment bank and accordingly, the Bank does not accept deposits. The Bank's head office is located at Saray Mahallesi, Ahmet Tevfik İleri Caddesi 19 Ümraniye Istanbul/Turkey. As of 31 March 2022, the Bank has 3 regional directorates in Ankara, İstanbul and in İzmir, 20 branches and 11 liaison offices. As of 31 March 2022, the Bank has 747 employees (31 December 2021: 734 employees).

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

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

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

As of 31 March 2022, in preparation of the financial statements of the Bank, the same accounting policies and methods of computation have been followed compared to the most recent annual financial statements. New IFRS/IAS amendments in effect do not have significant impact on the accounting policies, financial position and performance of the Bank.

2.2 Basis of measurement

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

2.3 Functional and reporting currency

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

2.4 Accounting in hyperinflationary countries

According to the inflation data published by Türkiye İstatistik Kurumu (Turkish Statistical Institute) on April 4, 2022, the three-year cumulative increase in the Consumer Price Index as of March 2022 was 109.4%. According to IAS 29 Financial Reporting Standard in Hyperinflationary Economies, one of the characteristics of a hyperinflationary economy is that the cumulative inflation rate has approached or exceeded 100% in the last three years. Within the framework of the CPI data, the Bank's assessment is that IAS 29 Standard will be implemented in the upcoming periods starting from 2nd Quarter of 2022.

2 BASIS OF PREPARATION (continued)

2.5 Use of estimates and judgments

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

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

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

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

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

2.6. Changes in accounting policies

The accounting policies adopted in preparation of the unconsolidated financial statements as of March 31, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2022 and thereafter. The effects of these standards and interpretations on the Bank's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at 1 January 2022 are as follows:

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

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

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

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

2 BASIS OF PREPARATION (continued)

IFRS 17 - The new Standard for insurance contracts

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

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

In 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 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted. The Bank is in the process of assessing the impact of the amendments on financial position or performance of the Bank.

Amendments to IAS 8 - Definition of Accounting Estimates

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

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

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

2 BASIS OF PREPARATION (continued)

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

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

Amendments to IFRS 3 – Reference to the Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of IFRS 3. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to IFRS 3 must be applied prospectively.
The amendments are not applicable for the Bank and will not have an impact on the financial position or performance of the Bank.

Amendments to IAS 16 – Proceeds before intended use

In May 2020, the IASB issued amendments to IAS 16 Property, plant and equipment. The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment. The Bank is in the process of assessing the impact of the amendments on financial position or performance of the Bank.

2 BASIS OF PREPARATION (continued)

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

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach". Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).
The Bank is in the process of assessing the impact of the amendments on financial position or performance of the Bank.

ii) Annual Improvements – 2018–2020 Cycle

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Foreign currency

i) Foreign currency transactions

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

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

	EUR / TL	USD / TL
31 March 2022	16.1527	14.4880
31 December 2021	14.9047	13.1865

ii) Foreign currency operations

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

3.2 Interest income and expense

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 Fees and commission and premium income and expense

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

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

Premium income and expense

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

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

Reinsurance commissions

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

3.4 Net trading income

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

3.5 Dividends

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

3.6 Leases

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.7 Income tax expense

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

3.8 Explanations on forward transactions, options and derivative instruments

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

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

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

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

a.1.) Derivative financial assets

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

b.1.) Derivative financial instruments held for hedging

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

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

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

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

3.9 Explanations on financial assets

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Classification and measurement of financial instruments

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

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

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

Business model Evaluation

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

Measurement categories of financial assets and liabilities

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

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

Financial assets measured at fair value through profit/loss

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

Financial assets at fair value through other comprehensive income

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

Financial assets measured at amortized cost

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

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

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

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

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

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

Explanations on impairment of financial assets

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Explanations on expected credit losses

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

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

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

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

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

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

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

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

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

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

Measurement of expected credit losses

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Maturity

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

Probability of Default (PD)

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

Loss Given Default (LGD)

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

Exposure at Default (EAD)

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

Forward looking

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant increase in credit risk

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

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

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

Definition of default

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

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

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

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

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

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

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

As of 31 March 2022, the breakdowns of individually and collectively assessed expected credit losses for loans, financial lease receivables and non-cash loans are as follows:

	Stage 1		**Stage 2**		**Stage 3**	
	Individiual	**Collective**	**Individiual**	**Collective**	**Individiual**	**Collective**
Cash Loans	15,481	303,695,146	-	2,830,866	18	596,854
Financial Lease Rec.	-	-	-	-	-	-
Non-Cash Loans	-	28,446,346	-	-	-	-
Total	**15,481**	**332,141,492**	**-**	**2,830,866**	**18**	**596,854**

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.10 Explanations on the write-off policy

Where sound indicators exist that would suggest that the collection of the Bank's foreign compensation receivables is almost impossible or that the costs to be incurred for the collection of the receivable amount would be higher than the amount of the receivable, the receivable amount is written-off from the assets upon the decision of the Executive Committee The Bank has derecognized non-performing loans amounting to TL 338 in the current period. Write-off of the non-performing loans and receivables is not considered, during the legal follow-up process concerning the collection of receivables.

3.11 Cash and cash equivalents

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

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

3.12 Property and equipment

Recognition and measurement

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

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

Subsequent costs

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

Depreciation

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

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

	Years
Buildings	50 years
Vehicles	5 years
Other tangible assets	1 - 50 years
Right of use assets	4-10 years

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.13 Intangible assets

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

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

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

3.14 Investment property

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

3.15 Assets held for sale

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

3.16 Impairment of non-financial assets

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.17 Funds borrowed and subordinated liabilities

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

3.18 Debt securities

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

3.19 Provision

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

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

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

3.20 Employee benefits

Reserve for employee severance indemnity

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

Short-term employee benefits

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

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

3.21 Events after the reporting period

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

3.22 Affiliates and subsidiaries

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

İhracat Geliştirme A.Ş., a subsidiary of the Bank. Since it is not a financial institution, it is not consolidated within the scope of the "Communiqué on the Preparation of Consolidated Financial Statements of Banks".

FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

As of 31 March 2022, the loan portfolio of the Bank constitutes 90% (31 December 2021: 89%) of total assets. In short, medium and long term lending (except for funded loans and country loans), the Bank is taking the risk of the Turkish banking system, however medium-to-long term country loans are under the political risk guarantee of the Turkish Treasury.

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

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

(b) Credit risk

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

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

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

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

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

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

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

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

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

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

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

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

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

Impairment and provisioning policies

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

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

	31 March 2022		31 December 2021	
	Corporate loans	**Personnel loans**	**Corporate loans**	**Personnel loans**
Neither past due nor impaired	305,178,518	15,481	285,830,764	13,324
Past due but not impaired	277,896	-	729,691	-
Past due and individually impaired	596,854	18	559,727	29
Total loans and advances	**306,053,268**	**15,499**	**287,120,182**	**13,353**
Expected credit losses- Stage 1	(43,912)	(31)	(84,201)	-
Expected credit losses- Stage 2	(2,549)	-	(6,014)	-
Expected credit losses- Stage 3	(596,854)	(18)	(559,756)	-
Net loans and advances	**305,409,953**	**15,450**	**286,470,211**	**13,353**

As of 31 March 2022, and 31 December 2021, the delinquency details of loans and advances that are past due but not impaired are as follows:

	31 March 2022	**31 December 2021**
Past due up to 30 days	215,260	184,227
Past due 31-60 days	44,325	366,135
Past due 61-90 days	18,311	179,329
Total loans and advances that are past due but not impaired	**277,896**	**729,691**

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

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

Collateral Type	Credit Risk	Collateral Amount
Letter of Credit	156,956,082	1,029,594,942
Unsecured	381,334,950	-
Guarantee Bond	48,118,212	1,282,279,921
Mortgage of Ship	33,141,475	546,579,380
Cash	-	-
Real Estate Mortgage	1,867,422	4,200,000
Commercial Enterprice Pledge	399,943	9,434,860
Total	**621,818,084**	**2,872,089,103**

As of 31 March 2022 and 31 December 2021 the fair value of collaterals held for total loans and advances are as follows:

	31 March 2022		31 December 2021	
	Corporate loans	Personnel loans	Corporate loans	Personnel loans
Collaterals guaranteed by other banks	285,990,031	-	267,408,123	-
Collaterals guaranteed by a third party	-	15,499	-	13,353
Total	**285,990,031**	**15,499**	**267,408,123**	**13,353**
Unsecured exposures [1]	20,063,237	15,499	19,712,059	-
Total loans and advances	**306,053,268**	**30,998**	**287,120,182**	**13,353**

[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 2022, the Bank does not have repossessed collateral (31 December 2021: None).

