# QNB FİNANSBANK ANONİM ŞİRKETİ

## INDEPENDENT AUDITOR'S REPORT, CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2022

**(Convenience translation of consolidated financial statements and independent auditor's report originally issued in Turkish, See Note I. of Section three)**

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH (See Note I of Section Three)**

# INDEPENDENT AUDITOR'S REPORT

**To the General Assembly of QNB Finansbank A.Ş.:**

## A. Audit of the Consolidated Financial Statements

### 1. Qualified Opinion

We have audited the accompanying consolidated financial statements of QNB Finansbank A.Ş. ("the Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the statement of consolidated balance sheet as at 31 December 2022, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, except for the effect of the matter on the consolidated financial statements described in the Basis for Qualified Opinion paragraph below, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

*PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.*
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## 2. Basis for Qualified Opinion

As explained in Section Five Part II 9.4 of Explanations and Notes to the Consolidated Financial Statements; the accompanying consolidated financial statements as at 31 December 2022 include a free provision amounting to TL 5.400.000 thousand which was recognized in the current year by the Group management which is not within the requirements of BRSA Accounting and Financial Reporting Legislation.

Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (Including Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the consolidated financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our qualified 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 consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion Section we have determined the matters described below to be key audit matters to be communicated in our report.

| *Key Audit Matters* | *How the key audit matter was addressed in the audit* |
|---|---|
| **Impairment of loans and receivables determined within the framework of TFRS 9**<br><br>The Group has total expected credit losses for loans and receivables amounting to TL 17.235.625 thousand in respect to total loans and receivables amounting to TL 380.340.562 thousand which represent a significant portion of the Group's total assets in its consolidated financial statements as at 31 December 2022. Explanations and notes regarding the provision for impairment of loans are represented in Notes VIII of Section Three, II.1 of Section Four, II.4 of Section Four and 1.6 of Section Five of the accompanying consolidated financial statements as at 31 December 2022.<br><br>The Group recognizes provisions for impairment in accordance with "TFRS 9 Financial Instruments" requirements in line with the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 with number 29750. TFRS 9 is a complex accounting standard which requires considerable judgement and interpretation. These judgements and interpretations are key in the development of the financial models built to measure the expected credit losses on loans recorded at amortized cost. In addition, the operation of the models requires large data inputs that are generated through more than one system and the accuracy and completeness of the data are key in the determination of expected credit losses on loans. Impairment allowances are calculated on a collective basis for portfolios of loans of a similar nature and on individual basis for significant loans taking into account Management's best estimate at the balance sheet date and historical losses incurred. | With respect to stage classification of loans and receivables calculation of expected credit losses in accordance with TFRS 9, we have assessed policy, procedure and management principles of the Group within the scope of our audit. We tested the design and the operating effectiveness of relevant controls implemented in accordance with these principles.<br><br>We checked appropriateness of matters considered in methodology applied by the Group with respect to TFRS 9 for calculation of the provision amount through stage classification of loans and receivables. For forward looking assumptions by the Group's management in its expected credit losses calculations, we held discussions with management, evaluated the assumptions using publicly available information. Regarding expected credit losses methodology; we have assessed and tested appropriateness of model segmentation, lifetime probability of default model, exposure at default model, loss given default model, and approaches in relation to projection of macroeconomic expectations with our financial risk experts. We have assessed expert judgment utilized in interpretation of supportable forward looking expectations (including macroeconomic factors). Our procedures also included the following:<br><br>• Together with our financial risk experts, we evaluated and tested reasonableness of the changes in the expected credit loss allowance methodology and the performance of the impairment models used. |

| *Key Audit Matters* | *How the key audit matter was addressed in the audit* |
|---|---|
| **Impairment of loans and receivables determined within the framework of TFRS 9 (Continued)**<br><br>Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan balances; the appropriateness of classification of loans as per their credit risk (staging) in accordance with applicable regulation and the importance of determination of the associated impairment allowances. Timely and correctly identification of loss event and the level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter. | • For a sample of exposures, we checked the accuracy of determining Exposure at Default, including the consideration of prepayments and repayments in the cash flows and the resultant arithmetical calculations.<br>• We checked the calculation of the Loss Given Default (LGD) used by the Group in the expected credit losses calculations, and tested collaterals, recovery and costs in addition to arithmetical calculations.<br>• For a selected sample, we checked expected credit losses determined based on individual assessment per Group’s policy by means of supporting data, and evaluated appropriateness via communications with management.<br>• We checked key data sources for data used in expected credit losses calculations. We tested reliability and completeness of the data used in expected credit losses calculations with our information systems specialists.<br>• We checked accuracy of expected credit losses calculations.<br>• To assess appropriateness of the Group’s determination of staging for credit risk, identification of impairment and timely and appropriate provisioning for impairment we have performed loan review procedures based on a selected sample.<br>• We have reviewed disclosures made within the TFRS 9 framework in the consolidated financial statements of the Group with respect to loans and receivables related impairment provisions. |

## 4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the BRSA Accounting and Financial Reporting Legislation, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

## 5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is 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 independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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 consolidated financial statements.

As part of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated 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.

- Assess the 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 Group'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 Group 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 consolidated 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 independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also 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 consolidated 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.

## B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Bank’s bookkeeping activities concerning the period from 1 January to 31 December 2022 period are not in compliance with the TCC and provisions of the Bank’s articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

## Additional Paragraph for Convenience Translation

BRSA Accounting and Financial Reporting Legislation explained in detail in Section Three differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board including the application of IAS 29 - Financial Reporting in Hyperinflationary Economies as of 31 December 2022. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated financial position, results of operations, changes in equity and cash flows of the Group in accordance with IFRS.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Talar Gül, SMMM
Partner

Istanbul, 31 January 2023

**THE CONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş.**
**FOR THE YEAR ENDED DECEMBER 31, 2022**


The Parent Bank's;

| | | |
|---|---|---|
| Address of the Head Office | : | Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli - İSTANBUL |
| Phone number | : | (0 212) 318 50 00 |
| Facsimile number | : | (0 212) 318 56 48 |
| Web page | : | www.qnbfinansbank.com |
| E-mail address | : | investor.relations@qnbfinansbank.com |


The consolidated financial report for the year ended December 31, 2022, designed by the Banking Regulation and Supervision Agency in line with the Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES OF THE PARENT BANK
- INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP
- FOOTNOTES AND EXPLANATIONS ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITOR'S REPORT

Within the context of this financial report for the year ended, the consolidated subsidiaries, entities under common control and structured entities are as follows. There are no associates included in the consolidation.

**Subsidiaries**

1. QNB Finans Finansal Kiralama Anonim Şirketi
2. QNB Finans Yatırım Menkul Değerler Anonim Şirketi
3. QNB Finans Portföy Yönetimi Anonim Şirketi
4. QNB Finans Faktoring Anonim Şirketi
5. QNB Finans Varlık Kiralama Şirketi Anonim Şirketi
6. QNBeyond Ventures B.V.

**Entities Under Common Control (Joint Ventures)**

1. Cigna Sağlık, Hayat ve Emeklilik A.Ş.

**Structured Entities**

1. Bosphorus Financial Services Limited
2. Finance Capital Finance Limited

The consolidated financial statements and related disclosures and footnotes for the year ended December 31, 2022, are prepared in accordance with the Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying consolidated financial statements are presented in **thousands of Turkish Lira (TRY)**.

