TÜRKİYE İHRACAT KREDİ BANKASI ANONİM ŞİRKETİ

Financial Statements as at and for the Year Ended 31 December 2020 with Independent Auditor's Report Thereon

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Türkiye İhracat Kredi Bankası Anonim Şirketi

1) Opinion

We have audited the accompanying financial statements of Türkiye İhracat Kredi Bankası Anonim Şirketi (the "Bank") which comprise the unconsolidated statement of financial position as at December 31, 2020, statement of profit or loss and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

2) Basis for opinion

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

3) Key audit matters

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

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

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Key Audit Matter	How the Key Audit Matter is addressed in our audit
Financial impact of IFRS 9 "Financial Instruments" standard and recognition of impairment on financial assets and related important disclosures	
As disclosed in footnote IX of Section 3; the Bank measured expected credit losses for financial assets by IFRS 9 "Financial Instruments Standards" in financial statements. The rationale for selecting IFRS 9 impairment of financial assets as key audit matter are as follows; ▪ Financial assets within balance-sheet and off-balance-sheet subject to IFRS 9 expected credit losses measurement have significant balance in the financial statements ▪ The applications IFRS 9 are complex and comprehensive ▪ The classification of financial instruments based on the Bank's business models and the characteristics of contractual cash flows in line with IFRS 9 and requirement of important judgments to determine this business model and the characteristics of contractual cash flows ▪ Risks related to the policies established by the management with the compliance and requirements of the legislation and other applications for the calculation of expected credit losses ▪ The complexity and intensity of the control environment in the processes designed or reorganized for IFRS 9 ▪ Estimations and assumptions used in expected credit losses are important and complex ▪ Complex and comprehensive disclosure requirements of IFRS 9.	Our audit procedures in addition to our current audit procedures: ▪ Evaluation of the compliance of the accounting policies adopted with regard to IFRS 9, the Bank's past performance, and local and global practices ▪ Analysis and testing of processes, systems, and controls originated or re-designed in order to calculate expected credit losses by the Information Systems and Process Audit specialists ▪ Evaluation of the key judgments, assumptions, methods used for calculation of expected credit loss determined by the management, and whether the data source is reasonable or not, and their compliance and standard requirements in light of industry and global practices ▪ Testing criteria used for determining the contractual cash flows including interest payments with regard to solely principal and principal balance of financial assets on a sample basis and evaluation of Bank's business model ▪ Evaluation of significant increase in credit risk, definition of default, definition of restructuring, probability of default, loss given default, exposure at default and macro-economic variables, and related basic and significant estimates and assumptions determined for calculation process of expected credit loss and whether these assumptions determined by financial risk management are in line with the Bank's historical performance, legislation, and reasonableness of the estimation process regarding future performance and investigation of credit risk portfolio on a sample basis ▪ Evaluation of the accuracy and completeness of attributes of the data used for the calculation process of expected credit losses ▪ Detailed testing of mathematical verification of expected credit losses' calculation on a sample basis ▪ Evaluation of the assumptions and estimations used for the individually assessed financial assets based on expert judgment ▪ Evaluating the necessity and accuracy of the updates made or required updates after the modeling process ▪ Evaluating the impact of the Covid-19 outbreak, on macroeconomic variables in staging loans and calculating expected credit loss provision, together with important forward estimates and assumptions ▪ Auditing of disclosures related to IFRS 9.

Key audit matter	How the matter was addressed in our audit
Hedge Accounting	
As further explained in footnote VIII of Section 3, the Bank applies fair value hedge transactions to manage fixed interest rate risk due to securities issued at fixed rate with interest rate swap transactions. The Bank applies cash flow hedge transactions to manage foreign currency risk due to securities issued at fixed rate and loans and advances at floating rate with cross-currency swap transactions. • The criteria for the application of the hedge accounting include defining, documenting and regularly testing the effectiveness of the hedge accounting transactions. Due to the fact that hedge accounting has complex structure and requires technical calculations, we considered this to be one of the key audit matters.	The audit procedures for testing hedge accounting included below; • To examine the documentation and appropriateness of hedging relationships of cash flow hedge and fair value hedge transactions. • To take into account the objective of the hedge accounting and its compliance with TFRS requirements. To test the management's assessment of effectiveness, measuring ineffectiveness and appropriateness of accounting records. • To understand and test the hedge accounting controls, hedging relationship, the effectiveness controls at inception and at subsequent periods. • To evaluate the adequacy of the unconsolidated financial statement disclosures related to hedge accounting.

4) Other Matter

The financial statements of the Bank as at 31 December 2019 were audited by another audit firm which expressed an unqualified opinion in their reports issued on 28 February 2020.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

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

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

The partner in charge of the audit resulting in this independent auditor's report is Yaşar Bivas.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of Ernst & Young Global Limited

Yaşar Bivas, SMMM
Partner

İstanbul, Türkiye
March 24, 2021

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

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

	Notes	**Audited 31 December 2020**	**Audited 31 December 2019**
ASSETS			
Cash and due from banks	6	11,681,430	9,988,218
Derivative financial assets	7	26,224	6,327
Derivative assets held for risk management	4	466,113	1,405,430
Loans and advances	8	177,630,921	142,342,072
Investment securities		11,596,305	7,127,321
- *Financial assets measured at fair value through profit or loss*		*153,454*	-
- *Financial assets measured at fair value through other comprehensive income*	*9*	*805,309*	*37,822*
- *Financial assets measured at amortized cost*	*9*	*10,637,542*	*7,089,499*
Property and equipment	10	17,566	22,290
Intangible assets	11	10,185	7,120
Investment property	12	2,111	2,046
Other assets	13	1,637,715	1,158,085
Total assets		**203,068,570**	**162,058,909**
LIABILITIES			
Funds borrowed	14	160,095,708	127,310,483
Debt securities in issue	15	22,953,260	18,791,531
Subordinated liabilities	16	4,463,576	4,025,854
Interbank money market deposits	14	1,375,566	-
Other liabilities and provisions	18	1,948,741	2,712,989
Derivative financial liabilities	7	114,929	31,766
Derivative liabilities held for risk management	4	676,199	75,183
Retirement benefit obligations	19	26,331	30,076
Total liabilities		**191,654,310**	**152,977,882**
EQUITY	20		
- *Share capital*		*9,270,000*	*7,160,000*
- *Adjustment to share capital*		*38,091*	*38,091*
Total paid in share capital		9,308,091	7,198,091
Legal reserves		494,199	422,618
Hedging reserves		33,017	48,999
Fair value reserves		116,279	28,658
Retained earnings		1,462,674	1,382,661
Total equity		**11,414,260**	**9,081,027**
Total liabilities and equity		**203,068,570**	**162,058,909**

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Notes	**Audited 1 January – 31 December 2020**	**Audited 1 January – 31 December 2019**
Interest income	21	5,011,499	4,856,159
Interest expense	21	(3,788,554)	(3,741,609)
Net interest income		**1,222,945**	**1,114,550**
Fees and commission income		573,966	428,486
Fees and commission expense		(349,550)	(253,324)
Net fee and commission income		**224,416**	**175,162**
Impairment losses on loans and advances	8	(369,469)	(133,419)
Foreign exchange gain/(losses), net	22	2,384,657	(506,373)
Gains/(losses) on financial assets through profit or loss, net	23	(1,539,815)	1,133,402
Dividend income		89	70
Other operating income	24	14,766	7,789
Operating profit before operating expenses		**1,937,589**	**1,791,181**
Operating expenses	25	(426,201)	(359,546)
Net profit for the period		**1,511,388**	**1,431,635**

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Audited 1 January – 31 December 2020	**Audited 1 January – 31 December 2019**
Net profit for the period	**1,511,388**	**1,431,635**
Other comprehensive income	**71,845**	**9,120**
Items that will not be reclassified to profit or loss	**206**	**(8,022)**
Remeasurements of the defined benefit asset/(liability)	206	(8,022)
Items that are or may be reclassified to profit or loss	**71,639**	**17,142**
Net change in fair values of financial assets measured at fair value through other comprehensive income	87,621	17,376
Cash flow hedges - effective portion of changes in fair value	(15,982)	(234)
Total comprehensive income for the period	**1,583,233**	**1,440,755**