Credit quality per class of loans and advances as at 31 March 2022 is as follows;

	Carrying Amount				ECL Allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Cash and due from banks	20,807,321	-	-	**20,807,321**	945	-	-	**945**
Securities	11,661,958	-	-	**11,661,958**	1,639	-	-	**1,639**
Loans and Advances to Customers	303,710,627	2,830,866	596,873	**307,138,366**	43,898	2,594	596,873	**643,365**
Other Assets	319,631	115,536	-	**435,167**	442	116,015	-	**116,457**

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

Bank's credit rating policy

The risk assessment of banks and other financial institutions

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

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

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

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

As of 31 March 2022, loans granted by the Bank to banks and other financial institutions amount to TL 29,349,841 (31 December 2021: TL 28,933,811). As of 31 March 2022 and 31 December 2021, the concentration level of the loans and advances to banks and other financial institutions which are neither past due nor impaired in accordance with the defined financial analysis of the Bank is as follows:

		31 March 2022	31 December 2021
	Rating class	**Concentration level (%)**	**Concentration level (%)**
Low	1-6	87	87
Medium	6-8	12	12
High	8-10	1	1

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

The risk assessment of the companies:

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

As of 31 March 2022 and 31 December 2021, when we analyze the loan limits for top 60 corporate customers, we observe that these loans constitute approximately 53%, respectively of total loans to corporate customers amounting to TL 160,532,639 (31 December 2021: TL 150,693,449). The details of these loans are as follows;

	31 March 2022	**31 December 2021**
Credit limits (TL)	**Concentration level (%)**	**Concentration level (%)**
0 - 20,000	-	-
20,000 - 40,000	-	-
40,000 - 60,000	-	-
Over 60,000	100,00	100,00
Total	**100,00**	**100,00**

The Bank's maximum exposure to credit risk as of 31 March 2022 and 31 December 2021:

	31 March 2022	**31 December 2021**
Credit risk exposures relating to on-balance sheet assets:		
Due from banks	20,806,376	19,480,810
Loans and advances to		
- Domestic banks and other financial institutions	19,552,515	19,152,303
- Foreign banks and other financial institutions	9,797,326	9,781,508
- Corporate customers other than banks and financial institutions and personnel	276,075,562	257,549,753
Derivative financial assets	7,159	40,982
Derivative assets held for risk management	1,260,054	1,498,107
Investment securities		
- Financial assets at fair value through profit or loss	198,021	178,275
- Financial assets at fair value through other comprehensive income	1,529,663	1,266,557
- Financial assets measured at amortized cost	9,826,920	9,955,982
Credit risk exposures relating to off-balance sheet items:		
Financial guarantees	27,813,799	25,275,933
Total	**366,867,395**	**344,180,210**

A of 31 March 2022 and 31 December 2021, financial assets measured at amortized cost are issued by the Turkish Treasury, the controlling shareholder of the Bank.

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

As of 31 March 2022 and 31 December 2021, 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	18,446,254	1,827,833	244,601	287,688	-	20,806,376
Loans and advances to						
- Domestic banks and other financial institutions	19,552,515	-	-	-	-	19,552,515
- Foreign banks and other financial institutions	-	-	-	-	9,797,326	9,797,326
- Corporate customers and personnel	276,075,562	-	-	-	-	276,075,562
Derivative assets held for trading	-	7,159	-	-	-	7,159
Derivative assets held for risk management	-	1,260,054	-	-	-	1,260,054
Investment securities						
- Financial assets measured at fair value through profit or loss	198,021	-	-	-	-	198,021
- Financial assets measured at fair value through other comprehensive income	1,529,663	-	-	-	-	1,529,663
Financial assets measured at amortized cost	9,826,920	-	-	-	-	9,826,920
As of 31 March 2022	**325,628,935**	**3,095,046**	**244,601**	**287,688**	**9,797,326**	**339,053,596**

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

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

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)	246,648
2	Stock risk (general and specific)	-
3	Foreign exchange risk	47,221
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitizations	-
9	**Total**	**293,869**

(d) Currency risk

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

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

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

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

The table below summarizes the Bank's exposure to foreign currency exchange rate risk as at 31 March 2022 and 31 December 2021.

	31 March 2022			
	USD	**EUR**	**Other**	**Total**
Cash and due from banks	2,384,224	14,240,480	75,327	16,700,031
Financial assets measured at fair value through profit or loss	198,021	-	-	198,021
Derivative financial instruments	-	-	7,159	7,159
Derivative assets held for risk management	1,260,054	-	-	1,260,054
Loans and advances	117,975,357	162,664,817	964,458	281,604,632
Investment securities				
- Financial assets measured at fair value through other comprehensive income	1,529,663	-	-	1,529,663
- Financial assets measured at amortized cost	3,333,340	2,800,233	-	6,133,573
Property and equipment and intangible assets	-	-	-	-
Investment property	-	-	-	-
Other assets	216,631	238,810	5,115	460,556
Total assets	**126,897,290**	**179,944,340**	**1,052,059**	**307,893,689**
Funds borrowed	110,178,911	141,209,770	946,414	252,335,095
Subordinated loans	-	2,766,765	-	2,766,765
Debt securities in issue	40,189,780	-	-	40,189,780
Interbank money market deposits	1,364,929	3,958,634	-	5,323,563
Derivative financial instruments	18,386	-	40,248	58,634
Derivative liabilities held for risk management	104,736	-	-	104,736
Other liabilities	3,623,719	1,967,922	-	5,591,641
Reserve for employment termination benefits	-	-	-	-
Equity	-	-	-	-
Total liabilities and equity	**155,480,461**	**149,903,091**	**986,662**	**306,370,214**
Net balance sheet position	**(28,583,171)**	**30,041,249**	**65,397**	**1,523,475**
Off balance sheet derivative instruments net notional position	**29,697,010**	**(30,026,637)**	**(68,082)**	**(397,709)**

At 31 March 2022, assets and liabilities denominated in foreign currency were translated into Turkish lira using foreign exchange rate of TL 14.4880= US Dollar 1 ("USD") and TL 16.1527 = EUR 1.

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

	31 December 2021			
	USD	**EUR**	**Other**	**Total**
Cash and due from banks	4,965,635	8,901,963	59,379	13,926,977
Financial assets measured at fair value through profit or loss	178,275	-	-	178,275
Derivative financial assets	40,972	-	10	40,982
Derivative assets held for risk management	1,498,107	-	-	1,498,107
Loans and advances	112,741,223	159,972,522	1,004,958	273,718,703
Investment securities				
- Financial assets measured at fair value through other comprehensive income	1,266,557	-	-	1,266,557
- Financial assets measured at amortized cost	4,408,949	2,556,933	-	6,965,882
Property and equipment and intangible assets	-	-	-	-
Investment property	-	-	-	-
Other assets	162,397	585,473	2,250	750,120
Total assets	**125,262,115**	**172,016,891**	**1,066,597**	**298,345,603**
Funds borrowed	111,572,976	134,131,350	980,879	246,685,205
Subordinated liabilities	-	2,524,710	-	2,524,710
Debt securities in issue	37,284,304	-	-	37,284,304
Interbank money market deposits	2,290,256	4,227,425	-	6,517,681
Derivative financial liabilities	638	-	-	638
Derivative liabilities held for risk management	116,339	-	-	116,339
Other liabilities	3,350,290	1,756,276	31,910	5,138,476
Reserve for employment termination	-	-	-	-
Equity	-	-	-	-
Total liabilities and equity	**154,614,803**	**142,639,761**	**1,012,789**	**298,267,353**
Net balance sheet position	**(29,352,688)**	**29,377,130**	**53,808**	**78,250**
Off balance sheet derivative instruments net notional position	**29,865,903**	**(29,270,358)**	**(63,642)**	**531,903**

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

As of 31 March 2022 and 31 March 2021, 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 2022		31 March 2021	
	Effect on net profit	Effect on equity (1)	Effect on net profit	Effect on equity (1)
USD	111,384	111,384	(35,478)	(35,478)
EUR	1,461	1,461	2,812	2,812
Other currencies	(268)	(268)	-	-
Total	**112,577**	**112,577**	**(32,666)**	**(32,666)**

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

As of 31 March 2022 and 31 March 2021, 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.