**Mehmet Ömer Arif Aras**
Chairman of
the Board of Directors

**Ali Teoman Kerman**
Member of the Board of
Directors and Chairman of the
Audit Committee

**Ramzi T.A. Mari**
Member of the Board of
Directors and of the
Audit Committee

**Noor Mohd J. A. Al-Naimi**
Member of the Board of
Directors and of the
Audit Committee

**Durmuş Ali Kuzu**
Member of the Board of
Directors and of the
Audit Committee

**Osman Ömür Tan**
General Manager
and Member of the
Board of Directors

**Adnan Menderes Yayla**
Executive Vice President
Responsible of Financial Control
and Planning

**Ercan Sakarya**
Director of Financial, Statutory
Reporting and
Treasury Control

Information related to the responsible personnel to whom the questions about the financial statements can be communicated:


| | | |
|---|---|---|
| Name - Surname/Title | : | Elif Akan / Financial Reporting Manager |
| Phone Number | : | (0 212) 318 57 80 |
| Facsimile Number | : | (0 212) 318 55 78 |

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**General Information About the Parent Bank**



**SECTION TWO**
**Consolidated Financial Statements**



**SECTION THREE**
**Accounting Policies**



**SECTION FOUR**
**Information Related to Financial Position and Risk Management of the Group**



**SECTION FIVE**
**Explanations and Disclosures on Consolidated Financial Statements**



**SECTION SIX**
**Other Explanations**



**SECTION SEVEN**
**Independent Auditor's Report**

# SECTION ONE

## GENERAL INFORMATION ABOUT THE PARENT BANK

### I. Explanatory Note on the Establishment Date, Nature of Activities and History of the Parent Bank

QNB Finansbank Anonim Şirketi (The Parent Bank and/or the Bank) was incorporated in Istanbul on September 23, 1987. The Parent Bank's shares have been listed on the Borsa Istanbul ("BIST") formerly known as Istanbul Stock Exchange ("ISE") since the first public offering on 1990.

### II. Information About the Parent Bank's Shareholding Structure, Shareholders Who Individually or Jointly Have the Power to Control the Management and Audit Directly or Indirectly, Changes Regarding These Subjects During the Year, If Any, and Information About the Controlling Group of the Parent Bank

A share sales agreement has been concluded between National Bank of Greece S.A. (NBG), principal shareholder of the Parent Bank in previous periods, and Qatar National Bank Q.P.S.C. ("QNB") regarding the direct or indirect sales of NBG's shares, owned by affiliates and current associations of the Parent Bank, at the rate of 99.81% to QNB at a price of EUR 2,750 million as of December 21, 2015. On April 7, 2016, BRSA permitted to transfer shares at ratios of 82.23%, 7.90%, 9.68% owned by National Bank of Greece S.A., NBGI Holdings B.V. and NBG Finance (Dollar) PLC respectively in the capital of the Bank to Qatar National Bank S.A.Q. in the framework of paragraph 1 of article 18 of Banking Law and dropping direct share of National Bank of Greece S.A. to 0% through the aforementioned share transfer. Necessary permissions related to share transfer have been completed on May 4, 2016 before the Competition Authority while permission transactions regarding direct/indirect share ownership which shall realize in related affiliates of the Bank (QNB Finans Yatırım Menkul Değerler A.Ş., QNB Finans Portföy Yönetimi A.Ş., QNB Finans Finansal Kiralama A.Ş. and Cigna Sağlık, Hayat ve Emeklilik A.Ş.) before the related official bodies on May 12, 2016 and share transfer of the Bank has been completed on June 15, 2016.

The Parent Bank has decided to change the logo and the name of the company within the scope of the main shareholder change and brand strategies the new logo and the company name of the Parent Bank has started to be used as "QNB FİNANSBANK" as of October 20, 2016 and the company name started to be used with the registration of the Genel Assembly Resolution dated November 24, 2016 on November 30, 2016. According to the decision dated January 17, 2018 which was taken by the General Assembly; The Parent Bank's trade name is changed from "FİNANS BANK A.Ş" to "QNB FİNANSBANK A.Ş" as of January 19, 2018.

99.88% of shares of Parent Bank are controlled by Qatar National Bank as of December 31, 2022 and remaining 0.12% of related shares are public shares.

50% of QNB shares, which is the first commercial bank of Qatar founded in 1964 and has been traded at Qatar Stock Exchange since 1997, are owned by Qatar Investment Authority while 50% of related shares are public shares. QNB is operating over 30 countries mainly in Middle East and North Africa Regions as well as being the biggest bank of Qatar. Also with respect to total assets, total credits and total deposits QNB is the biggest bank of Middle East and North Africa.

Regarding the partnership share in Cigna Sağlık Hayat ve Emeklilik A.Ş., whose capital is 49%; The Parent Bank's Board of Directors determined that TRY 981,000,000 of the 22,950,000 shares with a nominal value of TRY 22,950,000 which corresponds to 51% of the capital of Cigna Sağlık Hayat ve Emeklilik A.Ş., owned by Cigna Nederland Gamma BV In this context, a Share Purchase Agreement was signed with Cigna Nederland Gamma BV on October 21, 2022. The share transfer process will be completed after the necessary permissions are obtained. The said share transfer transaction was realized with the General Assembly held on December 21, 2022, after the necessary permissions were obtained, but due to the absence of the original certificates of transfer, a lawsuit was filed by the The Parent Bank for the annulment of the certificates. The registration of the General Assembly regarding the share transfer was completed on January 13, 2023.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## GENERAL INFORMATION ABOUT THE PARENT BANK (Continued)

### III. Information about the Chairman and Members of Board of Directors, Members of Audit Committee, Managing Director and Executive Vice Presidents; Any Changes, and the Information about the Parent Bank Shares They Hold and Their Responsibilities

| Name | Title | Date of Appointment | Education |
|---|---|---|---|
| Dr. Ömer A. Aras | Chairman | April 16, 2010 | PhD |
| Yousef Mahmoud H. N. Al-Neama | Deputy Chairman and Executive Member | May 28, 2019 | Masters |
| Ali Teoman Kerman | Board Member and Chairman of the Audit Committee | April 16, 2013 | Masters |
| Ramzi T. A. Mari | Board Member and Audit Committee Member | June 16, 2016 | Masters |
| Fatma Abdulla S.S. Al-Suwaidi | Board Member | June 16, 2016 | Masters |
| Durmuş Ali Kuzu | Board Member and Audit Committee Member | August 25, 2016 | PhD |
| Osman Ömür Tan | Board Member and General Manager | January 1, 2022 | Masters |
| Temel Güzeloğlu | Board Member | April 16, 2010 | Masters |
| Esel Yıldız Çekin | Board Member | September 2, 2022 | Graduate |
| Adel Ali M. A. Al-Malki | Board Member | May 28, 2019 | Graduate |
| Noor Mohd J. A. Al-Naimi | Board Member and Audit Committee Member | June 22, 2017 | Graduate |
| Adnan Menderes Yayla | Executive Vice President | May 20, 2008 | Masters |
| Köksal Çoban | Executive Vice President | August 19, 2008 | Masters |
| Dr. Mehmet Kürşad Demirkol | Executive Vice President | October 8, 2010 | PhD |
| Enis Kurtoğlu | Executive Vice President | May 14, 2015 | Masters |
| Murat Koraş | Executive Vice President | May 14, 2015 | Masters |
| Engin Turhan | Executive Vice President | June 14, 2016 | Masters |
| Cumhur Türkmen | Executive Vice President | June 11, 2018 | Graduate |
| Cenk Akıncılar | Executive Vice President | January 21, 2019 | Graduate |
| Burçin Dündar Tüzün | Executive Vice President | December 1, 2019 | Masters |
| Zeynep Kulalar | Executive Vice President | December 1, 2019 | Graduate |
| Derya Düner | Executive Vice President | January 1, 2020 | Graduate |
| Ali Yılmaz | Executive Vice President | January 1, 2020 | Masters |
| Ahmet Erzengin | Head of the Department of Internal Control and Compliance | September 12, 2012 | Graduate |
| Ersin Emir | Head of Internal Audit | February 18, 2011 | Masters |
| Zeynep Aydın Demirkıran | Head of Risk Management | September 16, 2011 | Masters |

(*) İsmail Işık, who served as Loans Monitoring and Follow-up Director at the reporting date, has been appointed as Loans Monitoring and Follow-up Assistant General Manager as of January 18, 2023.

The shares of the persons mentioned above in the Parent Bank are insignificant.