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Notes	Share capital	Adjustment to share capital	Total paid-in share capital	Legal reserves	Other reserves	Hedging reserves	Fair value reserves	Retained earnings	Total equity
Balance at 1 January 2019	**20**	**6,350,000**	**38,091**	**6,388,091**	**379,260**	**-**	**49,233**	**11,282**	**818,719**	**7,646,585**
Profit for the period		-	-	-	-	-	-	-	1,431,635	1,431,635
Other comprehensive income for the period		-	-	-	-	-	(234)	17,376	(8,022)	9,120
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**(234)**	**17,376**	**1,423,613**	**1,440,755**
Capital increase		810,000	-	810,000	-	-	-	-	(810,000)	-
Dividends to equity holders		-	-	-	-	-	-	-	(6,313)	(6,313)
Transfers to legal reserves		-	-	-	43,358	-	-	-	(43,358)	-
(Not audited) Balance at 31 December 2019	**20**	**7,160,000**	**38,091**	**7,198,091**	**422,618**	**-**	**48,999**	**28,658**	**1,382,661**	**9,081,027**
Balance at 1 January 2020	**20**	**7,160,000**	**38,091**	**7,198,091**	**422,618**	**-**	**48,999**	**28,658**	**1,382,661**	**9,081,027**
Profit for the period		-	-	-	-	-	-	-	1,511,388	1,511,388
Other comprehensive income for the period		-	-	-	-	-	(15,982)	87,621	206	71,845
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**(15,982)**	**87,621**	**1,511,594**	**1,583,233**
Capital increase		2,110,000	-	2,110,000	-	-	-	-	(1,360,000)	750,000
Transfers to legal reserves		-	-	-	71,581	-	-	-	(71,581)	-
(Audited) Balance at 31 December 2020	**20**	**9,270,000**	**38,091**	**9,308,091**	**494,199**	**-**	**33,017**	**116,279**	**1,462,674**	**11,414,260**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Notes	**Audited 1 January – 31 December 2020**	**Audited 1 January – 31 December 2019**
Cash flows from operating activities:			
Net profit for the period		1,511,388	1,431,635
Adjustments:			
Depreciation and amortization	25	10,602	9,777
Provision for loan losses	8	369,469	133,419
Provision for unused vacation	18	51	422
Net gain on sale of property and equipment		-	154
Interest paid		(2,080,658)	(2,056,622)
Interest received		4,836,662	4,531,480
Unrealized foreign exchange differences		(1,604,561)	(759,150)
Remeasurement of derivative financial instruments		1,603,599	337,640
		4,646,552	**3,628,755**
Net decrease/(increase) in loans and advances		(35,658,318)	(13,475,985)
Net decrease/(increase) in financial assets at measured fair value through profit or loss		(153,454)	-
Proceeds from borrowings		54,985,942	35,803,588
Repayments of borrowings		(23,847,512)	(16,985,373)
Net decrease/(increase) in other assets		713,503	144,918
Net decrease/(increase) in other liabilities		(5,183,274)	1,003,905
Net cash from operating activities		**(4,496,561)**	**10,119,808**
Cash flows from/(used in) investing activities:			
Acquisition of property and equipment, net	10	(3,427)	(3,080)
Acquisition of financial assets measured at amortized cost	9	(1,724,460)	(4,032,405)
Proceeds from financial assets measured at amortized cost	9	-	271,492
Acquisition of intangible assets	11	(4,567)	(1,531)
Net cash used in investing activities		**(1,732,454)**	**(3,765,524)**
Cash flows from/(used in) financing activities:			
Proceeds from interbank money market deposits	14	1,375,566	(139,005)
Proceeds from issue of debt securities		3,812,142	2,875,109
Proceeds from issue of subordinated liabilities		-	998,220
Repayment of debt securities		(1,682,468)	(5,744,331)
Dividends paid	20	-	(6,313)
Proceeds from capital increase		750,000	-
Net cash from/(used in) financing activities		**4,255,240**	**(2,016,320)**
Effects of exchange-rate changes on cash and cash equivalents		3,655,583	1,416,351
Net increase/(decrease) in cash and cash equivalents		**1,681,808**	**5,754,315**
Cash and cash equivalents at the beginning of the year		9,988,248	4,233,933
Cash and cash equivalents at the end of the period		**11,670,056**	**9,988,248**

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 December 2020, the Bank has 3 regional directorates in Ankara, İstanbul and in İzmir, 20 branches and 11 liaison offices. As of 31 December 2020, the Bank has 711 employees (31 December 2019: 740 employees).

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

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

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

These financial statements have been prepared in accordance with IFRS. They were authorized for issue by the Bank's Board of Directors on 24 March 2021.

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

2.2 Basis of measurement

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

2.3 Functional and reporting currency

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

2.4 Accounting in hyperinflationary countries

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

2 BASIS OF PREPARATION (continued)

2.5 Use of estimates and judgments

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

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

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

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

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

2.6. Changes in accounting policies

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

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

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether an acquired set of activities assets is a business or not.

The amendments:

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

2 BASIS OF PREPARATION (continued)

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

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

The amendments issued to IFRS 9 and IAS 39 which are effective for periods beginning on or after 1 January 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. in connection with interest rate benchmark reform. Reliefs used as a result of amendments in IFRS 9 and IAS 39 is aimed to be disclosed in financial statements based on the amendments made in IFRS 7.

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

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

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

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

Amendments to IFRS 16 – Covid-19 Rent Related Concessions

In May 2020, the IASB issued amendments to IFRS 16 Leases to provide relief to lessees from applying IFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021
- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Early application of the amendments is permitted. The amendments did not have a significant impact on the financial position or performance of the Bank.

2 BASIS OF PREPARATION (continued)

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

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

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

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

IFRS 17 - The new Standard for insurance contracts

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

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

23 January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments issued to IAS 1 which are effective for periods beginning on or after 1 January 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 amendments are not applicable for the Bank and will not have an impact on the financial position or performance of the Bank.

Amendments to IFRS 3 – Reference to the Conceptual Framework

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

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

2 BASIS OF PREPARATION (continued)

Amendments to IAS 16 – Proceeds before intended use

In May 2020, the IASB issued amendments to IAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to IAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied prospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for the first-time adopters. The 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 37 – Onerous contracts – Costs of Fulfilling a Contract

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

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

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

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

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

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

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

2 BASIS OF PREPARATION (continued)

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the IAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.

  The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

Separately identifiable risk components

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

Additional disclosures

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

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

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

2 BASIS OF PREPARATION (continued)

iii) 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 December 2020	9.0512	7.3647
31 December 2019	6.6548	5.9407

ii) Foreign currency operations

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

3.2 Interest income and expense

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

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

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

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

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.

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.

3.10 Cash and cash equivalents

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.11 Property and equipment

Recognition and measurement

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

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

Subsequent costs

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

Depreciation

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

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

	Years
Buildings	50 years
Vehicles	5 years
Other tangible assets	1 - 50 years

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

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

3.12 Intangible assets

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

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

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

3.13 Investment property

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.14 Assets held for sale

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

3.15 Impairment of non-financial assets

The 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.

3.16 Funds borrowed and subordinated liabilities

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

3.17 Debt securities

Debt securities issued are 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.

3.18 Provisions

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

3.19 Employee benefits

Reserve for employee severance indemnity

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

Short-term employee benefits

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

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

3.20 Events after the reporting period

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

4 FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

As of 31 December 2020, the loan portfolio of the Bank constitutes 87% (31 December 2019: 88%) of total assets. In short, medium and long-term lending (except for funded loans and country loans), the Bank is essentially taking the risk of the Turkish banking system, however medium-to-long term country loans are under the political risk guarantee of the Turkish Treasury.