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

As of 31 March 2022 and 31 December 2021, 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 2022			
	Up to 3 Months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Cash and due from banks	18,408,923	18,200	-	-	2,379,253	**20,806,376**
Financial assets measured at fair value through profit or loss	-	-	198,021	-	-	**198,021**
Derivative financial instruments	6,740	419	-	-	-	**7,159**
Derivative assets held for risk management	410,878	849,176	-	-	-	**1,260,054**
Loans and advances	141,783,742	158,732,613	3,721,672	590,504	596,872	**305,425,403**
Investment securities						
- Financial assets measured at fair value through other comprehensive income	-	-	944,952	584,712	105,714	**1,635,378**
- Financial assets measured at amortized cost	-	228,089	8,654,665	944,166	-	**9,826,920**
Subsidiaries (Net)	-	-	-	-	73,000	**73,000**
Property and equipment and intangible assets	-	-	-	-	23,344	**23,344**
Investment property	-	-	-	-	1,983	**1,983**
Other assets	-	-	-	-	723,952	**723,952**
Total assets	**160,610,283**	**159,828,497**	**13,519,310**	**2,119,382**	**3,904,118**	**339,981,590**
Funds borrowed	158,591,470	106,307,981	-	-	-	**264,899,451**
Subordinated loans	-	6,780	2,766,765	2,901,759	-	**5,675,304**
Debt securities in issue	-	7,272,574	32,917,206	-	-	**40,189,780**
Interbank money market deposits	2,514,885	732,416	2,482,178	-	-	**5,729,479**
Derivative financial instruments	28,667	29,966	-	-	-	**58,633**
Derivative liabilities held for risk management	71,774	32,962	-	-	-	**104,736**
Other liabilities	122,084	199,291	1,259	-	4,171,918	**4,494,552**
Lease liabilities	-	2,478	-	-	-	**2,478**
Reserve for employee benefits	-	-	-	-	37,052	**37,052**
Total liabilities	**161,328,880**	**114,584,448**	**38,167,408**	**2,901,759**	**4,208,970**	**321,191,465**
Net repricing gap	**(718,597)**	**45,244,049**	**(24,648,098)**	**(782,377)**	**(304,852)**	**18,790,125**

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

The tables below summarize the range for effective average interest rates by major currencies for monetary financial instruments of the Bank at 31 March 2022 and 31 December 2021:

	31 March 2022				
	USD (%)	**EUR (%)**	**JPY (%)**	**GBP (%)**	**TL (%)**
Assets					
Cash and due from banks					
- Cash equivalents	-	-	-	-	-
- Time deposits in foreign banks	0.08	4.25	-	-	-
- Time deposits in domestic banks	-	-	-	-	12.86
- Interbank money market placements	-	-	-	-	16.42
Loans and advances	2.11	1.92	-	1.37	13.19
Investment securities					
- Financial assets measured at fair value through profit or loss	5.50	-	-	-	-
- Financial assets measured at amortized cost	5.66	5.20	-	-	15.42
- Financial assets measured at fair value through other comprehensive income	6.68	-	-	-	20.10
Liabilities					
Funds borrowed	0.72	0.37	-	0.60	10.41
Subordinated liabilities	-	5.06	-	-	12.54
Debt securities in issue	5.99	-	-	-	-
Interbank money market deposits	2.45	2.02	-	-	13.68

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

As of 31 March 2022 and 31 December 2021, 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 2022 and 31 December 2021 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 2022	**Currency**	**Applied shock (+/- x basis points)**	**Gains / losses**	**Gains/shareholders' equity – losses/ shareholders' equity (%)**
1	TL	500	(216,090)	(0.88%)
		(400)	162,864	0.66%
2	EURO	200	57,907	0.24%
		(200)	(62,678)	(0.25%)
3	USD	200	584,095	2.37%
		(200)	(641,230)	(2.61%)
	Total (For negative shocks)		**425,912**	**(2.20%)**
	Total (For positive shocks)		**(541,044)**	**1.73%**

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

(f) Liquidity risk

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

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

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

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

Current Period							
Week Info	**TL+FC (Max)**	**Week Info**	**TL+FC (Min)**	**Week Info**	**FC (Max)**	**Week Info**	**FC (Min)**
9 January 2022	385.19	13 March 2022	144.16	9 January 2022	386.16	13 March 2022	143.9

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

The Bank's liquidity coverage rates for 31 March 2022 are presented in the table below:

		Total Unweighted Value (Average) (*)		**Total Weighted Value (Average) (*)**	
Current Period		**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS					
1	High-quality liquid assets (HQLA)			8,970,440	8,778,144
CASH OUTFLOWS			-	-	-
2	**Retail deposits and deposits from small business customers**	-	-	-	-
3	Stable deposits	-	-	-	-
4	Less stable deposits	-	-	-	-
5	Unsecured wholesale funding, of which:	28,231,936	27,933,823	13,340,690	13,151,187
6	Operational deposits	-	-	-	-
7	Non-operational deposits	-	-	-	-
8	Unsecured funding	28,231,936	27,933,823	13,340,690	13,151,187
9	**Secured funding**				
10	**Other cash outflows of which:**	**939,224**	**920,814**	**843,306**	**827,704**
11	Outflows related to derivative exposures and other collateral requirements	779,362	765,633	779,361	765,632
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	159,862	155,181	63,945	62,072
14	**Other revocable off-balance sheet commitments and contractual obligations**	-	-	-	-
15	**Other irrevocable or conditionally revocable off-balance sheet obligations**	**26,955,139**	**26,955,139**	**1,347,757**	**1,347,757**
16	**TOTAL CASH OUTFLOWS**			**15,531,753**	**15,326,648**
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	35,431,376	29,404,143	21,732,354	15,926,887
19	Other cash inflows	6,312	5,120	6,311	5,120
20	**TOTAL CASH INFLOWS**	**35,437,688**	**29,409,263**	**21,738,665**	**15,932,007**
				Max limit applied values	
21	**TOTAL HQLA STOCK**			**8,970,440**	**8,778,144**
22	**TOTAL NET CASH OUTFLOWS**			**3,890,283**	**3,986,029**
23	**LIQUIDITY COVERAGE RATIO (%)**			**230,59%**	**220,22%**

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

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

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

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

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

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

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

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

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

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

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

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

As of 31 March 2022 and 31 December 2021, the distribution of assets and liabilities of the Bank according to their remaining maturities is presented in the table below.

	31 March 2022					
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**No stated Maturity (*)**	**Total**
Cash and due from banks	7,301,806	18,200	-	-	13,486,370	**20,806,376**
Derivative financial instruments	6,739	420	-	-	-	**7,159**
Derivative assets held for risk management	-	542,399	600,541	117,114	-	**1,260,054**
Loans and advances	90,640,575	116,394,090	75,032,129	22,761,737	596,872	**305,425,403**
Investment securities						**-**
Financial assets measured at fair value through profit or loss	-	-	198,021	-	-	**198,021**
- Financial assets measured at fair value through other comprehensive income	-	-	944,952	584,711	105,715	**1,635,378**
- Financial assets measured at amortized cost	-	228,089	8,654,665	944,166	-	**9,826,920**
Property and equipment and intangible assets	-	-	-	-	23,344	**23,344**
Subsidiaries (Net)	-	-	-	-	73,000	**73,000**
Investment property	-	-	-	-	1,983	**1,983**
Other assets	-	-	-	-	723,952	**723,952**
Total assets	**97,949,120**	**117,183,198**	**85,430,308**	**24,407,728**	**15,011,236**	**339,981,590**
Funds borrowed	102,088,281	115,979,573	35,322,858	11,508,739	-	**264,899,451**
Subordinated loans	-	6,780	2,766,765	2,901,759	-	**5,675,304**
Debt securities in issue	-	7,272,574	32,917,206	-	-	**40,189,780**
Interbank market deposits	2,514,885	732,416	2,482,178	-	-	**5,729,479**
Derivative financial liabilities	28,665	29,968	-	-	-	**58,633**
Derivative liabilities held for risk management	-	6,282	78,641	19,813	-	**104,736**
Other liabilities	156,969	7,315	21,076	(19,813)	4,329,005	**4,494,552**
Lease liabilities	-	2,478	-	-	-	**2,478**
Reserve for employee benefits	-	-	-	-	37,052	**37,052**
Total liabilities	**104,788,800**	**124,037,386**	**73,588,724**	**14,410,498**	**4,366,057**	**321,191,465**
Net liquidity gap	**(6,839,680)**	**(6,854,188)**	**11,841,584**	**9,997,230**	**10,645,179**	**18,790,125**