### IV. Information About the Persons and Institutions That Have Qualified Shares on the Parent Bank

| Name Surname/Trade Name | Amount of Shares | Percentage of Shares | Paid-up Shares | Unpaid Shares |
|---|---|---|---|---|
| Qatar National Bank Q.P.S.C. ("QNB") | 3,345,892 | 99.88% | 3,345,892 | - |
| Other | 4,108 | 0.12% | 4,108 | - |

### V. Explanations on the Parent Bank's Services and Activities

The Parent Bank's activities include trade finance and corporate banking, private and retail banking, SME banking, currency, money markets, securities operations and credit card operations. In addition, the Parent Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of December 31, 2022, the Parent Bank operates through 434 domestic (December 31, 2021 - 442), 1 foreign (December 31, 2021 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2021 - 1) branches. As of December 31, 2022, the Group has 13,021 employees (December 31, 2021 – 12,345 employees).

### VI. Current or Likely Actual or Legal Barriers to Immediate Transfer of Shareholders' Equity or Repayment of Debts Between the Parent Bank and Its Subsidiaries

None.

## SECTION TWO

## CONSOLIDATED FINANCIAL STATEMENTS

I. Consolidated Balance Sheet (Consolidated Statement of Financial Position)
II. Consolidated Statements of Off-Balance Sheet Commitments and Contingencies
III. Consolidated Statement of Profit or Loss
IV. Consolidated Statement of Profit or Loss and Other Comprehensive Income
V. Consolidated Statement of Changes in Shareholders' Equity
VI. Consolidated Statement of Cash Flows
VII. Consolidated Statement of Profit Appropriation

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

# I. CONSOLIDATED BALANCE SHEET – ASSETS

| | | | | Current Period 31.12.2022 | | | Prior Period 31.12.2021 | |
|---|---|---|---|---|---|---|---|---|
| | | Section 5 Part I | TRY | FC | TOTAL | TRY | FC | TOTAL |
| **I.** | **FINANCIAL ASSETS (Net)** | | **68,912,958** | **109,703,251** | **178,616,209** | **36,871,893** | **91,649,894** | **128,521,787** |
| **1.1** | **Cash and Cash Equivalents** | | **20,873,217** | **93,254,542** | **114,127,759** | **7,519,867** | **78,743,431** | **86,263,298** |
| 1.1.1 | Cash and Balances with The Central Bank | (1) | 9,719,857 | 84,817,934 | 94,537,791 | 7,436,280 | 62,858,291 | 70,294,571 |
| 1.1.2 | Banks | (3) | 3,127,925 | 8,015,778 | 11,143,703 | 94,349 | 15,725,779 | 15,820,128 |
| 1.1.3 | Receivables From Money Market | (4) | 8,040,936 | 427,044 | 8,467,980 | - | 159,508 | 159,508 |
| 1.1.4 | Expected Credit Losses (-) | | 15,501 | 6,214 | 21,715 | 10,762 | 147 | 10,909 |
| **1.2** | **Financial Assets Measured at Fair Value through Profit/Loss** | **(2)** | **1,069,093** | **549,922** | **1,619,015** | **275,004** | **499,454** | **774,458** |
| 1.2.1 | Public Sector Debt Securities | | 436,626 | 239,920 | 676,546 | 118,648 | 64,122 | 182,770 |
| 1.2.2 | Equity Securities | | 535,326 | - | 535,326 | 156,356 | - | 156,356 |
| 1.2.3 | Other Financial Assets | | 97,141 | 310,002 | 407,143 | - | 435,332 | 435,332 |
| **1.3** | **Financial Assets Measured at Fair Value through Other Comprehensive Income** | **(5)** | **29,672,154** | **10,585,327** | **40,257,481** | **9,634,529** | **10,043,218** | **19,677,747** |
| 1.3.1 | Public Sector Debt Securities | | 29,662,961 | 10,468,015 | 40,130,976 | 9,625,335 | 10,008,077 | 19,633,412 |
| 1.3.2 | Equity Securities | | 9,193 | 117,312 | 126,505 | 9,194 | 35,141 | 44,335 |
| 1.3.3 | Other Financial Assets | | - | - | - | - | - | - |
| **1.4** | **Derivative Financial Assets** | **(12)** | **17,298,494** | **5,313,460** | **22,611,954** | **19,442,493** | **2,363,791** | **21,806,284** |
| 1.4.1 | Derivative Financial Assets at Fair Value Through Profit/Loss | | 12,467,643 | 3,275,585 | 15,743,228 | 16,227,512 | 2,219,309 | 18,446,821 |
| 1.4.2 | Derivative Financial Assets at Fair Value Through Other Comprehensive Income | | 4,830,851 | 2,037,875 | 6,868,726 | 3,214,981 | 144,482 | 3,359,463 |
| **II.** | **FINANCIAL ASSETS MEASURED AT AMORTIZED COST(Net)** | | **289,882,206** | **135,165,998** | **425,048,204** | **137,049,425** | **105,153,019** | **242,202,444** |
| **2.1** | **Loans** | **(6)** | **247,116,343** | **109,023,513** | **356,139,856** | **128,657,423** | **81,883,367** | **210,540,790** |
| **2.2** | **Lease Receivables** | **(11)** | **4,588,489** | **10,018,732** | **14,607,221** | **2,954,638** | **7,735,110** | **10,689,748** |
| **2.3** | **Factoring Receivables** | **(7)** | **9,129,082** | **464,403** | **9,593,485** | **2,889,195** | **921,323** | **3,810,518** |
| **2.4** | **Other Financial Assets Measured at Amortized Cost** | **(8)** | **41,598,971** | **20,364,334** | **61,963,305** | **14,876,060** | **14,980,916** | **29,856,976** |
| 2.4.1 | Government Debt Securities | | 41,598,971 | 19,872,597 | 61,471,568 | 14,876,060 | 14,417,974 | 29,294,034 |
| 2.4.2 | Other Financial Assets | | - | 491,737 | 491,737 | - | 562,942 | 562,942 |
| **2.5** | **Expected Credit Losses (-)** | | **12,550,679** | **4,704,984** | **17,255,663** | **12,327,891** | **367,697** | **12,695,588** |
| **III.** | **ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)** | **(15)** | **-** | **-** | **-** | **-** | **-** | **-** |
| 3.1 | Held for sale | | - | - | - | - | - | - |
| 3.2 | Discontinued Operations | | - | - | - | - | - | - |
| **IV.** | **INVESTMENTS** | | **462,086** | **-** | **462,086** | **270,367** | **-** | **270,367** |
| **4.1** | **Investment in Associates (Net)** | **(9)** | **45,477** | **-** | **45,477** | **14,027** | **-** | **14,027** |
| 4.1.1 | Equity Method Associates | | - | - | - | - | - | - |
| 4.1.2 | Unconsolidated | | 45,477 | - | 45,477 | 14,027 | - | 14,027 |
| **4.2** | **Investment in Subsidiaries (Net)** | | **128,046** | **-** | **128,046** | **38,046** | **-** | **38,046** |
| 4.2.1 | Unconsolidated Financial Investments | | - | - | - | - | - | - |
| 4.2.2 | Unconsolidated Non-Financial Investments | | 128,046 | - | 128,046 | 38,046 | - | 38,046 |
| **4.3** | **Equity Under Common Control (Joint Ventures) (Net)** | **(10)** | **288,563** | **-** | **288,563** | **218,294** | **-** | **218,294** |
| 4.3.1 | Equity method associates | | 285,763 | - | 285,763 | 215,494 | - | 215,494 |
| 4.3.2 | Unconsolidated | | 2,800 | - | 2,800 | 2,800 | - | 2,800 |
| **V.** | **TANGIBLE ASSETS (Net)** | | **4,790,853** | **94** | **4,790,947** | **3,694,478** | **37** | **3,694,515** |
| **VI.** | **INTANGIBLE ASSETS (Net)** | | **1,054,534** | **-** | **1,054,534** | **648,585** | **-** | **648,585** |
| 6.1 | Goodwill | | - | - | - | - | - | - |
| 6.2 | Others | | 1,054,534 | - | 1,054,534 | 648,585 | - | 648,585 |
| **VII.** | **INVESTMENT PROPERTIES (Net)** | **(13)** | **-** | **-** | **-** | **-** | **-** | **-** |
| **VIII.** | **CURRENT TAX ASSET** | | **101,935** | **-** | **101,935** | **2,040** | **-** | **2,040** |
| **IX.** | **DEFERRED TAX ASSET** | **(14)** | **563,762** | **-** | **563,762** | **341,690** | **-** | **341,690** |
| **X.** | **OTHER ASSETS (Net)** | **(16)** | **9,502,136** | **1,004,001** | **10,506,137** | **7,206,046** | **961,538** | **8,167,584** |
| | **TOTAL ASSETS** | | **375,270,470** | **245,873,344** | **621,143,814** | **186,084,524** | **197,764,488** | **383,849,012** |