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

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

(b) Credit risk

According to article numbered 25 of the decree (regulating the "Articles of Association" of the Bank) of the Council of Ministers dated 17 June 1987; the scope of the annual operations of the Bank is determined by the Bank's Annual Program that is approved by Supreme Advisory and Credit Guidance Committee ("SCLGC"). 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 December 2020		31 December 2019	
	Corporate loans	**Personnel loans**	**Corporate loans**	**Personnel loans**
Neither past due nor impaired	176,958,632	13,324	141,697,314	10,011
Past due but not impaired	406,644	-	595,045	-
Past due and individually impaired	1,031,825	90	506,578	20
Total loans and advances	**178,397,101**	**13,414**	**142,798,937**	**10,031**
Expected credit losses- Stage 1	(85,178)	(56)	(38,555)	(4)
Expected credit losses- Stage 2	(3,990)	-	(5,034)	-
Expected credit losses- Stage 3	(690,280)	(90)	(423,285)	(18)
Net loans and advances	**177,617,653**	**13,268**	**142,332,063**	**10,009**

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

	31 December 2020	31 December 2019
Past due up to 30 days	50,751	77,891
Past due 31-60 days	205,077	359,690
Past due 61-90 days	150,816	157,464
Total loans and advances that are past due but not impaired	**406,644**	**595,045**

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

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

	31 December 2020		31 December 2019	
	Corporate loans	**Personnel loans**	**Corporate loans**	**Personnel loans**
Standard loans and advances	174,025,309	13,324	139,422,849	10,011
Loans and advances under close monitoring (1)	3,339,967	-	2,869,510	-
Impaired loans and advances	1,031,825	90	506,578	20
Total loans and advances	**178,397,101**	**13,414**	**142,798,937**	**10,031**
Expected credit losses- Stage 1	(85,178)	(56)	(38,555)	(4)
Expected credit losses- Stage 2	(3,990)	-	(5,034)	-
Expected credit losses- Stage 3	(690,280)	(90)	(423,285)	(18)
Net loans and advances	**177,617,653**	**13,268**	**142,332,063**	**10,009**

(1) As of 31 December 2020, loans and advances under close monitoring includes restructured loans amounting to TL 2,785,260 (31 December 2019: TL 2,256,571) that are not overdue.

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

	31 December 2020		31 December 2019	
	Corporate loans	**Personnel loans**	**Corporate loans**	**Personnel loans**
Collaterals guaranteed by other banks	164,562,560	-	129,400,500	-
Collaterals guaranteed by a third party	-	13,414	-	10,031
Total	**164,562,560**	**13,414**	**129,400,500**	**10,031**
Unsecured exposures (1)	13,834,541	-	13,398,437	-
Total loans and advances	**178,397,101**	**13,414**	**142,798,937**	**10,031**

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

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

Bank's credit rating policy

The risk assessment of banks and other financial institutions

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

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

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

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

As of 31 December 2020, loans granted by the Bank to banks and other financial institutions amount to TL 19,190,081 (31 December 2019: TL 17,778,906). As of 31 December 2020, and 31 December 2019, the concentration level of the loans and advances to banks and other financial institutions which are neither past due nor impaired in accordance with the defined financial analysis of the Bank is as follows:

		31 December 2020	31 December 2019
	Rating class	Concentration level (%)	Concentration level (%)
Low	1-2	85	52
Medium	3	14	45
High	4	1	3

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

The risk assessment of the companies:

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

As of 31 December 2020 and 31 December 2019, when we analyze the loan limits for top 60 corporate customers, we observe that these loans constitute approximately 44% and 45%, respectively of total loans to corporate customers amounting to TL 78,988,904 (31 December 2019: TL 64,646,536). The details of these loans are as follows;

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

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

	31 December 2020	**31 December 2019**
Credit risk exposures relating to on-balance sheet assets:		
Due from banks	11,681,430	9,988,218
Loans and advances to		
- Domestic banks and other financial institutions	12,980,432	12,249,813
- Foreign banks and other financial institutions	6,209,649	4,997,081
- Corporate customers other than banks and financial institutions and personnel	158,440,840	125,095,178
Derivative financial assets	26,224	6,327
Derivative assets held for risk management	466,113	1,405,430
Investment securities		
- Financial assets at fair value through profit or loss	153,454	-
- Financial assets at fair value through other comprehensive income	709,777	-
- Financial assets measured at amortized cost	10,637,542	7,089,499
Credit risk exposures relating to off-balance sheet items:		
Financial guarantees	11,990,878	10,891,326
Total	**213,296,339**	**171,722,872**

As of 31 December 2020, and 31 December 2019, 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 December 2020, and 31 December 2019, the geographical distribution of the on-balance sheet assets exposed to credit risk:

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

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

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

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

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)	417,837
2	Stock risk (general and specific)	-
3	Foreign exchange risk	107,838
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitizations	-
9	**Total**	**525,675**

(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 December 2020 and 31 December 2019.

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

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

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

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

As of 31 December 2020, and 31 December 2019, the effect of the devaluation of TL by 10% against foreign currencies, under the assumption that all other variables are stable, on net profit/loss and equity of the Bank, are presented below. The other variables, especially interest rates are assumed to be fixed.

	31 December 2020		31 December 2019	
	Effect on net profit	**Effect on equity [1]**	**Effect on net profit**	**Effect on equity [1]**
USD	(145,576)	(145,576)	87,824	87,824
EUR	6,628	6,628	6,535	6,535
Other currencies	-	-	(102)	(102)
Total	**(138,948)**	**(138,948)**	**94,257**	**94,257**

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

As of 31 December 2020 and 31 December 2019, the effect of the appreciation of TL by 10% against other currencies with all other variables held constant, on net profit and equity of the Bank is the same as the total amount with a negative sign as presented in the above table.

(e) Interest rate risk

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

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

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

As of 31 December 2020 and 31 December 2019, the table below summarizes the Bank's position exposed to interest rate risk. Carrying amounts of assets and liabilities are classified in terms of periods remaining to contractual repricing dates in the table below;

	31 December 2020					
	Up to 3 Months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Cash and due from banks	6,581,892	-	-	-	5,099,538	**11,681,430**
Financial assets measured at fair value through profit or loss	-	-	78,554	74,900	-	**153,454**
Derivative financial instruments	25,960	264	-	-	-	**26,224**
Derivative assets held for risk management	35,221	156,559	274,333	-	-	**466,113**
Loans and advances	50,866,005	94,403,968	31,870,924	-	490,024	**177,630,921**
Investment securities						
- Financial assets measured at fair value through other comprehensive income	39,911	40,839	309,081	322,700	92,778	**805,309**
- Financial assets measured at amortized cost	909,292	2,791,413	2,762,505	4,174,332	-	**10,637,542**
Property and equipment and intangible assets	-	-	-	-	27,751	**27,751**
Investment property	-	-	-	-	2,111	**2,111**
Other assets	217,741	274,596	-	-	1,145,378	**1,637,715**
Total assets	**58,676,022**	**97,667,639**	**35,295,397**	**4,571,932**	**6,857,580**	**203,068,570**
Funds borrowed	24,303,977	105,073,603	30,718,128	-	-	**160,095,708**
Subordinated loans	6,023	6,023	1,513,632	2,937,898	-	**4,463,576**
Debt securities in issue	3,990,064	3,625,951	15,337,245	-	-	**22,953,260**
Interbank money market deposits	-	1,375,566	-	-	-	**1,375,566**
Derivative financial instruments	114,682	247	-	-	-	**114,929**
Derivative liabilities held for risk management	307,798	368,401	-	-	-	**676,199**
Other liabilities	448,215	381,194	1,517,630	-	(398,298)	**1,948,741**
Reserve for employee benefits	-	-	-	-	26,331	**26,331**
Total liabilities	**29,170,759**	**110,830,985**	**49,086,635**	**2,937,898**	**(371,967)**	**191,654,310**
Net repricing gap	**29,505,263**	**(13,163,346)**	**(13,791,238)**	**1,634,034**	**7,229,547**	**11,414,260**

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

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

	31 December 2020				
	USD (%)	**EUR (%)**	**JPY (%)**	**GBP (%)**	**TL (%)**
Assets					
Cash and due from banks					
- *Cash equivalents*	-	-	-	-	-
- *Time deposits in foreign banks*	*0.10*	*1.33*	-	-	-
- *Time deposits in domestic banks*	-	-	-	-	*17.77*
- *Interbank money market placements*	-	-	-	-	*17.40*
Loans and advances	2.11	1.17	1.26	1.77	9.11
Investment securities					
- *Financial assets measured at fair value through profit or loss*	*6.18*	-	-	-	-
- *Financial assets measured at amortized cost*	*4.91*	*1.08*	-	-	*9.81*
- *Financial assets measured at fair value through other comprehensive income*	*6.35*	-	-	-	-
Liabilities					
Funds borrowed	1.39	0.42	0.36	0.06	-
Subordinated liabilities	-	5.06	-	-	12.54
Debt securities in issue	5.82	-	-	-	9.25
Interbank money market deposits	2.50	-	-	-	-

	31 December 2019				
	USD (%)	**EUR (%)**	**JPY (%)**	**GBP (%)**	**TL (%)**
Assets					
Cash and due from banks					
- *Cash equivalents*	-	-	-	-	-
- *Time deposits in foreign banks*	*2.21*	-	-	-	-
- *Time deposits in domestic banks*	-	*2.48*	-	-	*17.43*
- *Interbank money market placements*	-	-	-	-	-
Loans and advances	3.54	1.44	1.41	2.07	13.73
Investment securities	-	-	-	-	-
- *Financial assets measured at amortized cost*	*6.14*	*4.40*	-	-	*10.29*
Liabilities					
Funds borrowed	1.34	0.42	-	-	12.35
Subordinated liabilities	-	5.06	-	-	12.54
Debt securities in issue	3.31	-	-	-	-
Interbank money market deposits	-	-	-	-	-

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

As of 31 December 2020, and 31 December 2019, the effect of a change interest rates, if all other variables are constant, on the net profit is shown below. The sensitivity of the shareholders' equity at 31 December 2020 and 31 December 2019 is calculated by the valuation of the financial assets measured at fair value through other comprehensive income, considering the possible changes in interest rates. The tax effects are not considered in the analysis below. The other variables, especially exchanges rates, are assumed to be fixed in this analysis.