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

	31 December 2021					
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**No stated maturity (*)**	**Total**
Cash and due from banks	5,540,447	-	-	-	13,940,363	**19,480,810**
Derivative financial assets	40,982	-	-	-	-	**40,982**
Derivative assets held for risk management	45,434	511,993	883,948	56,732	-	**1,498,107**
Loans and advances	56,402,074	135,520,421	72,724,927	21,276,386	559,756	**286,483,564**
Investment securities						
Financial assets measured at fair value through profit or loss	-	-	178,275	-	-	**178,275**
- Financial assets measured at fair value through other comprehensive income	-	7,380	767,855	498,702	117,530	**1,391,467**
- Financial assets measured at amortized cost	1,365,009	-	6,559,265	2,031,708	-	**9,955,982**
Property and equipment and intangible assets	-	-	-	-	23,271	**23,271**
Subsidiaries	-	-	-	-	73,000	**73,000**
Investment property	-	-	-	-	2,008	**2,008**
Other assets	-	-	-	-	1,111,190	**1,111,190**
Total assets	**63,393,946**	**136,039,794**	**81,114,270**	**23,863,528**	**15,827,118**	**320,238,656**
Funds borrowed	60,492,633	149,037,956	28,871,403	10,815,275	-	**249,217,267**
Subordinated liabilities	97,368	-	2,524,710	2,901,759	-	**5,523,837**
Debt securities in issue	-	6,739,447	30,544,857	-	-	**37,284,304**
Interbank market deposits	2,517,560	1,718,158	2,281,963	-	-	**6,517,681**
Derivative financial liabilities	638	-	-	-	-	**638**
Derivative liabilities held for risk management	-	-	116,339	-	-	**116,339**
Other liabilities	220,959	111,820	(109,371)	-	6,770,244	**6,993,652**
Lease liabilities	-	5,923	-	-	-	**5,923**
Reserve for employee benefits	-	-	-	-	33,824	**33,824**
Total liabilities	**63,329,158**	**157,613,304**	**64,229,901**	**13,717,034**	**6,804,068**	**305,693,465**
Net liquidity gap	**64,788**	**(21,573,510)**	**16,884,369**	**10,146,494**	**9,028,973**	**14,551,114**

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

The distribution of the undiscounted cash flows of the financial liabilities of the Bank according to their remaining maturities as at 31 March 2022 and 31 December 2021 are presented in the tables below:

	31 March 2022						
	Carrying amount	**Demand and up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**No maturity stated**	**Total**
Funds borrowed	264,899,451	103,887,188	116,413,852	37,445,971	11,912,319	-	**269,659,330**
Subordinated loans	5,675,304	-	363,028	4,308,436	3,627,815	-	**8,299,279**
Debt securities in issue	40,189,780	416,531	9,399,920	37,707,924	3,627,815	-	**51,152,190**
Interbank money market deposits	5,729,479	3,274,019	779,071	2,878,961	-	-	**6,932,051**
Other financial liabilities (1)	4,494,552	21,730	129,583	1,263	-	5,451,105	**5,603,681**
Total financial liabilities	**320,988,566**	**107,599,468**	**127,085,454**	**82,342,555**	**19,167,949**	**5,451,105**	**341,646,531**

(1) Derivative financial instruments amounting TL 58,633, derivative liabilities held for risk management amounting TL 104,736 and retirement benefit obligations amounting to TL 37,052 are not included in other financial liabilities.

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

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

(1) Derivative financial instruments amounting TL 638, derivative liabilities held for risk management amounting TL 116,339 and retirement benefit obligations amounting to TL 33,824 are not included in other financial liabilities.

The undiscounted cash inflows and outflows of derivative transactions of the Bank at 31 March 2022 and 31 December 2021 are presented in the tables below:

	31 March 2022				
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
Derivative financial assets and liabilities:					
Foreign exchange derivatives:					
- Outflow	7,133,341	356,872	-	-	7,490,213
- Inflow	7,117,581	356,530	-	-	7,474,111
Interest rate derivatives:					
- Outflow	-	-	-	-	-
- Inflow	-	-	-	-	-
Foreign exchange derivatives:					
- Outflow	600,829	8,054,243	23,230,630	599,386	32,485,088
- Inflow	851,283	9,196,448	24,925,447	628,573	35,601,751
Interest rate derivatives:					
- Outflow	142,580	193,672	7,729,224	-	8,065,476
- Inflow	194,683	194,683	7,633,366	-	8,022,732
Total outflow	**7,876,750**	**8,604,787**	**30,959,854**	**599,386**	**48,040,777**
Total inflow	**8,163,547**	**9,747,661**	**32,558,813**	**628,573**	**51,098,594**

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

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

(g) Derivative financial instruments held for hedging purposes

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

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

Fair value hedge accounting

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

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

		31 March 2022		
			Net fair value of the hedging instrument	
Hedging instrument	**Hedged item (asset and liability)**	**Nature of hedge risks**	**Asset**	**Liability**
Interest rate swap	Fixed interest rate US dollar debt securities	Fixed interest rate risk	-	40,191
Cross currency swap	Fixed interest rate US dollar debt securities	Currency and interest rate risk	1,140,374	22,403

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

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

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

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

Cash flow hedge accounting

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

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

31 March 2022					
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	40,400	119,680	42,142

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

(h) Fair value of financial instruments

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

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

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

(i) Financial assets

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

The fair value of investment securities has been determined based on bid market prices at reporting dates.

Loans and advances are presented with their calculated registered amounts net of provisions for impairment.

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

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

(ii) Financial liabilities

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

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

(iii) Derivative financial assets and liabilities

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

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

	31 March 2022		31 December 2021	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash and due from banks	20,806,376	20,806,376	19,480,810	19,480,810
Investment securities				
- Financial assets measured at fair value through profit or loss	198,021	198,021	178,275	178,275
- Financial assets measured at fair value through other comprehensive income [1]	10,575	10,575	10,575	10,575
- Financial assets measured at amortized cost	9,826,920	8,626,373	9,955,982	8,583,526
Loans and advances	305,425,403	324,919,208	286,483,564	300,269,049
Financial liabilities:				
Funds borrowed	264,899,451	278,842,045	249,217,267	260,703,272
Debt securities in issue	40,189,780	37,678,797	37,284,304	35,940,234
Subordinated loans	5,675,304	5,675,304	5,523,837	5,523,837
Interbank money market deposits	5,729,479	5,729,479	6,517,681	6,517,681

[1] Garanti Faktoring AŞ shares amounting to TL 95,141 and Eximbank Securities are not included (31 December 2021 TL 84,957).

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

The following table summarizes the fair values of those financial assets and liabilities presented on the Bank's statement of financial position based on the hierarchy of valuation technique as of 31 March 2022 and 31 December 2021.

31 March 2022	Level 1[(1)]	Level 2[(2)]	Level 3[(3)]	Total
Financial assets at fair value through profit or loss				
- Trading securities	198,021	-	-	198,021
- Derivative financial instruments	-	7,159	-	7,159
- Derivative assets held for risk management	-	1,260,054	-	1,260,054
Financial assets measured at fair value through other comprehensive income				
- Equity investments [(4)]	95,141	-	-	95,141
- Debt securities	1,529,662	-	-	1,529,662
Total assets	**1,822,823**	**1,267,213**	**-**	**3,090,037**
Financial liabilities at fair value through profit or loss				
- Derivative financial instruments	-	58,633	-	58,633
- Derivative liabilities held for risk management	-	104,736	-	104,736
Total liabilities	**-**	**163,369**	**-**	**163,369**

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

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

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

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

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

(1) Fair values are calculated with quoted prices (unadjusted) in active markets for listed equity investments and debt instruments. This level includes listed equity investments and debt instruments actively traded on exchanges.
(2) Fair values are calculated with observable input parameters (either directly as prices or indirectly as derived from prices) for derivative transactions. This level includes OTC derivative contracts.
(3) Fair values are calculated by taking unobservable inputs as a basis.
(4) Unquoted equity investments which are accounted with their cost amount to TL 10,575 are excluded.

(i) Capital management

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

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

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

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

Total capital amount and capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks", "Regulation on Measurement and Assessment of Capital Adequacy of Banks" and "Board Decisions" in Turkey. The Bank's and its financial subsidiaries' regulatory capital position on a consolidated basis as at 31 March 2022 and 31 December 2021 is as follows:

	31 March 2022 (*)	31 December 2021
Tier I capital	21,197,248	16,772,948
Tier II capital	3,415,030	3,447,891
Total regulatory capital	**24,612,278**	**20,220,839**
Amount subject to credit risk	108,577,205	108,509,547
Amount subject to market risk	293,869	334,850
Amount subject to operational risk	5,144,910	3,392,163
Total regulatory capital expressed as a percentage of total value at credit, market and operational risks (%)	**21.59**	**18.02**
Total tier 1 capital expressed as a percentage of total value at credit, market and operational risks (%)	**18.59**	**14.94**

(*) As of 31 March 2022, the Bank has calculated the amount subject to credit risk in the calculations of the legal capital adequacy ratio, taking into account the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days before the report date.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Allowances for credit losses

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

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

(b) Fair value of derivatives

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

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

6 CASH AND DUE FROM BANKS

	31 March 2022	31 December 2021
Cash funds:		
Cash on hand	-	-
	-	-
Current accounts and demand deposits:		
Central Bank of Republic of Turkey (CBRT)	11,107,117	11,300,265
Foreign banks	2,360,122	2,624,140
Domestic banks	20,076	16,271
	13,487,315	**13,940,676**
Time deposits:		
Central Bank of Republic of Turkey (CBRT)	-	-
Foreign banks	-	-
Domestic banks	3,460,065	3,211,000
	3,460,065	**3,211,000**
Interbank money market placements	3,859,941	2,329,447
Expected credit loss	(945)	(313)
Total cash and due from banks	**20,806,376**	**19,480,810**

Cash and cash equivalents included in the statements of cash flows for the periods ended 31 March 2022 and 31 December 2021 are as follows:

	31 March 2022	31 March 2021
Cash and due from banks	20,806,376	10,612,815
Less: Interest accruals	(14,081)	(1,348)
Add: Expected credit losses	945	120
Cash and cash equivalents	**20,793,240**	**10,611,587**

Cash and cash equivalents are mainly composed of bank deposits as of 31 March 2022 and 31 March 2021.