The accompanying notes are an integral part of these consolidated financial statements.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## I. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

| | | | | Current Period 31.12.2022 | | | Prior Period 31.12.2021 | |
|---|---|---|---|---|---|---|---|---|
| | | Section 5 Part II | TRY | FC | TOTAL | TRY | FC | TOTAL |
| **I.** | **DEPOSITS** | **(1)** | **234,983,599** | **157,779,523** | **392,763,122** | **79,231,701** | **146,644,878** | **225,876,579** |
| **II.** | **FUNDS BORROWED** | **(3)** | **6,196,254** | **49,021,103** | **55,217,357** | **3,904,586** | **33,347,681** | **37,252,267** |
| **III.** | **MONEY MARKET BORROWINGS** | **(4)** | **1,344,833** | **21,733,804** | **23,078,637** | **2,473,437** | **15,717,177** | **18,190,614** |
| **IV.** | **SECURITIES ISSUED (NET)** | **(5)** | **8,732,587** | **23,284,322** | **32,016,909** | **6,023,724** | **23,779,092** | **29,802,816** |
| 4.1 | Bills | | 8,418,087 | 5,911,335 | 14,329,422 | 6,023,724 | 2,154,632 | 8,178,356 |
| 4.2 | Asset Backed Securities | | 314,500 | - | 314,500 | - | - | - |
| 4.3 | Bonds | | - | 17,372,987 | 17,372,987 | - | 21,624,460 | 21,624,460 |
| **V.** | **FUNDS** | | - | - | - | - | - | - |
| 5.1 | Borrowers' Funds | | - | - | - | - | - | - |
| 5.2 | Others | | - | - | - | - | - | - |
| **VI.** | **FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT & LOSS (NET)** | | - | - | - | - | - | - |
| **VII.** | **DERIVATIVE FINANCIAL LIABILITIES** | | **3,008,663** | **3,706,325** | **6,714,988** | **9,160,015** | **3,623,875** | **12,783,890** |
| 7.1 | Derivative Financial Liabilities at Fair Value Through Profit & Loss (Net) | (2) | 3,008,663 | 3,260,937 | 6,269,600 | 8,982,699 | 2,954,958 | 11,937,657 |
| 7.2 | Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income | (8) | - | 445,388 | 445,388 | 177,316 | 668,917 | 846,233 |
| **VIII.** | **FACTORING PAYABLES** | | - | - | - | - | - | - |
| **IX.** | **LEASE PAYABLES (Net)** | **(7)** | **741,286** | **336** | **741,622** | **486,716** | **546** | **487,262** |
| **X.** | **PROVISIONS** | **(9)** | **8,803,052** | **293,969** | **9,097,021** | **1,648,376** | **25** | **1,648,401** |
| 10.1 | Restructuring Provisions | | - | - | - | - | - | - |
| 10.2 | Reserve for Employee Benefits | | 2,578,626 | 18,146 | 2,596,772 | 1,032,218 | - | 1,032,218 |
| 10.3 | Insurance Technical Provisions (Net) | | - | - | - | - | - | - |
| 10.4 | Other Provisions | | 6,224,426 | 275,823 | 6,500,249 | 616,158 | 25 | 616,183 |
| **XI.** | **CURRENT TAX LIABILITY** | **(10)** | **2,843,483** | - | **2,843,483** | **167,723** | - | **167,723** |
| **XII.** | **DEFERRED TAX LIABILITY** | | - | - | - | - | - | - |
| **XIII.** | **LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)** | **(11)** | - | - | - | - | - | - |
| 13.1 | Held for Sale | | - | - | - | - | - | - |
| 13.2 | Discontinued Operations | | - | - | - | - | - | - |
| **XIV.** | **SUBORDINATED DEBT INSTRUMENTS** | **(12)** | - | **17,127,724** | **17,127,724** | - | **11,852,564** | **11,852,564** |
| 14.1 | Subordinated Loans | | - | 17,127,724 | 17,127,724 | - | 11,852,564 | 11,852,564 |
| 14.2 | Other Debt Instruments | | - | - | - | - | - | - |
| **XV.** | **OTHER LIABILITIES** | | **19,501,461** | **17,450,858** | **37,266,819** | **10,664,123** | **12,970,564** | **23,634,687** |
| **XVI.** | **SHAREHOLDERS' EQUITY** | | **44,948,075** | **(671,943)** | **44,276,132** | **24,793,806** | **(2,641,597)** | **22,152,209** |
| 16.1 | Paid-in Capital | (13) | 3,350,000 | - | 3,350,000 | 3,350,000 | - | 3,350,000 |
| 16.2 | Capital Reserves | | 714 | - | 714 | 714 | - | 714 |
| 16.2.1 | Share Premium | (14) | 714 | - | 714 | 714 | - | 714 |
| 16.2.2 | Share Cancellation Profits | | - | - | - | - | - | - |
| 16.2.3 | Other Capital Reserves | | - | - | - | - | - | - |
| 16.3 | Other Comprehensive Income/Expense Items not to be Reclassified to Profit or Loss | | (672,157) | - | (672,157) | (223,943) | - | (223,943) |
| 16.4 | Other Comprehensive Income/Expense Items to be Reclassified to Profit or Loss | | 4,054,334 | (671,943) | 3,382,391 | 678,071 | (2,641,597) | (1,963,526) |
| 16.5 | Profit Reserves | | 20,979,569 | - | 20,979,569 | 17,072,922 | - | 17,072,922 |
| 16.5.1 | Legal Reserves | | 771,685 | - | 771,685 | 757,842 | - | 757,842 |
| 16.5.2 | Status Reserves | | - | - | - | - | - | - |
| 16.5.3 | Extraordinary Reserves | | 20,207,884 | - | 20,207,884 | 16,315,080 | - | 16,315,080 |
| 16.5.4 | Other Profit Reserves | | - | - | - | - | - | - |
| 16.6 | Profit/Loss | | 17,223,799 | - | 17,223,799 | 3,906,647 | - | 3,906,647 |
| 16.6.1 | Prior Periods' Profit/Loss | | - | - | - | - | - | - |
| 16.6.2 | Current Period's Net Profit/Loss | | 17,223,799 | - | 17,223,799 | 3,906,647 | - | 3,906,647 |
| 16.7 | Minority Interest | | 11,816 | - | 11,816 | 9,395 | - | 9,395 |
| | **TOTAL LIABILITIES** | | **331,417,793** | **289,726,021** | **621,143,814** | **138,554,207** | **245,294,805** | **383,849,012** |