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

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

(f) Liquidity risk

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

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the liquidity management of the Bank. The ability to fund 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)**
27 December 2020	1732.4	1 November 2020	327.7	27 December 2020	1507.69	1 November 2020	250.89

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

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

		Total Unweighted Value (Average) (*)		**Total Weighted Value (Average) (*)**	
Current Period		**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS					
1	High-quality liquid assets (HQLA)			14,255,329	11,789,874
CASH OUTFLOWS			-	-	-
2	**Retail deposits and deposits from small business customers**	-	-	-	-
3	Stable deposits	-	-	-	-
4	Less stable deposits	-	-	-	-
5	**Unsecured funding other than retail deposits and deposits from small business customers**	15,174,491	15,174,491	7,680,006	7,680,006
6	Operational deposits	-	-	-	-
7	Non-operational deposits	-	-	-	-
8	Unsecured funding	15,174,491	15,174,491	7,680,006	7,680,006
9	**Secured funding**				
10	**Other cash outflows**	1,755,106	1,737,570	1,010,548	1,002,352
11	Outflows related to derivative exposures and other collateral requirements	514,178	512,209	514,177	512,208
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	1,240,928	1,225,361	496,371	490,144
14	**Other revocable off-balance sheet commitments and contractual obligations**	-	-	-	-
15	**Other irrevocable or conditionally revocable off-balance sheet obligations**	10,896,351	10,896,351	544,817	544,817
16	**TOTAL CASH OUTFLOWS**			**9,235,371**	**9,227,175**
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	18,745,490	15,200,064	11,910,832	8,512,980
19	Other cash inflows	26,197	2,610	26,197	2,609
20	**TOTAL CASH INFLOWS**	**18,771,687**	**15,202,674**	**11,937,029**	**8,515,589**
				Max limit applied values	
21	**TOTAL HQLA STOCK**			**14,255,329**	**11,789,874**
22	**TOTAL NET CASH OUTFLOWS**			**2,325,107**	**2,497,747**
23	**LIQUIDITY COVERAGE RATIO (%)**			**613.10**	**472.02**

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

(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 2019 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)			12,822,753	10,416,284
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**	**11,511,921**	**11,511,921**	**5,265,822**	**5,265,822**
6	Operational deposits	-	-	-	-
7	Non-operational deposits	-	-	-	-
8	Unsecured funding	11,511,921	11,511,921	5,265,822	5,265,822
9	**Secured funding**				
10	**Other cash outflows**	**2,124,143**	**1,917,923**	**1,805,726**	**1,722,678**
11	Outflows related to derivative exposures and other collateral requirements	1,593,451	1,592,517	1,593,450	1,592,516
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	530,692	325,406	212,276	130,162
14	**Other revocable off-balance sheet commitments and contractual obligations**	**-**	**-**	**-**	**-**
15	**Other irrevocable or conditionally revocable off-balance sheet obligations**	**10,026,974**	**10,026,974**	**501,348**	**501,348**
16	**TOTAL CASH OUTFLOWS**			**7,572,896**	**7,489,848**
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	15,556,953	13,682,976	10,029,648	8,332,096
19	Other cash inflows	7,801	6,011	7,801	6,010
20	**TOTAL CASH INFLOWS**	**15,564,754**	**13,688,987**	**10,037,449**	**8,338,106**
				Max limit applied values	
21	**TOTAL HQLA STOCK**			**12,822,753**	**10,416,284**
22	**TOTAL NET CASH OUTFLOWS**			**1,898,419**	**1,877,657**
23	**LIQUIDITY COVERAGE RATIO (%)**			**675.44**	**554.75**

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

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

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

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

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

(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 unconsolidated partnerships:

None.

g) Information on cash inflow and outflow items which are thought to be related to the Bank's liquidity profile included in the calculation of liquidity coverage ratio but not included in the public disclosure template on the second paragraph:

None.

As of 31 December 2020, and 31 December 2019, the distribution of assets and liabilities of the Bank according to their remaining maturities is presented in the table below.

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

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

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

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

The distribution of the undiscounted cash flows of the financial liabilities of the Bank according to their remaining maturities as at 31 December 2020 and 31 December 2019 are presented in the tables below:

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

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

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

(2) Tax liabilities amounting TL 18,611, funds amounting TL 13, other provisions amounting TL 166,463, derivative financial instruments amounting TL 31,766, derivative liabilities held for risk management amounting TL 75,183 and retirement benefit obligations amounting to TL 30,076 are not included in other financial liabilities.

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

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

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

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

31 December 2019				
Hedging instrument	**Hedged item (asset and liability)**	**Nature of hedge risks**	**Net fair value of the hedging instrument Asset**	**Liability**
Interest rate swap	Fixed interest rate US dollar debt securities	Fixed interest rate risk	-	42,036
Cross currency swap	Fixed interest rate US dollar debt securities	Currency and interest rate risk	1,258,289	3,238

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

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

		31 December 2019			
Type of hedging instrument	**Hedge item (asset and liability)**	**Nature of hedge risks**	**Fair value difference of the hedge item**	**Net fair value of the hedging instrument Asset**	**Liability**
Cross currency swap	Floating interest rate US dollar borrowings	Currency and interest rate risk	48,999	147,141	29,909

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 December 2020		31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash and due from banks	11,681,430	11,681,430	9,988,218	9,988,218
Investment securities				
- Financial assets measured at fair value through profit or loss	153,454	153,454	-	-
- Financial assets measured at fair value through other comprehensive income [(1)]	10,575	10,575	7,818	7,818
- Financial assets measured at amortized cost	10,637,542	10,292,327	7,089,499	6,883,891
Loans and advances	177,630,921	185,439,400	142,342,072	149,042,930
Financial liabilities:				
Funds borrowed	160,095,708	165,883,640	127,310,483	132,701,700
Debt securities in issue	22,953,260	22,886,387	18,791,531	19,450,006
Subordinated loans	4,463,576	4,463,576	4,025,854	4,025,854
Interbank money market deposits	1,375,566	1,375,566	-	-

(1) Garanti Faktoring A.Ş. shares amounting to TL 84,957 are not included (31 December 2019: TL 30,004).

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

The following table summarizes the fair values of those financial assets and liabilities presented on the Bank's statement of financial position based on the hierarchy of valuation technique as of 31 December 2020 and 31 December 2019.

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

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

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

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

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

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

(1) Fair values are calculated with quoted prices (unadjusted) in active markets for listed equity investments and debt instruments. This level includes listed equity investments and debt instruments actively traded on exchanges.
(2) Fair values are calculated with observable input parameters (either directly as prices or indirectly as derived from prices) for derivative transactions. This level includes OTC derivative contracts.
(3) Fair values are calculated by taking unobservable inputs as a basis.
(4) Unquoted equity investments which are accounted with their cost amount to TL 7,818 are excluded.