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

7 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The Bank utilizes the following derivative financial assets and liabilities:

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

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

The fair values of derivative financial assets and liabilities held as of 31 March 2022 and 31 December 2021 are set out in the following table:

	31 March 2022		31 December 2021	
	Fair value		Fair value	
	Assets	Liabilities	Assets	Liabilities
Interest rate and currency swaps purchases and sales	-	-	-	-
Forward purchases and sales	419	(233)	-	-
Foreign currency swaps purchases and sales	-	-	-	-
Cross currency and basis swaps purchases and sales	6,740	(58,400)	40,982	(638)
Option purchases and sales	-	-	-	-
Total derivative assets/(liabilities)	**7,159**	**(58,633)**	**40,982**	**(638)**

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

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

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

8 LOANS AND ADVANCES

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

	31 March 2022	31 December 2021
Short-term		
Discount loans	176,430,397	166,548,161
Financial institutions	8,132,448	7,692,909
Export guaranteed loans	7,550,317	4,886,531
Specialized loans	564,155	286,825
Other guaranteed loans	203	190
	192,677,520	**179,414,616**
Medium and long-term		
Export guaranteed loans	64,533,423	60,472,468
Export guaranteed investment loans	21,522,778	20,368,329
Financial institutions	11,106,286	11,459,394
Foreign country loans (political risks)	9,797,296	8,832,677
Specialized loans	2,988,448	3,004,446
Other	15,278	13,134
	109,963,509	**104,150,448**
Performing loans	**302,641,029**	**283,565,064**
Loans under close monitoring	2,830,866	3,008,715
Impaired loans and advances	596,872	559,756
Gross loans and advances	**306,068,767**	**287,133,535**
Expected credit losses- Stage 1	(43,943)	(84,201)
Expected credit losses- Stage 2	(2,549)	(6,014)
Expected credit losses- Stage 3	(596,872)	(559,756)
Net loans and advances	**305,425,403**	**286,483,564**

The Bank provides impairment provision for non-performing loans amounting to TL 596,872 (31 December 2021: TL 559,756) comprising 0.20% (31 December 2021: 0.20%) of the total loans outstanding at 31 March 2022.

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

8 LOANS AND ADVANCES *(continued)*

Movements in the provision for impairment losses for the periods ended 31 March 2022 and 31 December 2021 are as follows:

	31 March 2022	31 December 2021
Balance at the beginning of the period	**649,971**	**779,594**
Recoveries and reversals (*)	(54,704)	(263,813)
Provision for the period	48,097	134,190
Balance at the end of the period	**643,364**	**649,971**

(*) The Bank has derecognized non-performing loans amounting to TL 338 in the current period.Write-off of the non-performing loans and receivables is not considered, during the legal follow-up process concerning the collection of receivables.

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

	31 March 2022	31 December 2021
Private sector	288,184,267	270,161,882
Public sector	17,241,136	16,321,682
	305,425,403	**286,483,564**

The following tables provide a summary of the Bank's forborne assets as of March 31, 2022

		Stage 2				Stage 3					
	Gross Carrying Amount	**Temporary Mod.**	**Permanent Mod**	**Refinancing**	**Total Performing Forborne Loans**	**Temporary Mod.**	**Permanent Mod**	**Refinancing**	**Total Non-Performing Forborne Loans**	**Total Forborne Loans**	**Forbearance Ratio**
Corporate Lending	2,329,703	-	2,317,527	-	2,317,527	-	-	-	-	2,317,527	0,008
Consumer Lending	-	-	-	-	-	-	-	-	-	-	-
Total	**2,329,703**	**-**	**2,317,527**	**-**	**2,317,527**	**-**	**-**	**-**	**-**	**2,317,527**	**0,008**

9 INVESTMENT SECURITIES

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

	31 March 2022	31 December 2021
Financial assets measured at fair value through other comprehensive income		
Debt securities		
- Listed	1,529,663	1,273,937
- Unlisted	-	-
Equity investments		
- Listed	-	-
- Unlisted	105,715	117,530
Total	**1,635,378**	**1,391,467**

As of 31 March 2022, securities amounting to TL 1,063,532 (31 December 2021: 750,209) have been pledged under repurchase agreement.

As of 31 March 2022 and 31 December 2021, unrealized gain and losses arising from changes in the fair value of securities classified as financial assets measured at fair value through other comprehensive income are recognized in the statement of other comprehensive income, however, if there is permanent impairment in the value of the mentioned asset, it is reflected the statement of profit or loss.

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

9 INVESTMENT SECURITIES *(continued)*

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

The breakdown of equity investments classified as financial assets measured at fair value through other comprehensive income at 31 March 2022 and 31 December 2021 are as follows:

Equity investments	Share % 31 March 2022	Carrying amount 31 March 2022	Share % 31 December 2021	Carrying amount 31 December 2021	Business
Garanti Faktoring A.Ş.	9.78	95,141	9.78	106,956	Factoring
Kredi Garanti Fonu A.Ş.	1.49	7,659	1.49	7,659	Financial services
Borsa İstanbul A.Ş.	-	160	-	160	Financial services
JCR Avrasya Derecelendirme A.Ş.	2.86	2,755	2.86	2,755	Rating institution
		105,715		**117,530**	

The movements of FVOCI investments are summarized as follows;

	31 March 2022	31 December 2021
Balances at January 1	1,391,467	805,309
Additions	122,860	233,582
FX Diff	153,593	591,548
Disposals	-	(146,505)
Amortisation	-	-
Gains/Loss from changes in FV	(32,542)	(92,467)
Accrual	-	-
Balances at December 31	**1,635,378**	**1,391,467**

(b) Financial assets measured at amortized cost:

	31 March 2022	31 December 2021
Debt securities		
- Government bonds	9,826,920	9,955,982
Total	**9,826,920**	**9,955,982**

As of 31 March 2022 and 31 December 2021, government bonds and treasury bills amounting to TL 333,644 (31 December 2021: TL 143,830) have been pledged as collateral with the CBRT and Borsa İstanbul AŞ-Settlement and Custody Bank and securities amounting to TL 8,147,766 (31 December 2021: 9,690,905) have been pledged under repurchase agreement.

The movement of securities classified as financial assets measured at amortized costs as at 31 March 2022 and 31 December 2021 are as follows:

	31 March 2022	31 December 2021
Balance at 1 January	**9,955,982**	**10,637,542**
Purchases	757,337	1,500
Redemptions	(1,426,186)	**(6,423,913)**
Foreign exchange difference	563,371	5,537,917
Interest income accruals	(23,408)	202,864
Expected credit loss	(176)	72
Amount at the end of the period	**9,826,920**	**9,955,982**

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

10 SUBSIDIARIES

Movement table for unconsolidated affilities

	Current Period	Prior Period
Beginning of the Period	73,000	-
Movements During the Period	-	73,000
Purchases	-	73,000
Bonus Shares	-	-
Profit from Current Year Share	-	-
Sales	-	-
Revaluation Increase/Decrease	-	-
Provisions for Impairment (-)	-	-
Period End Value	73,000	73,000
Capital Commitments	-	-
End of Period Capital Participation Share %		-

11 PROPERTY AND EQUIPMENT

	Buildings (*)	Leased Assets	Vehicles	Other Tangible Assets	Leasehold Improvements	Total
Cost						
Opening balance, 1 January 2021	23,215	-	4,361	19,657	14,257	61,490
Additions	2,076	-	-	655	348	3,079
Disposals	(1,216)	-	(812)	(39)	-	(2,067)
Transfers	-	-	-	-	-	-
Closing balance, 31 December 2021	**24,075**	**-**	**3,549**	**20,273**	**14,605**	**62,502**
Accumulated depreciation:						
Opening balance, 1 January 2021	13,408	-	3,646	12,613	14,257	43,924
Additions	6,991	-	204	2,309	31	9,535
Disposals	(634)	-	(812)	(30)	-	(1,476)
Transfers	-	-	-	-	-	-
Closing balance, 31 December 2021	**19,765**	**-**	**3,038**	**14,892**	**14,288**	**51,983**
Cost						
Opening balance, 1 January 2022	24,075	-	3,549	20,273	14,605	62,502
Additions	-	-	-	562	278	840
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Closing balance, 31 March 2022	**24,075**	**-**	**3,549**	**20,835**	**14,883**	**63,342**
Accumulated depreciation:						
Opening balance, 1 January 2022	19,765	-	3,038	14,892	14,288	51,983
Additions	1,782	-	48	568	27	2,425
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Closing balance, 31 March 2022	**21,547**	**-**	**3,086**	**15,460**	**14,315**	**54,408**
As at 31 December 2021, net carrying value	**4,310**	**-**	**511**	**5,381**	**317**	**10,519**
As at 31 March 2022, net carrying value	**2,528**	**-**	**463**	**5,375**	**568**	**8,934**