The accompanying notes are an integral part of these consolidated financial statements.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

| | | | Current Period 31.12.2022 | | | Prior Period 31.12.2021 | | |
|---|---|---|---|---|---|---|---|---|
| | | Section 5 Part III | TRY | FC | TOTAL | TRY | FC | TOTAL |
| **A.** | **OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)** | | **480,095,115** | **600,797,641** | **1,080,892,756** | **251,760,151** | **433,120,870** | **684,881,021** |
| **I.** | **GUARANTEES** | **(1), (2), (3), (4)** | **29,655,581** | **35,538,119** | **65,193,700** | **13,136,090** | **34,332,017** | **47,468,107** |
| 1.1. | Letters of guarantee | | 25,589,026 | 20,031,380 | 45,620,406 | 13,000,633 | 17,491,611 | 30,492,244 |
| 1.1.1. | Guarantees subject to State Tender Law | | 884,755 | 188,383 | 1,073,138 | 553,377 | 133,441 | 686,818 |
| 1.1.2. | Guarantees given for foreign trade operations | | 12,326,430 | 19,842,997 | 32,169,427 | 7,284,585 | 17,358,170 | 24,642,755 |
| 1.1.3. | Other letters of guarantee | | 12,377,841 | - | 12,377,841 | 5,162,671 | - | 5,162,671 |
| 1.2. | Bank loans | | 4,028,331 | 9,696,287 | 13,724,618 | 71,783 | 8,635,893 | 8,707,676 |
| 1.2.1. | Import letter of acceptance | | 4,028,331 | 9,696,287 | 13,724,618 | 71,783 | 8,635,893 | 8,707,676 |
| 1.2.2. | Other bank acceptances | | - | - | - | - | - | - |
| 1.3. | Letters of credit | | 38,224 | 5,810,452 | 5,848,676 | 63,674 | 8,204,513 | 8,268,187 |
| 1.3.1. | Documentary letters of credit | | 38,224 | 5,228,027 | 5,266,251 | 63,674 | 7,424,841 | 7,488,515 |
| 1.3.2. | Other letters of credit | | - | 582,425 | 582,425 | - | 779,672 | 779,672 |
| 1.4. | Prefinancing given as guarantee | | - | - | - | - | - | - |
| 1.5. | Endorsements | | - | - | - | - | - | - |
| 1.5.1. | Endorsements to the Central Bank of Türkiye | | - | - | - | - | - | - |
| 1.5.2. | Other endorsements | | - | - | - | - | - | - |
| 1.6. | Securities issue purchase guarantees | | - | - | - | - | - | - |
| 1.7. | Factoring guarantees | | - | - | - | - | - | - |
| 1.8. | Other guarantees | | - | - | - | - | - | - |
| 1.9. | Other collaterals | | - | - | - | - | - | - |
| **II.** | **COMMITMENTS** | | **252,607,322** | **24,746,561** | **277,353,883** | **150,696,819** | **7,991,015** | **158,687,834** |
| 2.1. | Irrevocable commitments | (1) | 172,054,958 | 23,241,741 | 195,296,699 | 81,782,660 | 6,016,159 | 87,798,819 |
| 2.1.1. | Forward asset purchase commitments | | 4,018,129 | 10,831,566 | 14,849,695 | 1,145,232 | 2,908,352 | 4,053,584 |
| 2.1.2. | Forward deposit purchase and sales commitments | | - | - | - | - | - | - |
| 2.1.3. | Share capital commitment to associates and subsidiaries | | - | - | - | - | - | - |
| 2.1.4. | Loan garanting commitments | | 47,343,805 | 1,870 | 47,345,675 | 27,050,703 | 793,507 | 27,844,210 |
| 2.1.5. | Securities underwriting commitments | | - | - | - | - | - | - |
| 2.1.6. | Commitments for reserve deposit requirements | | - | - | - | - | - | - |
| 2.1.7. | Payment commitment for checks | | 3,895,823 | - | 3,895,823 | 2,885,779 | - | 2,885,779 |
| 2.1.8. | Tax and fund liabilities from export commitments | | 118,666 | - | 118,666 | 29,314 | - | 29,314 |
| 2.1.9. | Commitments for credit card expenditure limits | | 111,928,372 | - | 111,928,372 | 49,733,289 | - | 49,733,289 |
| 2.1.10. | Commitments for promotions related with credit cards and banking activities | | 109,533 | - | 109,533 | 71,498 | - | 71,498 |
| 2.1.11. | Receivables from short sale commitments | | - | - | - | - | - | - |
| 2.1.12. | Payables for short sale commitments | | - | - | - | - | - | - |
| 2.1.13. | Other irrevocable commitments | | 4,640,630 | 12,408,305 | 17,048,935 | 866,845 | 2,314,300 | 3,181,145 |
| 2.2. | Revocable commitments | | 80,552,364 | 1,504,820 | 82,057,184 | 68,914,159 | 1,974,856 | 70,889,015 |
| 2.2.1. | Revocable loan granting commitments | | 79,347,287 | - | 79,347,287 | 68,374,855 | - | 68,374,855 |
| 2.2.2. | Other revocable commitments | | 1,205,077 | 1,504,820 | 2,709,897 | 539,304 | 1,974,856 | 2,514,160 |
| **III.** | **DERIVATIVE FINANCIAL INSTRUMENTS** | **(5), (6)** | **197,832,212** | **540,512,961** | **738,345,173** | **87,927,242** | **390,797,838** | **478,725,080** |
| 3.1 | Derivative financial instruments for hedging purposes | | 22,065,418 | 128,742,067 | 150,807,485 | 12,489,736 | 101,394,674 | 113,884,410 |
| 3.1.1 | Fair value hedge | | 6,235,235 | 36,659,431 | 42,894,666 | 6,172,818 | 40,723,961 | 46,896,779 |
| 3.1.2 | Cash flow hedge | | 15,830,183 | 92,082,636 | 107,912,819 | 6,316,918 | 60,670,713 | 66,987,631 |
| 3.1.3 | Hedge of net investment in foreign operations | | - | - | - | - | - | - |
| 3.2 | Held for trading transactions | | 175,766,794 | 411,770,894 | 587,537,688 | 75,437,506 | 289,403,164 | 364,840,670 |
| 3.2.1 | Forward foreign currency buy/sell transactions | | 10,544,244 | 19,818,125 | 30,362,369 | 7,288,292 | 16,053,812 | 23,342,104 |
| 3.2.1.1 | Forward foreign currency transactions-buy | | 10,071,714 | 5,490,339 | 15,562,053 | 6,377,847 | 4,862,254 | 11,240,101 |
| 3.2.1.2 | Forward foreign currency transactions-sell | | 472,530 | 14,327,786 | 14,800,316 | 910,445 | 11,191,558 | 12,102,003 |
| 3.2.2 | Swap transactions related to foreign currency and interest rates | | 105,687,546 | 326,800,908 | 432,488,454 | 66,545,184 | 268,882,455 | 335,427,639 |
| 3.2.2.1 | Foreign currency swap-buy | | 6,624,797 | 132,828,947 | 139,453,744 | 2,126,829 | 98,404,122 | 100,530,951 |
| 3.2.2.2 | Foreign currency swap-sell | | 60,927,351 | 75,886,225 | 136,813,576 | 37,918,755 | 62,467,695 | 100,386,450 |
| 3.2.2.3 | Interest rate swaps-buy | | 19,067,699 | 59,042,868 | 78,110,567 | 13,249,800 | 54,005,319 | 67,255,119 |
| 3.2.2.4 | Interest rate swaps-sell | | 19,067,699 | 59,042,868 | 78,110,567 | 13,249,800 | 54,005,319 | 67,255,119 |
| 3.2.3 | Foreign currency, interest rate and securities options | | 58,709,719 | 58,732,290 | 117,442,009 | 1,227,592 | 2,651,799 | 3,879,391 |
| 3.2.3.1 | Foreign currency options-buy | | 45,910,391 | 13,322,787 | 59,233,178 | 821,817 | 1,131,799 | 1,953,616 |
| 3.2.3.2 | Foreign currency options-sell | | 12,799,328 | 45,409,503 | 58,208,831 | 405,775 | 1,520,000 | 1,925,775 |
| 3.2.3.3 | Interest rate options-buy | | - | - | - | - | - | - |
| 3.2.3.4 | Interest rate options-sell | | - | - | - | - | - | - |
| 3.2.3.5 | Securities options-buy | | - | - | - | - | - | - |
| 3.2.3.6 | Securities options-sell | | - | - | - | - | - | - |
| 3.2.4 | Foreign currency futures | | 825,285 | 792,923 | 1,618,208 | 376,438 | 387,573 | 764,011 |
| 3.2.4.1 | Foreign currency futures-buy | | - | 792,923 | 792,923 | 361,015 | 18,895 | 379,910 |
| 3.2.4.2 | Foreign currency futures-sell | | 825,285 | - | 825,285 | 15,423 | 368,678 | 384,101 |
| 3.2.5 | Interest rate futures | | - | 3,570,022 | 3,570,022 | - | - | - |
| 3.2.5.1 | Interest rate futures-buy | | - | 1,785,011 | 1,785,011 | - | - | - |
| 3.2.5.2 | Interest rate futures-sell | | - | 1,785,011 | 1,785,011 | - | - | - |
| 3.2.6 | Other | | - | 2,056,626 | 2,056,626 | - | 1,427,525 | 1,427,525 |
| **B.** | **CUSTODY AND PLEDGED ITEMS (IV+V+VI)** | | **2,121,542,054** | **716,989,813** | **2,838,531,867** | **1,389,205,116** | **499,735,768** | **1,888,940,884** |
| **IV.** | **ITEMS HELD IN CUSTODY** | | **400,872,053** | **33,839,097** | **434,711,150** | **242,561,027** | **26,811,981** | **269,373,008** |
| 4.1. | Assets under management | | 15,019,765 | 7,963 | 15,027,728 | 9,104,743 | 9,997 | 9,114,740 |
| 4.2. | Investment securities held in custody | | 237,790,076 | 12,787,625 | 250,577,701 | 153,604,458 | 11,510,543 | 165,115,001 |
| 4.3. | Checks received for collection | | 32,048,284 | 2,269,091 | 34,317,375 | 13,107,448 | 3,535,033 | 16,642,481 |
| 4.4. | Commercial notes received for collection | | 3,714,274 | 1,470,469 | 5,184,743 | 2,363,152 | 1,179,744 | 3,542,896 |
| 4.5. | Other assets received for collection | | - | - | - | - | - | - |
| 4.6. | Assets received for public offering | | - | - | - | - | - | - |
| 4.7. | Other items under custody | | 112,299,654 | 17,303,949 | 129,603,603 | 64,381,226 | 10,576,664 | 74,957,890 |
| 4.8. | Custodians | | - | - | - | - | - | - |
| **V.** | **PLEDGED ITEMS** | | **994,474,840** | **388,564,158** | **1,383,038,998** | **666,936,857** | **290,504,187** | **957,441,044** |
| 5.1. | Marketable securities | | 5,758,007 | 25,835,961 | 31,593,968 | 5,098,635 | 18,744,531 | 23,843,166 |
| 5.2. | Guarantee notes | | 754,876 | 505,077 | 1,259,953 | 538,348 | 602,312 | 1,140,660 |
| 5.3. | Commodity | | 1,005,497 | - | 1,005,497 | 521,666 | - | 521,666 |
| 5.4. | Warranty | | - | - | - | - | - | - |
| 5.5. | Properties | | 223,359,270 | 180,431,706 | 403,790,976 | 130,004,304 | 146,855,545 | 276,859,849 |
| 5.6. | Other pledged items | | 763,597,190 | 181,791,414 | 945,388,604 | 530,773,904 | 124,301,799 | 655,075,703 |
| 5.7. | Pledged items-depository | | - | - | - | - | - | - |
| **VI.** | **ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES** | | **726,195,161** | **294,586,558** | **1,020,781,719** | **479,707,232** | **182,419,600** | **662,126,832** |
| | **TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)** | | **2,601,637,169** | **1,317,787,454** | **3,919,424,623** | **1,640,965,267** | **932,856,638** | **2,573,821,905** |