(i) Capital management

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

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

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

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

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

4 FINANCIAL RISK MANAGEMENT *(continued)*

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

	31 December 2020 (*)	31 December 2019
Tier I capital	12,760,951	10,071,322
Tier II capital	3,383,632	3,080,681
Total regulatory capital	**16,144,583**	**13,152,003**
Amount subject to credit risk	77,593,027	67,116,236
Amount subject to market risk	525,675	142,963
Amount subject to operational risk	2,537,427	1,757,565
Total regulatory capital expressed as a percentage of total value at credit, market and operational risks (%)	**20.02**	**19.06**
Total tier 1 capital expressed as a percentage of total value at credit, market and operational risks (%)	**15.82**	**14.59**

(*) The Bank used 31 December 2019 exchange rates for its credit risk calculation based on local regulation.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Allowances for credit losses

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

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

(b) Fair value of derivatives

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

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

6 CASH AND DUE FROM BANKS

	31 December 2020	31 December 2019
Cash funds:		
Cash on hand	10	21
	10	**21**
Current accounts and demand deposits:		
Central Bank of Republic of Turkey (CBRT)	5,005,572	7,320,831
Foreign banks	84,034	166,636
Domestic banks	10,430	3,956
	5,100,036	**7,491,423**
Time deposits:		
Central Bank of Republic of Turkey (CBRT)	-	-
Foreign banks	200,688	891,105
Domestic banks	4,692,961	1,605,769
	4,893,649	**2,496,874**
Interbank money market placements	1,688,243	-
Expected credit loss	(508)	(100)
Total cash and due from banks	**11,681,430**	**9,988,218**

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

	31 December 2020	31 December 2019
Cash and due from banks	11,681,430	9,988,218
Less: Interest accruals	(11,882)	(70)
Add: Expected credit losses	508	100
Cash and cash equivalents	**11,670,056**	**9,988,248**

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

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

7 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The Bank utilizes the following derivative financial assets and liabilities:

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

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

The fair values of derivative financial assets and liabilities held as of 31 December 2020 and 31 December 2019 are set out in the following table:

	31 December 2020		**31 December 2019**	
	Fair value		**Fair value**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate and currency swaps purchases and sales	-	-	821	-
Forward purchases and sales	761	(825)	5,506	-
Foreign currency swaps purchases and sales	-	-	-	-
Cross currency and basis swaps purchases and sales	25,463	(114,104)	-	(31,766)
Option purchases and sales	-	-	-	-
Total derivative assets/(liabilities)	**26,224**	**(114,929)**	**6,327**	**(31,766)**

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

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

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

8 LOANS AND ADVANCES

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

	31 December 2020	31 December 2019
Short-term		
Discount loans	113,624,147	90,216,365
Financial institutions	7,369,587	7,444,259
Export guaranteed loans	3,304,046	2,597,849
Specialized loans	204,389	246,709
Other guaranteed loans	241	73
	124,502,410	**100,505,255**
Medium and long-term		
Export guaranteed loans	24,758,720	20,063,648
Export guaranteed investment loans	13,253,728	8,511,042
Financial institutions	5,326,669	4,980,995
Foreign country loans (political risks)	5,498,684	4,781,243
Specialized loans	665,815	245,105
Other	32,607	345,572
	49,536,223	**38,927,605**
Performing loans	**174,038,633**	**139,432,860**
Loans under close monitoring	3,339,967	2,869,510
Impaired loans and advances	1,031,915	506,598
Gross loans and advances	**178,410,515**	**142,808,968**
Expected credit losses- Stage 1	(85,234)	(38,559)
Expected credit losses- Stage 2	(3,990)	(5,034)
Expected credit losses- Stage 3	(690,370)	(423,303)
Net loans and advances	**177,630,921**	**142,342,072**

The Bank provides impairment provision for non-performing loans amounting to TL 1,031,915 (31 December 2019: TL 506,598) comprising 0.58% (31 December 2019: 0.35%) of the total loans outstanding at 31 December 2020.

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

8 LOANS AND ADVANCES *(continued)*

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

	31 December 2020	31 December 2019
Balance at the beginning of the period	**466,897**	**370,405**
Recoveries and reversals	(56,772)	(36,927)
Provision for the period	369,469	133,419
Balance at the end of the period	**779,594**	**466,897**

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

	31 December 2020	31 December 2019
Private sector	10,604,785	132,860,194
Public sector	167,026,136	9,481,878
	177,630,921	**142,342,072**

9 INVESTMENT SECURITIES

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

	31 December 2020	31 December 2019
Financial assets measured at fair value through other comprehensive income		
Debt securities		
- Listed	709,777	-
- Unlisted	-	-
Equity investments		
- Listed	-	-
- Unlisted	95,532	37,822
Total	**805,309**	**37,822**

As of 31 December 2020, securities amounting to TL 439,424 (31 December 2019: None) have been pledged under repurchase agreement.

As of 31 December 2020 and 31 December 2019, unrealized gain and losses arising from changes in the fair value of securities classified as financial assets measured at fair value through other comprehensive income are recognized in the statement of other comprehensive income, however, if there is permanent impairment in the value of the mentioned asset, it is reflected the statement of profit or loss.

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

9 INVESTMENT SECURITIES *(continued)*

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

The breakdown of equity investments classified as financial assets measured at fair value through other comprehensive income at 31 December 2020 and 31 December 2019 are as follows:

	Share %	Carrying amount	Share %	Carrying amount	
Equity investments	**31 December 2020**	**31 December 2020**	**31 December 2019**	**31 December 2019**	**Business**
Garanti Faktoring A.Ş.	9.78	84,957	9.78	30,004	Factoring
Kredi Garanti Fonu A.Ş.	1.49	7,660	1.49	7,658	Financial services
Borsa İstanbul A.Ş.	-	160	-	160	Financial services
JCR Avrasya Derecelendirme A.Ş.	2.86	2,755	-	-	Rating institution
		95,532		**37,822**	

(b) Financial assets measured at amortized cost:

	31 December 2020	31 December 2019
Debt securities		
- Government bonds	10,637,542	7,089,499
Total	**10,637,542**	**7,089,499**

As of 31 December 2020 and 31 December 2019, government bonds and treasury bills amounting to TL 1,013,797 (31 December 2019: TL 601,480) have been pledged as collateral with the CBRT and Borsa İstanbul AŞ-Settlement and Custody Bank and securities amounting to TL 1,519,521 (31 December 2019: None) have been pledged under repurchase agreement.

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

	31 December 2020	31 December 2019
Balance at 1 January	**7,089,499**	**3,249,301**
Impact of adopting IFRS 9	**-**	**-**
Purchases	1,724,460	4,032,405
Redemptions	**-**	(271,492)
Foreign exchange difference	1,715,963	32,550
Interest income accruals	108,172	47,718
Expected credit loss	(552)	(983)
Amount at the end of the period	**10,637,542**	**7,089,499**

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

10 PROPERTY AND EQUIPMENT

	Buildings (*)	**Leased Assets**	**Vehicles**	**Other Tangible Assets**	**Leasehold Improvements**	**Total**
Cost						
Opening balance, 1 January 2019	1,330	127	3,379	16,216	14,257	35,309
Additions	21,024	-	951	2,129	-	24,104
Disposals	-	(96)	-	(2,100)	-	(2,196)
Transfers	-	-	-	-	-	-
Closing balance, 31 December 2019	**22,354**	**31**	**4,330**	**16,245**	**14,257**	**57,217**
Accumulated depreciation:						
Opening balance, 1 January 2019	829	127	3,075	10,409	14,257	28,697
Additions	6,119	-	264	1,886	-	8,269
Disposals	-	(96)	-	(1,943)	-	(2,039)
Transfers	-	-	-	-	-	-
Closing balance, 31 December 2019	**6,948**	**31**	**3,339**	**10,352**	**14,257**	**34,927**
Cost						
Opening balance, 1 January 2020	22,354	31	4,330	16,245	14,257	57,217
Additions	861	-	-	3,427	-	4,288
Disposals	-	-	-	(15)	-	(15)
Transfers	-	(31)	31	-	-	-
Closing balance, 31 December 2020	**23,215**	**-**	**4,361**	**19,657**	**14,257**	**61,490**
Accumulated depreciation:						
Opening balance, 1 January 2020	6,948	31	3,339	10,352	14,257	34,927
Additions	6,460	-	276	2,271	-	9,007
Disposals	-	-	-	(10)	-	(10)
Transfers	-	(31)	31	-	-	-
Closing balance, 31 December 2020	**13,408**	**-**	**3,646**	**12,613**	**14,257**	**43,924**
As at 31 December 2019, net carrying value	**15,406**	**-**	**991**	**5,893**	**-**	**22,290**
As at 31 December 2020, net carrying value	**9,807**	**-**	**715**	**7,044**	**-**	**17,566**

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

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

11 INTANGIBLE ASSETS

	Intangible assets
Cost	
Opening balance, 1 January 2019	12,726
Additions	1,531
Disposals	**-**
Closing balance, 31 December 2019	**14,257**
Accumulated amortization:	
Opening balance, 1 January 2019	(5,722)
Additions	(1,415)
Disposals	**-**
Closing balance, 31 December 2019	**(7,137)**
Cost	
Opening balance, 1 January 2020	14,257
Additions	4,567
Disposals	**-**
Closing balance, 31 December 2020	**18,824**
Accumulated amortization:	
Opening balance, 1 January 2020	(7,137)
Additions	(1,502)
Disposals	**-**
Closing balance, 31 December 2020	**(8,639)**
As at 31 December 2019, net carrying value	**7,120**
As at 31 December 2020, net carrying value	**10,185**

12 INVESTMENT PROPERTY

As of 31 December 2020, The Bank has net investment property amounting to TL 2,111 (31 December 2019: TL 2,046).