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

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

12 INTANGIBLE ASSETS

	Intangible assets
Cost	
Opening balance, 1 January 2021	18,824
Additions	5,062
Disposals	**-**
Closing balance, 31 December 2021	**23,886**
Accumulated amortization:	
Opening balance, 1 January 2021	(8,639)
Additions	**(2,495)**
Disposals	**-**
Closing balance, 31 December 2021	**(11,134)**
Cost	
Opening balance, 1 January 2022	23,886
Additions	2,417
Disposals	-
Closing balance, 31 March 2022	**26,303**
Accumulated amortization:	
Opening balance, 1 January 2022	(11,134)
Additions	(759)
Disposals	-
Closing balance, 31 March 2022	**(11,893)**
As at 31 December 2021, net carrying value	**12,752**
As at 31 March 2022, net carrying value	**14,410**

13 INVESTMENT PROPERTY

As of 31 March 2022, The Bank has net investment property amounting to TL 1,983 (31 December 2021: TL 2,008).

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

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

14 OTHER ASSETS

	31 March 2022	31 December 2021
Financial assets		
Prepayments	130,833	112,334
Guarantees given	356,036	764,398
Notes receivable	84,801	74,019
Receivables from banks	9,101	2,836
Receivables from Reassurance Companies	113,373	132,909
Other	146,265	126,927
	840,409	**1,213,423**
Expected credit losses	(116,457)	(102,233)
	723,952	**1,111,190**

15 FUNDS BORROWED AND INTERBANK MONEY MARKET DEPOSITS

	31 March 2022	31 December 2021
Interbank money market deposits – TL	**5,729,479**	**6,517,681**
Domestic banks	196,839,029	180,961,351
Foreign banks	68,060,422	68,255,916
Funds borrowed	**264,899,451**	**249,217,267**
Funds borrowed and interbank money market deposits total	**270,628,930**	**255,734,948**

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

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

The breakdown of funds borrowed as of 31 March 2022 and 31 December 2021 is as follows:

31 March 2022	Interest rate	Original currency amount *(thousands)*	Original currency	TL	Maturity date *(year)*
Due to Central Bank	(LIBOR/EURIBOR + 0%)			**177,136,436**	
CBRT Loan		13,360,065	TRY	13,360,065	
CBRT Loan		5,315,288	USD	77,007,897	
CBRT Loan		5,313,281	EUR	85,823,837	
CBRT Loan		49,636	GBP	944,637	
Due to IFIs	Libor/Euribor + %0,01-%2,95			**19,607,948**	
Black Sea Trade and Development Bank		50,185	EUR	810,622	22.12.2022-06.02.2023
Council of Europe Development Bank		93,738	EUR	1,514,119	8.02.2022-07.08.2025
European Investment Bank		29,587	USD	428,653	30.06.2022-23.12.2024
European Investment Bank		182,751	EUR	2,951,927	16.01.2024-29.07.2024
Islamic Development Bank		236,548	USD	3,427,112	14.04.2026-31.05.2030
World Bank (EFIL)		132,820	USD	1,924,296	01/03/2038
World Bank (EFIL)		35,517	EUR	573,688	01/03/2038
World Bank (LTEF)		300,239	USD	4,349,867	15/07/2038
Asian Infrastructure Investment Bank		250,391	USD	3,627,664	14/11/2025
Due to Commercial Banks	Libor/Euribor + %0,70-%4,35			**68,155,068**	
ABC International		40,078	USD	580,657	30.11.2022-13.03.2023
China Development Bank		70,017	USD	1,014,401	23/02/2024
Citibank Türkiye		65,222	USD	944,934	20.04.2022-25.10.2022
Citibank		25,125	USD	364,009	01/08/2022
ICBC Türkiye		496,439	EUR	8,018,837	25.11.2022-13.03.2025
ING DIBA - ICIEC Guaranteed Loan		55,853	EUR	902,170	04/12/2026
Intesa Sanpaolo SPA Türkiye		201,582	EUR	3,256,090	25.07.2022-15.07.2038
Syndicated Loan MIZUHO		24,515	USD	355,172	19/08/2022
Standard Chartered Bank		90,227	EUR	1,457,413	13.01.2023-13.03.2023
Sumitomo Mitsui Banking Corporation		66,911	USD	969,407	06.07.2022-14.07.2022
Syndicated loan with IBRD Guarantee		494,963	EUR	7,994,981	26.06.2030-20.05.2031
Syndicated loan with ICIEC Guarantee		178,248	EUR	2,879,179	21/06/2024
Syndicated loan with MIGA Guarantee		563,272	USD	8,160,689	28.03.2025-27.06.2028
Syndicated loan with MIGA Guarantee		551,504	EUR	8,908,284	28.03.2025-27.06.2028
MUFG Bank Türkiye		29,843	EUR	482,042	30/06/2022
Syndicated loan EUR		889,598	EUR	14,369,403	23.05.2022-17.11.2022
Syndicated loan USD		382,576	USD	5,542,896	23.05.2022-17.11.2022
TURKIYE VAKIFLAR BANKASI T.A.O.		20,295	EUR	327,819	
KT BANK AG		10,075	EUR	162,746	
VAKIF KATILIM BANKASI A.Ş.		101,045	USD	1,463,937	
Total funds borrowed				**264,899,451**	

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

(2) Balance is denominated by USD.

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

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

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

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

(2) Balance is denominated by USD.

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

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

The repayment of the funds borrowed were as follows during 2022:

	FX Type	Original Repayment Amount	Dates
European Investment Bank	EUR	10,000	06 January 2022
Doha Bank	USD	50,000	10 January 2022
European Investment Bank	USD	1,915	13 January 2022
Standard Chartered Bank	EUR	40,000	17 January 2022
Citibank	USD	15,000	19 January 2022
Islamic Development Bank	USD	4,936	20 January 2022
Citibank Türkiye	USD	15,000	21 January 2022
European Investment Bank	EUR	2,375	27 January 2022
European Investment Bank	USD	2,841	27 January 2022
Council of Europe Development Bank	EUR	10,417	7 February 2022
Council of Europe Development Bank	EUR	11,458	8 February 2022
European Investment Bank	USD	1,903	10 February 2022
ABC International	USD	15,000	15 February 2022
Citibank Türkiye	USD	15,000	22 February 2022
ICBC Macau	USD	350,000	28 February 2022
World Bank (EFIL)	EUR	1,110	1 March 2022
World Bank (EFIL)	USD	4,148	1 March 2022
ABC International	USD	15,000	4 March 2022
Standard Chartered Bank	EUR	40,000	7 March 2022
Intesa SPA Türkiye	EUR	45,000	10 March 2022
Syndicated loan with MIGA Guarantee	EUR	5,556	28 March 2022
Syndicated loan with MIGA Guarantee	USD	10,417	28 March 2022

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

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

16 DEBT SECURITIES IN ISSUE

Issued securities regarding

Information regarding securities issued	**31 March 2022**	**31 December 2021**
Securities Issued	39,577,348	36,024,241
Discount on Issuance of Securities (-)	163,720	78,709
Bond Interest Accrual	776,152	1,338,772
Total	**40,189,780**	**37,284,304**

- In October 2016, the Bank issued bonds amounting USD 500 million (TL 7,244,000). 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 7,244,000). 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 7,244,000). 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 7,244,000). The bond is subject to annual fixed interest payment of 8.250% every six months and the total maturity is five years.
- In June 2021, the Bank issued a bond with a maturity of five years and a fixed rate of 5,750% amounting to USD 750 million (14.488.000 TL).
- Also the Bank applied hedge accounting for the measurement of derivative financial instruments which are related to the bonds issued and accounted for hedge accounting during this period.
- The Bank also borrowed EUR 150 Million (2,427.510 TL), which will be included in the additional Tier 1 capital calculation as of April 2019.