The accompanying notes are an integral part of these consolidated financial statements.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | | Section 5 Part IV | Current Period 01.01 - 31.12.2022 | Prior Period 01.01 - 31.12.2021 |
|---|---|---|---|---|
| **I.** | **INTEREST INCOME** | **(1)** | **66,995,815** | **26,917,067** |
| 1.1 | Interest income on loans | | 40,449,705 | 20,108,892 |
| 1.2 | Interest income on reserve deposits | | 130,135 | 447,034 |
| 1.3 | Interest income on banks | | 302,850 | 53,333 |
| 1.4 | Interest income on money market transactions | | 168,060 | 70,409 |
| 1.5 | Interest income on securities portfolio | | 22,584,528 | 4,752,529 |
| 1.5.1 | Financial assets measured at FVTPL | | 87,425 | 26,533 |
| 1.5.2 | Financial assets measured at FVOCI | | 5,650,136 | 1,899,478 |
| 1.5.3 | Financial assets measured at amortized cost | | 16,846,967 | 2,826,518 |
| 1.6 | Financial lease income | | 1,451,341 | 853,316 |
| 1.7 | Other interest income | | 1,909,196 | 631,554 |
| **II.** | **INTEREST EXPENSE (-)** | **(2)** | **28,428,661** | **14,082,721** |
| 2.1 | Interest on deposits | | 18,739,409 | 8,895,044 |
| 2.2 | Interest on funds borrowed | | 3,927,500 | 1,966,188 |
| 2.3 | Interest on money market transactions | | 2,545,739 | 1,321,703 |
| 2.4 | Interest on securities issued | | 2,763,449 | 1,790,883 |
| 2.5 | Interest on leases | | 100,667 | 61,052 |
| 2.6 | Other interest expenses | | 351,897 | 47,851 |
| **III.** | **NET INTEREST INCOME/EXPENSE (I - II)** | | **38,567,154** | **12,834,346** |
| **IV.** | **NET FEES AND COMMISSIONS INCOME/EXPENSES** | | **6,688,561** | **3,681,746** |
| 4.1 | Fees and commissions received | | 9,049,873 | 4,767,706 |
| 4.1.1 | Non-cash loans | | 429,217 | 268,526 |
| 4.1.2 | Others | | 8,620,656 | 4,499,180 |
| 4.2 | Fees and commissions paid (-) | | 2,361,312 | 1,085,960 |
| 4.2.1 | Non-cash loans | | 6,048 | 3,693 |
| 4.2.2 | Others | | 2,355,264 | 1,082,267 |
| **V.** | **DIVIDEND INCOME** | **(3)** | **16,976** | **1,305** |
| **VI.** | **NET TRADING INCOME/LOSS (Net)** | **(4)** | **1,071,694** | **(3,208,946)** |
| 6.1 | Trading account gain/losses | | 1,563,149 | 180,869 |
| 6.2 | Gain/losses from derivative transactions | | (6,835,151) | (6,500,905) |
| 6.3 | Foreign exchange gain/losses | | 6,343,696 | 3,111,090 |
| **VII.** | **OTHER OPERATING INCOME** | **(5)** | **333,926** | **483,880** |
| **VIII.** | **TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII+VIII)** | | **46,678,311** | **13,792,331** |
| **IX.** | **EXPECTED CREDIT LOSSES (-)** | **(6)** | **5,096,254** | **3,311,372** |
| **X.** | **OTHER PROVISION EXPENSES (-)** | | **5,939,858** | **175,967** |
| **XI.** | **PERSONEL EXPENSES** | | **4,799,775** | **2,340,253** |
| **XII.** | **OTHER OPERATING EXPENSES** | **(7)** | **6,407,621** | **2,937,412** |
| **XIII.** | **NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)** | | **24,434,803** | **5,027,327** |
| **XIV.** | **INCOME RESULTED FROM MERGERS** | | - | - |
| **XV.** | **INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING** | | **219,325** | **107,822** |
| **XVI.** | **GAIN/LOSS ON NET MONETARY POSITION** | | - | - |
| **XVII.** | **OPERATING PROFIT/LOSS BEFORE TAXES (XII+…+XV)** | **(8)** | **24,654,128** | **5,135,149** |
| **XVIII.** | **PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)** | **(9)** | **7,427,908** | **1,227,288** |
| 18.1 | Current tax charge | | 9,086,568 | 278,506 |
| 18.2 | Deferred tax charge (+) | | 1,712,063 | 1,617,451 |
| 18.3 | Deferred tax credit (-) | | (3,370,723) | (668,669) |
| **XIX.** | **NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)** | **(10)** | **17,226,220** | **3,907,861** |
| **XX.** | **INCOME FROM DISCONTINUED OPERATIONS** | | - | - |
| 20.1 | Income from assets held for sale | | - | - |
| 20.2 | Income from sale of associates, subsidiaries and joint-ventures | | - | - |
| 20.3 | Others | | - | - |
| **XXI.** | **EXPENSES FROM DISCONTINUED OPERATIONS (-)** | | - | - |
| 21.1 | Expenses on assets held for sale | | - | - |
| 21.2 | Expenses on sale of associates, subsidiaries and joint-ventures | | - | - |
| 21.3 | Others | | - | - |
| **XXII.** | **PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX+XX)** | | - | - |
| **XXIII.** | **PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)** | | - | - |
| 23.1 | Current tax charge | | - | - |
| 23.2 | Deferred tax charge (+) | | - | - |
| 23.3 | Deferred tax credit (-) | | - | - |
| **XXIV.** | **NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXI±XXII)** | | - | - |
| **XXV.** | **NET PROFIT/LOSS (XVIII+XXIII)** | **(11)** | **17,226,220** | **3,907,861** |
| 25.1 | Group's profit/loss | | 17,223,799 | 3,906,647 |
| 25.2 | Minority interest | | 2,421 | 1,214 |
| | Earnings Per Share | | 0,51414 | 0,11662 |