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

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

13 OTHER ASSETS

	31 December 2020	31 December 2019
Financial assets		
Prepayments	967,990	979,611
Guarantees given	452,028	65,354
Notes receivable	47,933	33,917
Receivables from banks	575	-
Receivables from Reassurance Companies	105,967	1,366
Other	91,127	78,276
	1,665,620	**1,158,524**
Expected credit losses	(27,905)	(439)
	1,637,715	**1,158,085**

14 FUNDS BORROWED AND INTERBANK MONEY MARKET DEPOSITS

	31 December 2020	31 December 2019
Interbank money market deposits – TL	**1,375,566**	**-**
Domestic banks	120,807,970	94,648,792
Foreign banks	39,287,738	32,661,691
Funds borrowed	**160,095,708**	**127,310,483**
Funds borrowed and interbank money market deposits total	**161,471,274**	**127,310,483**

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

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

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

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

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

(2) Balance is denominated by USD.

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

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

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

[1] CBRT loans are rediscount loans extended by CBRT, having wide range of maturity dates.

[2] Balance is denominated by USD.

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

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

The repayment of the funds borrowed were as follows during 2020:

	FX Type	Repayment amount	Dates
MUFG Bank London	USD	36,630,190	3 January 2020
European Investment Bank	EUR	10,000,000	6 January 2020
European Investment Bank	USD	1,914,559	13 January 2020
Sumitomo Mitsui Banking Corporation Dubai	USD	20,000,000	22 January 2020
European Investment Bank	EUR	2,375,000	27 January 2020
European Investment Bank	USD	2,840,906	27 January 2020
Societe Generale Bank	EUR	93,250,000	3 February 2020
Council of Europe Development Bank	EUR	8,333,333	10 February 2020
European Investment Bank	USD	1,903,235	10 February 2020
World Bank (EFIL) Loans	USD	4,148,051	2 March 2020
World Bank (EFIL) Loans	EUR	1,109,760	2 March 2020
Citibank London	USD	49,500,000	5 March 2020
Syndicated loan with MIGA Guarantee	EUR	5,555,556	30 March 2020
Syndicated loan with MIGA Guarantee	USD	10,416,667	30 March 2020
Syndicated loan	USD	17,500,000	3 April 2020
Syndicated loan	EUR	61,250,000	3 April 2020
Syndicated loan	EUR	61,250,000	3 April 2020
Syndicated loan	USD	17,500,000	3 April 2020
European Investment Bank	EUR	1,470,588	3 April 2020
Islamic Development Bank	USD	12,096,143	14 April 2020
Syndicated loan	USD	133,900,000	21 April 2020
Syndicated loan	EUR	368,500,000	21 April 2020
Council of Europe Development Bank	EUR	5,000,000	27 April 2020
Syndicated loan with MIGA Guarantee	EUR	7,142,857	7 May 2020
Syndicated loan with MIGA Guarantee	USD	2,142,857	7 May 2020
ING European Financial Services	EUR	50,000,000	11 May 2020
Intesa Sanpaolo SPA, Istanbul Branch	EUR	100,000,000	12 May 2020
Council of Europe Development Bank	EUR	5,000,000	18 May 2020
ING DIBA	EUR	5,652,632	4 June 2020
Standard Chartered Bank	EUR	44,000,000	4 June 2020
European Investment Bank	EUR	1,470,588	17 June 2020
European Investment Bank	EUR	10,000,000	19 June 2020
European Investment Bank	EUR	10,000,000	22 June 2020
European Investment Bank	EUR	5,000,000	22 June 2020
European Investment Bank	EUR	10,000,000	22 June 2020
Syndicated loan with MIGA Guarantee	USD	37,500,000	29 June 2020
Syndicated loan with MIGA Guarantee	EUR	14,285,714	29 June 2020
Sumitomo Mitsui Banking Corporation Dubai	USD	29,500,000	30 June 2020
European Investment Bank	EUR	5,000,000	30 June 2020
Standard Chartered Bank	EUR	43,000,000	6 July 2020
European Investment Bank	EUR	10,000,000	6 July 2020
European Investment Bank	USD	1,914,559	13 July 2020
MIZUHO Bank	USD	100,000,000	14 July 2020
European Investment Bank	USD	2,840,906	27 July 2020
European Investment Bank	EUR	2,375,000	27 July 2020
Council of Europe Development Bank	EUR	8,333,333	10 August 2020
European Investment Bank	USD	1,903,235	10 August 2020
Council of Europe Development Bank	EUR	3,125,000	10 August 2020
World Bank (EFIL) Loans	USD	4,148,051	1 September 2020
World Bank (EFIL) Loans	EUR	1,109,760	1 September 2020
China Development Bank	USD	200,000,000	21 September 2020
Syndicated loan with MIGA Guarantee	USD	10,416,667	28 September 2020
Syndicated loan with MIGA Guarantee	EUR	5,555,556	28 September 2020
European Investment Bank	EUR	1,470,588	5 October 2020
Syndicated loan	USD	50,000,000	9 October 2020
Islamic Development Bank	USD	12,096,143	14 October 2020
Council of Europe Development Bank	EUR	5,000,000	26 October 2020
Black Sea Trade and Development Bank	EUR	50,000,000	27 October 2020
Syndicated loan with MIGA Guarantee	EUR	7,142,857	9 November 2020
Syndicated loan with MIGA Guarantee	USD	2,142,857	9 November 2020
ABC International Bank	EUR	15,000,000	10 November 2020
ING European Financial Services	EUR	50,000,000	11 November 2020
International Islamic Trade Finance Corporation (ITFC)	USD	330,000,000	16 November 2020
Syndicated loan	USD	30,754,893	16 November 2020
Council of Europe Development Bank	EUR	5,000,000	16 November 2020
Syndicated loan	EUR	472,041,002	16 November 2020
ING DIBA	EUR	5,652,632	4 December 2020
Standard Chartered Bank	EUR	44,000,000	15 December 2020
European Investment Bank	EUR	1,470,588	17 December 2020
European Investment Bank	EUR	10,000,000	21 December 2020
European Investment Bank	EUR	5,000,000	21 December 2020
European Investment Bank	EUR	10,000,000	22 December 2020
European Investment Bank	EUR	10,000,000	22 December 2020
Syndicated loan with MIGA Guarantee	USD	37,500,000	29 December 2020
Syndicated loan with MIGA Guarantee	EUR	14,285,714	29 December 2020
European Investment Bank	EUR	5,000,000	30 December 2020
Central Bank	TRY	97,100,000	(*)
Central Bank	USD	8,475,110,319	(*)
Central Bank	EUR	10,233,947,764	(*)
Central Bank	GBP	51,968,356	(*)
Central Bank	JPY	251,600,000	(*)

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

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

15 DEBT SECURITIES IN ISSUE

Information regarding securities issued	31 December 2020	31 December 2019
Securities Issued	21,853,312	18,078,347
Discount on Issuance of Securities (-)	30,528	68,356
Bond Interest Accrual	1,130,476	781,540
Total	**22,953,260**	**18,791,531**

- In September 2014, the Bank issued bonds amounting USD 500 million (TL 3,682,350). The bond is subject to annual fixed interest payment of 5.000% every six months and the total maturity is seven years.
- In February 2016, the Bank issued bonds amounting USD 500 million (TL 3,682,350). The bond is subject to annual fixed interest payment of 5.375% every six months and the total maturity is five years.
- In October 2016, the Bank issued bonds amounting USD 500 million (TL 3,682,350). The bond is subject to annual fixed interest payment of 5.375% every six months and the total maturity is seven years.
- In September 2017, the Bank issued bonds amounting USD 500 million (TL 3,682,350). The bond is subject to annual fixed interest payment of 4.250% every six months and the total maturity is five years.
- In May 2018, the Bank issued bonds amounting USD 500 million (TL 3,682,350). The bond is subject to annual fixed interest payment of 6.125% every six months and the total maturity is six years.
- In January 2019, the Bank issued bonds amounting USD 500 million (TL 3,682,350). The bond is subject to annual fixed interest payment of 8.250% every six months and the total maturity is five years.