	31 March 2022	**31 December 2021**
Opening Balance	37,284,304	22,953,260
Proceeds during the year	-	6,501,600
Repayments during the year	-	(3,783,347)
Other non-cash movements	2,905,476	11,612,791
Total debt securities securities	**40,189,780**	**37,284,304**

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

17 SUBORDINATED LIABILITIES

	31 March 2022	**31 December 2021**
Subordinated debt instruments (*)	2,908,540	2,999,127
Subordinated loans (**)	2,766,765	2,524,710
Total	**5,675,304**	**5,523,837**

(*) In September 2018, the Bank issued subordinated debt instrument amounting TL 2,901,760 with a maturity of ten years and fixed rate of 12.54% with an early redeem option after fifth year of the date of issue. Subordinated loan includes interest expense on debt securities issued amounting to TL 6,780 (31 December 2021: TL 97,368).

(**) It also includes Tier II capital amounting EUR 150 million (TL 2,422,905) and interest expense of EUR 21,288 (TL 343,860).

Changes in liabilities arising from financing activities are as follows;

	Funds Borrowed	**Debt Securities Issued**	**Subordinated Loans**
Opening Balances	**249,217,267**	**37,284,304**	**5,523,837**
Cash Flow Items:			
Issuance/Borrowed	62,911,322	-	-
Repayment	69,262,089	-	-
Non-cash flow items			
Movement in Accrual	168,540	(562,619)	(35,733)
Movement in Price Diff	-	(85,011)	-
FX Differences	21,857,829	3,553,106	187,200
Commision Movement	(795,709)	-	-
CBRT Upfront Mov	(789,127)	-	-
Ending Balances	**264,899,451**	**40,189,780**	**5,675,304**

18 TAXATION

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

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

19 OTHER LIABILITIES AND PROVISIONS

The principal components of other liabilities are as follows:

	31 March 2022	31 December 2021
Financial liabilities		
Guarantees received(1)	2,335,652	2,472,847
Unearned revenue	34,761	35,265
Tax liability	21,546	12,995
Positive price difference on bonds issued	-	-
Funds	692,783	246,796
Other(3)	555,178	3,371,004
Non-financial liabilities		
Insurance technical provisions	333,566	343,920
Dividend pay liabilities	34,667	88,103
BRSA expense provision	128,552	107,120
Vacation pay liability(2)	25,857	18,002
Other	334,468	297,600
	4,497,030	**6,993,652**

(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 7,855 of vacation pay liability provision is provided during 2022 (31 December 2021: TL 68).
(3) It consists of the balance sent by the Ministry of Treasury and Finance for capital increase.

20 RETIREMENT BENEFIT OBLIGATIONS

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

As of 31 March 2022 actuarial gains/losses amounting to TL 0 related to the reserve for employee termination benefits shown under equity and the current service cost and interest expense amounting to TL 3,229 are realized in the comprehensive income statement in accordance with the change in the IAS 19 (2011) standard..

IAS 19 (2011) "Employment Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability as at 31 March 2022 and 31 December 2021.

	31 March 2022	31 December 2021
Discount rate (%)	23.00	23.00
Inflation rate (%)	18.50	18.50

Movement in the reserve for employment termination benefits for the period ended 31 March 2022 and 31 March 2021 are as follows:

	31 March 2022	31 March 2021
1 January	33,823	26,332
Current service cost	1,284	977
Interest expense	1,945	823
Actuarial gains	-	-
Payments during the period	-	-
Total	**37,052**	**28,132**

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

21 SHARE CAPITAL

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 2022	31 December 2021
Share capital - historical cost	13,800,000	10,800,000
Adjustment to share capital	38,090	38,091
Total paid in share capital	**13,838,090**	**10,838,091**

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 2022 (31 December 2021: None).

The legal reserves amounting to TL 725,094 (31 December 2021: TL 569,768) consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital but may be used to absorb losses in the event that the general reserve is exhausted.

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

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

a) First legal reserve, appropriated at the rate of 5% of net income, until the total reserve is equal to 20% of issued and fully paid-in share capital.

b) Second legal reserve, appropriated at the rate of 10% of the distribution of second dividend, in excess of the first legal reserve, appropriated at a rate of 5% and first dividend, appropriated at a rate of 8%.

Fair value reserve

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

As at 31 March 2022, such gains / (losses) recognised under equity in fair value reserves amounted to TL (31,301) (31 December 2021: TL 6,856).

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

22 NET INTEREST INCOME

	1 January – 31 March 2022	1 January – 31 March 2021
Interest income:		
Interest on loans and advances	2,253,738	1,166,877
Interest on deposits with banks	39,758	71,932
Interest on financial assets measured at amortized cost	213,142	142,860
Interest on interbank money market placements	155,649	54,908
Interest on financial assets measured at fair value through profit or loss	3,121	60
Interest on financial assets measured at fair value through other comprehensive income	30,513	17,605
Other interest income	12,539	757
Total interest income	**2,708,460**	**1,454,999**
Interest expense:		
Interest on funds borrowed	(774,044)	(508,537)
Interest on debt securities in issue	(710,167)	(422,574)
Other interest expenses	(48,567)	(13,398)
Total interest expense	**(1,532,778)**	**(944,509)**
Net interest income	**1,175,682**	**510,490**

23 FOREIGN EXCHANGE GAINS AND LOSSES

	1 January – 31 March 2022	1 January – 31 March 2022
Foreign exchange gains	30,158,334	21,538,829
Foreign exchange losses	(30,601,148)	(22,381,521)
Net foreign exchange gains/(losses)	**(442,814)**	**(842,692)**

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

	1 January – 31 March 2022	1 January – 31 March 2021
Derivative income (*)	1,300,931	1,420,653
Derivative expenses (*)	(738,042)	(424,617)
Trading income	339	2,296
Trading expense	-	(353)
Total	**563,228**	**997,979**

(*) Derivative income/expense include fair value hedge valuation differences amounting TL 619,590 (31 March 2021: TL 1,071,973).

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

25 OTHER OPERATING INCOME

	1 January – 31 March 2022	1 January – 31 March 2021
Released reserves	-	-
Rent income	465	442
Sale of assets	-	-
Other (*)	62,199	59,619
Total	**62,664**	**60,061**

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

26 OPERATING EXPENSES

	1 January – 31 March 2022	1 January – 31 March 2021
Personnel expenses	(99,579)	(62,009)
BRSA contribution expense	(21,431)	(11,881)
KOSGEB fee (*)	(13,131)	(13,131)
Taxes and duties expenses	(10,808)	(6,342)
Depreciation and amortization charges	(3,209)	(2,867)
Premiums paid to reinsurance companies	-	(1)
Employment termination benefits and unused vacation	(11,084)	(1,868)
Rent expenses	(176)	(62)
Research expenses	-	-
Other	(9,185)	(22,425)
Total	**(168,603)**	**(120,586)**

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

27 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 2022, there are legal proceedings outstanding against the Bank amounting to TL 54,795, USD 6,209, EUR 919 thousand. In addition, there are legal proceedings outstanding filed by the Bank. These legal proceedings amounting to TL 175,613, USD 52,092, EUR 14,364 thousand and GBP 29 thousand.

The Bank has allocated provisions amounting to TL 19,026 (31 December 2021: 24,036) for these legal proceedings. A number of the outstanding litigation cases in Turkish courts relate to employee bonus payments.

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

27 COMMITMENTS AND CONTINGENT LIABILITIES *(continued)*

Commitments under derivative instruments:

The breakdown of swap transactions at 31 March 2022 and 31 December 2021 is as follows:

		31 March 2022		31 December 2021	
	Currency	**Foreign currency amount**	**TL**	**Foreign currency amount**	**TL**
Transaction type					
Interest rate swap purchases	USD	500,000	7,244,000	500,000	6,593,250
	EUR	-	-	-	-
Foreign currency swap purchases	USD	427,126	6,188,205	198,623	2,619,142
	TL	1,218,575	1,218,575	-	-
	GBP	-	-	-	-
	EUR	-	-	-	-
Foreign currency forward purchases	USD	-	-	-	-
	TL	36,640	36,640	-	-
	GBP	-	-	-	-
	EUR	1,900	30,690	-	-
Cross currency swaps purchases	USD	1,706,640	24,725,796	2,066,262	27,246,761
	JPY	-	-	-	-
	EUR	-	-	-	-
Option purchases	TL	-	-	-	-
	EUR	-	-	-	-
	USD	-	-	-	-
Total purchases			**39,443,906**		**36,459,153**
Interest rate swap sales	USD	500,000	7,244,000	500,000	6,593,250
	EUR	-	-	-	-
Foreign currency swap sales	EUR	380,000	6,138,027	168,604	2,512,996
	GBP	3,500	66,611	3,500	62,334
	JPY	12,363	1,472	11,425	1,308
	TL	-	-	-	-
	USD	84,000	1,216,990	-	-
Foreign currency forward sales	TL	36,422	36,422	-	-
	USD	-	-	-	-
	EUR	1,900	30,690	-	-
Cross currency swaps sales	TL	-	-	-	-
	EUR	1,478,924	23,888,610	1,795,230	26,757,362
	JPY	-	-	-	-
	USD	-	-	-	-
Option sales	TL	-	-	-	-
	EUR	-	-	-	-
	USD	-	-	-	-
Total sales			**38,622,822**		**35,927,250**
Total			**78,066,728**		**72,386,403**