The accompanying notes are an integral part of these consolidated financial statements.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## IV. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Current Period 01.01 - 31.12.2022 | Prior Period 01.01 - 31.12.2021 |
|---|---|---|---|
| **I.** | **CURRENT PERIOD PROFIT/LOSS** | **17,226,220** | **3,907,861** |
| **II.** | **OTHER COMPREHENSIVE INCOME** | **4,897,703** | **(996,880)** |
| **2.1** | **Other Income/Expense Items not to be Reclassified to Profit or Loss** | **(448,214)** | **(112,379)** |
| 2.1.1 | Revaluation Surplus on Tangible Assets | - | - |
| 2.1.2 | Revaluation Surplus on Intangible Assets | - | - |
| 2.1.3 | Defined Benefit Plans' Actuarial Gains/Losses | (607,631) | (140,736) |
| 2.1.4 | Other Income/Expense Items not to be Reclassified to Profit or Loss | 1,030 | - |
| 2.1.5 | Deferred Taxes on Other Comprehensive Income not to be Reclassified to Profit or Loss | 158,387 | 28,357 |
| **2.2** | **Other Income/Expense Items to be Reclassified to Profit or Loss** | **5,345,917** | **(884,501)** |
| 2.2.1 | Translation Differences | - | - |
| 2.2.2 | Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI | 4,532,943 | (1,392,805) |
| 2.2.3 | Gains/losses from Cash Flow Hedges | 2,407,949 | 280,271 |
| 2.2.4 | Gains/Losses on Hedges of Net Investments in Foreign Operations | - | - |
| 2.2.5 | Other Income/Expense Items to be Reclassified to Profit or Loss | - | - |
| 2.2.6 | Deferred Taxes on Other Comprehensive Income to be Reclassified to Profit or Loss | (1,594,975) | 228,033 |
| **III.** | **TOTAL COMPREHENSIVE INCOME (I+II)** | **22,123,923** | **2,910,981** |

The accompanying notes are an integral part of these consolidated financial statements.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | | | | | | | Other Comprehensive Income/Expense Items not to be Reclassified to Profit or Loss | | | Other Comprehensive Income/Expense Items to be Reclassified to Profit or Loss | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Section 5 Part V | Paid-in Capital | Share Premium | Share Cancellation Profits | Other Capital Reserves | Revaluation surplus on tangible and intangible assets | Defined Benefit Plans' Actuarial Gains/Losses | Others (*) | Translation Differences | Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI | Others(**) | Profit Reserves | Prior Periods' Profit/Loss | Current Period's Net Profit/Loss | Shareholders' Equity Before Minority Interest | Minority Interest | Total Shareholders' Equity |
| | **Prior Period- 01.01 – 31.12.2021** | | | | | | | | | | | | | | | | | |
| **I.** | **Balances at Beginning of Period** | | **3,350,000** | **714** | - | - | - | **(111,564)** | - | - | **(475,892)** | **(603,133)** | **14,217,872** | **101,267** | **2,753,783** | **19,233,047** | **8,181** | **19,241,228** |
| **II.** | **Correction made as per TAS 8** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.1 | Effect of Corrections | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 | Effect of Changes in Accounting Policies | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **III.** | **Adjusted Balances at Beginning of Period (I+II)** | | **3,350,000** | **714** | - | - | - | **(111,564)** | - | - | **(475,892)** | **(603,133)** | **14,217,872** | **101,267** | **2,753,783** | **19,233,047** | **8,181** | **19,241,228** |
| **IV.** | **Total Comprehensive Income** | | - | - | - | - | - | **(112,379)** | - | - | **(1,107,636)** | **223,135** | - | - | **3,906,647** | **2,909,767** | **1,214** | **2,910,981** |
| **V.** | **Capital Increase in Cash** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **VI.** | **Capital Increase from Internal Sources** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **VII.** | **Capital Reserves from Inflation Adjustments to Paid-in Capital** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **VIII.** | **Convertible Bonds** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **IX.** | **Subordinated Liabilities** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **X.** | **Others Changes** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **XI.** | **Profit Distribution** | | - | - | - | - | - | - | - | - | - | - | **2,855,050** | **(101,267)** | **(2,753,783)** | - | - | - |
| 11.1 | Dividends | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 11.2 | Transfers to Reserves | | - | - | - | - | - | - | - | - | - | - | 2,855,050 | (101,267) | (2,753,783) | - | - | - |
| 11.3 | Others | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Balances at end of the period (III+IV+…...+X+XI)** | | **3,350,000** | **714** | - | - | - | **(223,943)** | - | - | **(1,583,528)** | **(379,998)** | **17,072,922** | - | **3,906,647** | **22,142,814** | **9,395** | **22,152,209** |

| | | | | | | | Other Comprehensive Income/Expense Items not to be Reclassified to Profit or Loss | | | Other Comprehensive Income/Expense Items to be Reclassified to Profit or Loss | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Section 5 Part V | Paid-in Capital | Share Premium | Share Cancellation Profits | Other Capital Reserves | Revaluation surplus on tangible and intangible assets | Defined Benefit Plans' Actuarial Gains/Losses | Others (*) | Translation Differences | Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI | Others(**) | Profit Reserves | Prior Periods' Profit/Loss | Current Period's Net Profit/Loss | Shareholders' Equity Before Minority Interest | Minority Interest | Total Shareholders' Equity |
| | **Current Period- 01.01 – 31.12.2022** | | | | | | | | | | | | | | | | | |
| **I.** | **Balances at Beginning of Period** | | **3,350,000** | **714** | - | - | - | **(223,943)** | - | - | **(1,583,528)** | **(379,998)** | **17,072,922** | - | **3,906,647** | **22,142,814** | **9,395** | **22,152,209** |
| **II.** | **Correction made as per TAS 8** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.1 | Effect of Corrections | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 | Effect of Changes in Accounting Policies | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **III.** | **Adjusted Balances at Beginning of Period (I+II)** | | **3,350,000** | **714** | - | - | - | **(223,943)** | - | - | **(1,583,528)** | **(379,998)** | **17,072,922** | - | **3,906,647** | **22,142,814** | **9,395** | **22,152,209** |
| **IV.** | **Total Comprehensive Income** | | - | - | - | - | - | **(449,245)** | **1,031** | - | **3,435,311** | **1,910,606** | - | - | **17,223,799** | **22,121,502** | **2,421** | **22,123,923** |
| **V.** | **Capital Increase in Cash** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **VI.** | **Capital Increase from Internal Sources** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **VII.** | **Capital Reserves from Inflation Adjustments to Paid-in Capital** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **VIII.** | **Convertible Bonds** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **IX.** | **Subordinated Liabilities** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **X.** | **Others Changes** | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **XI.** | **Profit Distribution** | | - | - | - | - | - | - | - | - | - | - | **3,906,647** | - | **(3,906,647)** | - | - | - |
| 11.1 | Dividends | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 11.2 | Transfers to Reserves | | - | - | - | - | - | - | - | - | - | - | 3,906,647 | - | (3,906,647) | - | - | - |
| 11.3 | Others | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Balances at end of the period (III+IV+…...+X+XI)** | | **3,350,000** | **714** | - | - | - | **(673,188)** | **1,031** | - | **1,851,783** | **1,530,608** | **20,979,569** | - | **17,223,799** | **44,264,316** | **11,816** | **44,276,132** |