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

In September 2019, the Bank issued bonds amounting TL 256.247. The bond is subject to annual floating interest payment of every six months and the total maturity is three years.

16 SUBORDINATED LIABILITIES

	31 December 2020	31 December 2019
Subordinated debt instruments (*)	2,998,128	2,996,129
Subordinated loans (**)	1,465,448	1,029,725
Total	**4,463,576**	**4,025,854**

(*) In September 2018, the Bank issued subordinated debt instrument amounting TL 2,901,759 with a maturity of ten years and fixed rate of 12.54% with an early redeem option after fifth year of the date of issue. Subordinated loan includes interest expense on debt securities issued amounting to TL 96,369 (31 December 2019: TL 94,370).

(**) It also includes Tier II capital amounting EUR 150 million (TL 1,357,680) and interest expense of EUR 11,906 (TL 107,768).

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

17 TAXATION

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

18 OTHER LIABILITIES AND PROVISIONS

The principal components of other liabilities are as follows:

	31 December 2020	31 December 2019
Financial liabilities		
Guarantees received (1)	1,181,327	2,213,813
Tax liability	17,700	18,611
Unearned revenue	12,617	6,526
Funds	13	29,411
Other	347,030	198,632
Non-financial liabilities		
Insurance technical provisions	160,393	133,791
Dividend pay liabilities	56,500	49,872
BRSA expense provision	51,181	32,577
Unused vacation pay liability (2)	15,996	16,420
Other	105,984	13,336
	1,948,741	**2,712,989**

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

(2) TL 51 of vacation pay liability provision is provided during 2020 (31 December 2019: TL 422).

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

19 RETIREMENT BENEFIT OBLIGATIONS

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

As of 31 December 2020 actuarial gains/losses amounting to TL (206) related to the reserve for employee termination benefits shown under equity and the current service cost and interest expense amounting to TL 6,073 are realized in the comprehensive income statement in accordance with the change in the IAS 19 (2011) standard.

IAS 19 (2011) "Employment Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability as at 31 December 2020 and 31 December 2019.

	31 December 2020	**31 December 2019**
Discount rate (%)	12.5	12.1
Inflation rate (%)	8.8	8.2

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

	31 December 2020	**31 December 2019**
1 January	30,076	21,855
Current service cost	3,484	2,154
Interest expense	2,589	3,387
Actuarial gains	(206)	8,022
Payments during the period	(9,612)	(5,342)
Total	**26,331**	**30,076**

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

20 SHARE CAPITAL

The historical paid in share capital of the Bank is TL 9,270,000 (31 December 2019: TL 7,160,000) and consists of 9.27 billion (31 December 2019: 7.16 billion) authorized shares with a nominal value of TL 1 each. In 2020, the Bank has increased its capital by TL 1.360.000 from internal sources, TL 750.000 TL from cash .

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

	31 December 2020	**31 December 2019**
Share capital - historical cost	9,270,000	7,160,000
Adjustment to share capital	38,091	38,091
Total paid in share capital	**9,308,091**	**7,198,091**

The Bank is fully owned by the Turkish Treasury.

The adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share capital in terms of equivalent purchasing power at 31 December 2005 after elimination of the accumulated deficit. There are no other reserves at 31 December 2020 (31 December 2019: None).

The legal reserves amounting to TL 494,199 (31 December 2019: TL 422,618) consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital but may be used to absorb losses in the event that the general reserve is exhausted.

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

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

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 December 2020, such gains/(losses) recognized under equity in fair value reserves amounted to TL 116,279 (31 December 2019: TL 28,658).

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

21 NET INTEREST INCOME

	1 January – 31 December 2020	1 January – 31 December 2019
Interest income:		
Interest on loans and advances	4,229,188	4,341,340
Interest on deposits with banks	126,794	158,958
Interest on financial assets measured at amortized cost	525,940	348,816
Interest on interbank money market placements	72,387	3,407
Interest on financial assets measured at fair value through profit or loss	20,614	-
Interest on financial assets measured at fair value through other comprehensive income	25,163	-
Other interest income	11,413	3,638
Total interest income	**5,011,499**	**4,856,159**
Interest expense:		
Interest on funds borrowed	(2,084,517)	(2,255,608)
Interest on debt securities in issue	(1,682,468)	(1,450,960)
Other interest expenses	(21,569)	(35,041)
Total interest expense	**(3,788,554)**	**(3,741,609)**
Net interest income	**1,222,945**	**1,114,550**

22 FOREIGN EXCHANGE GAINS AND LOSSES

	1 January – 31 December 2020	1 January – 31 December 2019
Foreign exchange gains	83,400,854	45,823,520
Foreign exchange losses	(81,016,197)	(46,329,893)
Net foreign exchange gains/(losses)	**2,384,657**	**(506,373)**

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

	1 January – 31 December 2020	1 January – 31 December 2019
Derivative income (*)	1,627,465	2,555,968
Derivative expenses (*)	(3,177,283)	(1,422,604)
Trading income	10,003	38
Total	**(1,539,815)**	**1,133,402**

(*) Derivative income/expense includes fair value hedge valuation differences amounting TL (963,492) (31 December 2019: TL 986,252).

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

24 OTHER OPERATING INCOME

	1 January – 31 December 2020	1 January – 31 December 2019
Released reserves	3,311	240
Rent income	1,367	1,207
Sale of assets	-	154
Other	10,088	6,188
Total	**14,766**	**7,789**

25 OPERATING EXPENSES

	1 January – 31 December 2020	1 January – 31 December 2019
Personnel expenses	(260,866)	(225,572)
BRSA contribution expense	(51,181)	(39,548)
KOSGEB fee (*)	(30,845)	(29,217)
Taxes and duties expenses	(25,156)	(20,149)
Depreciation and amortization charges	(10,602)	(9,777)
Premiums paid to reinsurance companies	(29)	(981)
Employment termination benefits and unused vacation	(51)	(422)
Rent expenses	-	(1)
Research expenses	-	-
Other	(47,471)	(33,879)
Total	**(426,201)**	**(359,546)**

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

26 COMMITMENTS AND CONTINGENT LIABILITIES

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

Legal proceedings

As of 31 December 2020, there are legal proceedings outstanding against the Bank amounting to TL 20,075, USD 5,288, EUR 656 thousand and GBP 44 thousand. In addition, there are legal proceedings outstanding filed by the Bank. These legal proceedings amounting to TL 273,467, USD 53,763, EUR 14,494 thousand and GBP 29 thousand.

The Bank has allocated provisions amounting to TL 14,035 (31 December 2019: None) for these legal proceedings. A number of the outstanding litigation cases in Turkish courts relate to employee bonus payments.

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

26 COMMITMENTS AND CONTINGENT LIABILITIES *(continued)*

Commitments under derivative instruments:

The breakdown of swap transactions at 31 December 2020 and 31 December 2019 is as follows:

		31 December 2020		31 December 2019	
	Currency	Foreign currency amount	TL	Foreign currency amount	TL
Transaction type					
Interest rate swap purchases	USD	1,000,000	7,364,700	1,449,000	8,608,076
	EUR	-	-	186,500	1,241,120
Foreign currency swap purchases	USD	334,525	2,463,673	40,000	237,628
	TL	172,345	172,345	-	-
	GBP	1,150	11,560		
Foreign currency forward purchases	USD	2,741	20,187	-	-
	TL	21,814	21,814	-	-
	GBP	260	2,613	-	-
Cross currency swaps purchases	USD	2,653,743	19,544,022	3,748,983	22,271,584
	JPY	-	-	-	-
	EUR	-	-	-	-
Option purchases	TL	-	-	-	-
	EUR	-	-	-	-
	USD	-	-	-	-
Total purchases			**29,600,914**		**32,358,408**
Interest rate swap sales	USD	1,000,000	7,364,700	1,449,000	8,608,076
	EUR	-	-	186,500	1,241,120
Foreign currency swap sales	EUR	226,821	2,053,005	-	-
	GBP	4,500	45,234	-	-
	JPY	10,322	737	-	-
	TL	490,869	490,869	233,015	233,015
	USD	20,000	147,294	-	-
Foreign currency forward sales	TL	24,538	24,538	-	-
	USD	2,741	20187	-	-
Cross currency swaps sales	TL	-	-	-	-
	EUR	2,285,201	20,683,815	3,223,693	21,453,034
	JPY	-	-	131,091	7,159
	USD	-	-	14,367	95,610
Option sales	TL	-	-	-	-
	EUR	-	-	-	-
	USD	-	-	-	-
Total sales			**30,830,379**		**31,638,014**
Total			**60,431,293**		**63,996,422**