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

27 COMMITMENTS AND CONTINGENT LIABILITIES *(continued)*

Maturity analysis of swap and forward transactions are as follows:

	31 March 2022				
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
Interest rate swap purchases	-	-	7,244,000	-	7,244,000
Foreign currency swap purchases	7,117,580	289,200	-	-	7,406,780
Forward foreign currency purchases	-	67,330	-	-	67,330
Cross currency swaps purchases	-	7,244,000	15,453,476	2,028,320	24,725,796
Option purchases	-	-	-	-	-
Total purchases	**7,117,580**	**7,600,530**	**22,697,476**	**2,028,320**	**39,443,906**
Interest rate swap sales	-	-	7,244,000	-	7,244,000
Foreign currency swap sales	7,133,340	289,760	-	-	7,423,100
Forward foreign currency sales	-	67,112	-	-	67,112
Cross currency swaps sales	-	6,754,495	15,174,346	1,959,769	23,888,610
Option sales	-	-	-	-	-
Total sales	**7,133,340**	**7,111,367**	**22,418,346**	**1,959,769**	**38,622,822**

	31 December 2021				
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
Interest rate swap purchases	-	-	6,593,250	-	6,593,250
Foreign currency swap purchases	2,619,142	-	-	-	2,619,142
Forward foreign currency purchases	-	-	-	-	-
Cross currency swaps purchases	4,615,275	6,593,250	10,118,720	5,919,516	27,246,761
Option purchases	-	-	-	-	-
Total purchases	**7,234,417**	**6,593,250**	**16,711,970**	**5,919,516**	**36,459,153**
Interest rate swap sales	-	-	6,593,250	-	6,593,250
Foreign currency swap sales	2,576,638	-	-	-	2,576,638
Forward foreign currency sales	-	-	-	-	-
Cross currency swaps sales	4,583,644	6,232,625	9,958,944	5,982,149	26,757,362
Option sales	-	-	-	-	-
Total sales	**7,160,282**	**6,232,625**	**16,552,194**	**5,982,149**	**35,927,250**

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

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

27 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 2022 and 31 December 2021:

	31 March 2022	**31 December 2021**
Financial guarantees		
Letters of Guarantee	230,777	114,634
Other guarantees		
- Foreign currency (Note 4)	27,583,022	25,161,299
Total financial guarantees	**27,813,799**	**25,275,933**

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

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

28 SEGMENT ANALYSIS

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

31 March 2022	Corporate banking	Investment banking	Unallocated	Total
Segment revenue	2,645,391	1,005,411	26,589	3,677,391
Segment expenses	(1,133,903)	(729,472)	(503,808)	(2,367,183)
Net profit	**1,511,488**	**275,939**	**(477,219)**	**1,310,208**
Interest income	2,266,277	442,183	-	2,708,460
Interest expense	(822,437)	(710,167)	(174)	(1,532,778)
Depreciation and amortization	-	-	(3,209)	(3,209)
Impairment charges on loans	(148,747)	(808)	101,458	(48,097)
Total segment assets	**305,425,403**	**33,733,908**	**822,279**	**339,981,590**
Segment liabilities	264,899,451	51,594,563	4,697,451	321,191,465
Equity	-	9,099	18,781,026	18,790,125
Total liabilities and equity	**264,899,451**	**51,603,662**	**23,478,477**	**339,981,590**

31 March 2021	Corporate banking	Investment banking	Unallocated	Total
Segment revenue	1,391,595	1,285,344	12,703	2,689,642
Segment expenses	(679,640)	(436,341)	(930,254)	(2,046,235)
Net profit	**711,955**	**849,003**	**(917,551)**	**643,407**
Interest income	1,167,634	287,365	-	1,454,999
Interest expense	(521,454)	(422,582)	(473)	(944,509)
Depreciation and amortization			(2,867)	(2,867)
Impairment charges on loans	(70,673)	445	26,983	(43,245)
Total segment assets (*)	**211,575,014**	**22,883,544**	**1,566,554**	**236,025,112**
Segment liabilities	193,333,612	27,528,503	3,139,709	224,001,824
Equity	-	114,917	11,908,371	12,023,288
Total liabilities and equity (*)	**193,333,612**	**27,643,420**	**15,048,080**	**236,025,112**

(*) The indicated information is presented as of March 31, 2021 for balance sheet items.

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

28 SEGMENT ANALYSIS *(continued)*

Reconciliation of segment results of operations:

31 March 2022	Corporate banking	Investment banking	Unallocated	Total
Interest income	2,266,277	442,183	-	2,708,460
Fee and commissions income	335,273	-	7,766	343,039
Gains on financial instruments measured at fair value profit or loss	-	563,228	-	563,228
Other operating income	43,841	-	18,823	62,664
Total segment revenue	**2,645,391**	**1,005,411**	**26,589**	**3,677,391**

31 March 2022	Corporate banking	Investment banking	Unallocated	Total
Interest expense	(822,437)	(710,167)	(174)	(1,532,778)
Fee and commissions expense	(162,719)	(11,558)	(614)	(174,891)
Impairment charges on loans	(148,747)	(808)	101,458	(48,097)
Losses on financial instruments measured at fair value profit or loss	-	-	-	-
Foreign exchange losses	-	-	(442,814)	(442,814)
Other operating expenses	-	(6,939)	(161,664)	(168,603)
Total segment expense	**(1,133,903)**	**(729,472)**	**(503,808)**	**(2,367,183)**

31 December 2021	Corporate banking	Investment banking	Unallocated	Total
Interest income	1,167,634	287,365	-	1,454,999
Fee and commissions income	168,877	-	7,726	176,603
Gains on financial instruments measured at fair value profit or loss	-	997,979	-	997,979
Other operating income	55,084	-	4,977	60,061
Total segment revenue	**1,391,595**	**1,285,344**	**12,703**	**2,689,642**

31 December 2021	Corporate banking	Investment banking	Unallocated	Total
Interest expense	(521,454)	(422,582)	(473)	(944,509)
Fee and commissions expense	(87,512)	(7,287)	(404)	(95,203)
Impairment charges on loans	(70,674)	446	26,983	(43,245)
Losses on financial instruments measured at fair value profit or loss	-	-	-	-
Foreign exchange losses	-	-	(842,692)	(842,692)
Other operating expenses	-	(6,918)	(113,668)	(120,586)
Total segment expense	**(679,640)**	**(436,341)**	**(930,254)**	**(2,046,235)**

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

29 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 2022	31 December 2021
Due from banks:		
- Other related parties [1]	11,121,693	15,662,220
Loans and advances:		
- Other related parties [2]	6,375,820	6,542,126
Investment securities ("FV through P/L")		
- Shareholder [3]	135,859	123,842
Investment securities ("FV through OCI")		
- Shareholder [4]	1,635,378	1,391,467
Investment securities ("Held to maturity")		
- Shareholder [5]	9,826,971	9,955,982
Funds borrowed		
- Other related parties [6]	180,429,612	172,501,484
Other liabilities		
- Other related parties	21,559	180,548

(1) Average interest rate for due from banks for TL is 0% (31 December 2021: 15.25% for TL).

(2) Average interest rate for loans and advances for FX and TL are respectively 3,04% and 16,09% (31 December 2021: 2,83% for FX and 15,88% for TL).

(3) Average interest rate for investment securities (FV through P/L) for FX is 4,25% (31 December 2021: 4,25%)

(4) Average interest rate for investment securities (FV through OCI) for FX is 6,46% (31 December 2021: 6,54%) and for TL is 20,10%

(5) Average interest rate for investment securities (Held to maturity) for FX and TL are respectively 3,10% and 10,62% (31 December 2021: 4,99% for FX and 9.80% for TL)

(6) Average interest rate for funds borrowed for FX and TL are respectively 0.36% and 9,53% (31 December 2021: 0.20% for FX and 11,21% for TL)

(b) Transactions with related parties:

	31 March 2022	31 March 2021
Interest income on investment securities:		
- Shareholder	241,654	135,728
Interest income on loans and advances:		
- Other related parties	97,064	56,297
Interest expense on funds borrowed:		
- Other related parties	461,168	223,356
Operating expenses (taxes paid)		
- Other related parties	10,808	6,342

(c) Remuneration of key management personnel:

	31 March 2022	31 March 2021
Salaries and other short-term employee benefits	3,096	1,053

30 EVENTS AFTER THE REPORTING PERIOD

None.