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

26 COMMITMENTS AND CONTINGENT LIABILITIES *(continued)*

Maturity analysis of swap and forward transactions are as follows:

	31 December 2020				
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
Interest rate swap purchases	3,682,350	-	3,682,350	-	7,364,700
Foreign currency swap purchases	1,553,921	1,093,657	-	-	2,647,578
Forward foreign currency purchases	22,180	22,434	-	-	44,614
Cross currency swaps purchases	-	3,682,350	11,415,285	4,446,387	19,544,022
Option purchases	-	-	-	-	-
Total purchases	**5,258,451**	**4,798,441**	**15,097,635**	**4,446,387**	**29,600,914**
Interest rate swap sales	3,682,350	-	3,682,350	-	7,364,700
Foreign currency swap sales	1,541,885	1,195,254	-	-	2,737,139
Forward foreign currency sales	22,310	22,415	-	-	44,725
Cross currency swaps sales	-	3,716,209	12,060,159	4,907,447	20,683,815
Option sales	-	-	-	-	-
Total sales	**5,246,545**	**4,933,878**	**15,742,509**	**4,907,447**	**30,830,379**

	31 December 2019				
	Up to 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
Interest rate swap purchases	412,879	3,495,617	5,940,700	-	9,849,196
Foreign currency swap purchases	237,628	-	-	-	237,628
Forward foreign currency purchases	-	-	-	-	-
Cross currency swaps purchases	3,016,442	1,188,140	13,960,645	4,106,357	22,271,584
Option purchases	-	-	-	-	-
Total purchases	**3,666,949**	**4,683,757**	**19,901,345**	**4,106,357**	**32,358,408**
Interest rate swap sales	412,879	3,495,617	5,940,700	-	9,849,196
Foreign currency swap sales	233,015	-	-	-	233,015
Forward foreign currency sales	-	-	-	-	-
Cross currency swaps sales	3,027,554	1,117,327	13,274,415	4,136,507	21,555,803
Option sales	-	-	-	-	-
Total sales	**3,673,448**	**4,612,944**	**19,215,115**	**4,136,507**	**31,638,014**

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

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

26 COMMITMENTS AND CONTINGENT LIABILITIES *(continued)*

Credit related commitments:

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

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

The following table shows the outstanding credit related commitments of the Bank at 31 December 2020 and 31 December 2019:

	31 December 2020	31 December 2019
Financial guarantees		
Letters of Guarantee	11,040	-
Other guarantees		
- Foreign currency (Note 4)	11,979,838	10,891,326
Total financial guarantees	**11,990,878**	**10,891,326**

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

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

27 SEGMENT ANALYSIS

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

31 December 2020	Corporate banking	Investment banking	Unallocated	Total
Segment revenue	4,799,247	770,987	2,414,743	7,984,977
Segment expenses	(2,776,510)	(3,265,193)	(431,886)	(6,473,589)
Net profit	**2,022,737**	**(2,494,206)**	**1,982,857**	**1,511,388**
Interest income	4,240,601	770,898	-	5,011,499
Interest expense	(2,103,454)	(1,682,619)	(2,481)	(3,788,554)
Depreciation and amortization	-	-	(10,602)	(10,602)
Impairment charges on loans	(368,505)	(959)	(5)	(369,469)
Total segment assets	**177,630,921**	**23,770,072**	**1,667,577**	**203,068,570**
Segment liabilities	160,095,708	28,792,402	2,766,200	191,654,310
Equity	-	149,296	11,264,964	11,414,260
Total liabilities and equity	**160,095,708**	**28,941,698**	**14,031,164**	**203,068,570**

31 December 2019	Corporate banking	Investment banking	Unallocated	Total
Segment revenue	4,773,823	1,644,653	7,430	6,425,906
Segment expenses	(2,638,529)	(1,485,276)	(870,466)	(4,994,271)
Net profit	**2,135,294**	**159,377**	**(863,036)**	**1,431,635**
Interest income	4,344,978	511,181	-	4,856,159
Interest expense	(2,285,542)	(1,453,043)	(3,024)	(3,741,609)
Depreciation and amortization	-	-	(9,777)	(9,777)
Impairment charges on loans	(131,863)	(1,134)	(422)	(133,419)
Total segment assets (*)	**142,342,072**	**18,489,474**	**1,227,363**	**162,058,909**
Segment liabilities	127,310,483	22,817,385	2,850,014	152,977,882
Equity	-	77,657	9,003,370	9,081,027
Total liabilities and equity (*)	**127,310,483**	**22,895,042**	**11,853,384**	**162,058,909**

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

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

27 SEGMENT ANALYSIS *(continued)*

Reconciliation of segment results of operations:

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

31 December 2020	Corporate banking	Investment banking	Unallocated	Total
Interest expense	(2,103,454)	(1,682,619)	(2,481)	(3,788,554)
Fee and commissions expense	(304,551)	(41,605)	(3,394)	(349,550)
Impairment charges on loans	(368,505)	(959)	(5)	(369,469)
Losses on financial instruments measured at fair value profit or loss	-	(1,539,815)	-	(1,539,815)
Foreign exchange losses	-	-	-	-
Other operating expenses	-	(195)	(426,006)	(426,201)
Total segment expense	**(2,776,510)**	**(3,265,193)**	**(431,886)**	**(6,473,589)**

31 December 2019	Corporate banking	Investment banking	Unallocated	Total
Interest income	4,344,978	511,181	-	4,856,159
Fee and commissions income	421,056	-	7,430	428,486
Gains on financial instruments measured at fair value profit or loss	-	1,133,402	-	1,133,402
Other operating income	7,789	70	-	7,859
Total segment revenue	**4,773,823**	**1,644,653**	**7,430**	**6,425,906**

31 December 2019	Corporate banking	Investment banking	Unallocated	Total
Interest expense	(2,285,542)	(1,453,043)	(3,024)	(3,741,609)
Fee and commissions expense	(221,124)	(31,099)	(1,101)	(253,324)
Impairment charges on loans	(131,863)	(1,134)	(422)	(133,419)
Losses on financial instruments measured at fair value profit or loss	-	-	-	-
Foreign exchange losses	-	-	(506,373)	(506,373)
Other operating expenses	-	-	(359,546)	(359,546)
Total segment expense	**(2,638,529)**	**(1,485,276)**	**(870,466)**	**(4,994,271)**

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

28 RELATED PARTIES

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

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

(a) Balances with related parties:

	31 December 2020	31 December 2019
Due from banks:		
- Other related parties [(1)]	10,123,457	8,725,384
Loans and advances:		
- Other related parties [(2)]	4,490,861	4,766,578
Investment securities ("FV through P/L")		
- Shareholder [(3)]	74,891	-
Investment securities ("FV through OCI")		
- Shareholder [(4)]	668,849	-
Investment securities ("Held to maturity")		
- Shareholder [(5)]	10,637,542	7,089,499
Funds borrowed		
- Other related parties [(6)]	119,971,167	93,999,658
Other liabilities		
- Other related parties	20,340	20,598

(1) Average interest rate for due from banks for FX and TL are respectively 1.06% and 19.25% (31 December 2019: 1.65% for USD and 11.13% for TL)

(2) Average interest rate for loans and advances for FX and TL are respectively 2.78% and 10.8% (31 December 2019: 9.29% for TL)

(3) Average interest rate for investment securities (FV through P/L) for FX is 5.67%

(4) Average interest rate for investment securities (FV through OCI) for FX is 6.61%

(5) Average interest rate for investment securities (Held to maturity) for FX and TL are respectively 2.33% and 9.82% (31 December 2019: 7.31%)

(6) Average interest rate for funds borrowed for FX and TL are respectively 0.30% and 9.02% (31 December 2019: 1.54%)

(b) Transactions with related parties:

	31 December 2020	31 December 2019
Interest income on investment securities:		
- Shareholder	534,297	305,157
Interest income on loans and advances:		
- Other related parties	233,203	207,278
Interest expense on funds borrowed:		
- Other related parties	882,420	964,621
Operating expenses (taxes paid)		
-Other related parties	25,156	20,149

(c) Remuneration of key management personnel:

	31 December 2020	31 December 2019
Salaries and other short-term employee benefits	5,316	5,876

29 EVENTS AFTER THE REPORTING PERIOD

None.