(*) Accumulated amounts of share of investments accounted for by the equity method that can not be classified as profit/loss from other comprehensive income with other comprehensive income that will not be reclassified to other profit or loss.
(**) Accumulated amount of cash flow hedge gains/losses, equity attributable to equity holders of the Group for profit or loss from other comprehensive income and other comprehensive income to be reclassified to other profit or loss.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## VI. CONSOLIDATED STATEMENT OF CASH FLOWS

| | | Section 5 Part VI | Current Period 01.01 - 31.12.2022 | Prior Period 01.01 - 31.12.2021 |
|---|---|---|---|---|
| **A.** | **CASH FLOWS FROM/(TO) BANKING OPERATIONS** | | | |
| **1.1** | **Operating Profit Before Changes in Operating Assets and Liabilities (+)** | | **8,863,813** | **9,986,046** |
| 1.1.1 | Interest received | | 30,170,928 | 25,054,667 |
| 1.1.2 | Interest paid | | (33,741,600) | (15,761,881) |
| 1.1.3 | Dividend received | | 16,976 | 1,305 |
| 1.1.4 | Fees and commissions received | | 9,140,802 | 4,769,118 |
| 1.1.5 | Other income | | 333,926 | 483,880 |
| 1.1.6 | Collections from previously written off loans | | 2,406,693 | 2,119,294 |
| 1.1.7 | Payments to personnel and service suppliers | | (4,174,934) | (2,232,334) |
| 1.1.8 | Taxes paid | | (7,808,223) | (2,334,344) |
| 1.1.9 | Other | | 12,519,245 | (2,113,659) |
| **1.2** | **Changes in Assets and Liabilities** | | **18,953,389** | **6,412,248** |
| 1.2.1 | Net (increase) decrease in financial assets measured at fair value through profit/loss | | (120,067) | (854,483) |
| 1.2.2 | Net (increase) decrease in due from banks | | (2,298,195) | (24,803,607) |
| 1.2.3 | Net (increase) decrease in loans | | (116,410,268) | (32,516,803) |
| 1.2.4 | Net (increase) decrease in other assets | | (6,554,484) | 3,360,662 |
| 1.2.5 | Net increase (decrease) in bank deposits | | (1,890,347) | 12,179,425 |
| 1.2.6 | Net increase (decrease) in other deposits | | 124,147,142 | 39,949,184 |
| 1.2.7 | Net (increase) decrease in financial liabilities measured at fair value through profit and loss | | - | - |
| 1.2.8 | Net increase (decrease) in funds borrowed | | 4,103,424 | (3,668,039) |
| 1.2.9 | Net increase (decrease) in matured payables | | - | - |
| 1.2.10 | Net increase (decrease) in other liabilities | | 17,976,184 | 12,765,909 |
| **I.** | **Net Cash Provided from Banking Operations (+/-)** | | **27,817,202** | **16,398,294** |
| **B.** | **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| **II.** | **Net Cash Provided from/(Used In) Investing Activities (+/-)** | | **(7,242,850)** | **(4,031,648)** |
| 2.1 | Purchase of entities under common control, associates and subsidiaries | | - | - |
| 2.2 | Sale of entities under common control, associates and subsidiaries | | - | - |
| 2.3 | Fixed assets purchases | | (2,270,079) | (790,676) |
| 2.4 | Fixed assets sales | | 591,661 | 129,974 |
| 2.5 | Purchase of financial assets measured at fair value through other comprehensive income | | (27,968,380) | (10,448,300) |
| 2.6 | Sale of financial assets measured at fair value through other comprehensive income | | 25,940,243 | 10,317,576 |
| 2.7 | Purchase of Financial Assets Measured at Amortized Cost | | (12,898,683) | (5,543,887) |
| 2.8 | Sale of Financial Assets Measured at Amortized Cost | | 10,005,623 | 2,609,710 |
| 2.9 | Other | | (643,235) | (306,045) |
| **C.** | **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| **III.** | **Net Cash Provided from/(Used In) Financing Activities** | | **3,428,289** | **15,202,991** |
| 3.1 | Cash obtained from funds borrowed and securities issued | | 24,367,162 | 27,584,977 |
| 3.2 | Cash used for repayment of funds borrowed and securities issued | | (21,092,362) | (12,376,809) |
| 3.3 | Capital increase | | - | - |
| 3.4 | Dividends paid | | - | - |
| 3.5 | Payments for finance leases | | - | - |
| 3.6 | Other | | 153,489 | (5,177) |
| **IV.** | **Effect of Foreign Currency Translation Differences on Cash and Cash Equivalents (+/-)** | | **1,454,238** | **4,346,096** |
| **V.** | **Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)** | | **25,456,879** | **31,915,733** |
| **VI.** | **Cash and Cash Equivalents at the Beginning Of The Period (+)** | | **47,798,834** | **15,883,101** |
| **VII.** | **Cash and Cash Equivalents at End of the Period (V+VI)** | | **73,255,713** | **47,798,834** |

The accompanying notes are an integral part of these consolidated financial statements.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## VII. CONSOLIDATED STATEMENT OF PROFIT APPROPRIATION (*)

| | | Current Period 31.12.2022 (**) | Prior Period 31.12.2021 |
|---|---|---|---|
| **I.** | **DISTRIBUTION OF CURRENT YEAR INCOME** | | |
| 1.1 | CURRENT YEAR INCOME | 24,282,814 | 4,989,941 |
| 1.2 | TAXES AND DUTIES PAYABLE | 7,059,048 | 1,061,827 |
| 1.2.1 | Corporate Tax (Income Tax) | 8,720,618 | 8,528 |
| 1.2.2 | Income Withholding Tax | - | - |
| 1.2.3 | Other Taxes And Duties | (1,661,570) | 1,053,299 |
| **A.** | **NET INCOME FOR THE YEAR (1,1-1,2)** | **17,223,766** | **3,928,114** |
| 1.3 | PRIOR YEAR LOSSES (-) | - | - |
| 1.4 | FIRST LEGAL RESERVES (-) | - | - |
| 1.5 | OTHER STATUTORY RESERVES (-) | - | - |
| **B.** | **NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1,3+1,4+1,5)]** | **17,223,766** | **3,928,114** |
| 1.6 | FIRST DIVIDEND TO SHAREHOLDERS (-) | - | - |
| 1.6.1 | To Owners Of Ordinary Shares | - | - |
| 1.6.2 | To Owners Of Privileged Shares | - | - |
| 1.6.3 | To Owners Of Preferred Shares | - | - |
| 1.6.4 | To Profit Sharing Bonds | - | - |
| 1.6.5 | To Holders Of Profit And (Loss) Sharing Certificates | - | - |
| 1.7 | DIVIDENDS TO PERSONNEL (-) | - | - |
| 1.8 | DIVIDENDS TO BOARD OF DIRECTORS (-) | - | - |
| 1.9 | SECOND DIVIDEND TO SHAREHOLDERS (-) | - | - |
| 1.9.1 | To Owners Of Ordinary Shares | - | - |
| 1.9.2 | To Owners Of Privileged Shares | - | - |
| 1.9.3 | To Oweners Of Preferred Shares | - | - |
| 1.9.4 | To Profit Sharing Bonds | - | - |
| 1.9.5 | To Holders Of Profit And (Loss) Sharing Certificates | - | - |
| 1.10 | SECOND LEGAL RESERVES (-) | - | - |
| 1.11 | STATUTORY RESERVES (-) | - | - |
| 1.12 | EXTRAORDINARY RESERVES | - | 3,927,444 |
| 1.13 | OTHER RESERVES | - | - |
| 1.14 | SPECIAL FUNDS | - | 670 |
| **II.** | **DISTRIBUTION OF RESERVES** | | |
| 2.1 | APPROPRIATED RESERVES | - | - |
| 2.2 | SECOND LEGAL RESERVES (-) | - | - |
| 2.3 | DIVIDENDS TO SHAREHOLDERS (-) | - | - |
| 2.3.1 | To Owners Of Ordinary Shares | - | - |
| 2.3.2 | To Owners Of Privileged Shares | - | - |
| 2.3.3 | To Oweners Of Preferred Shares | - | - |
| 2.3.4 | To Profit Sharing Bonds | - | - |
| 2.3.5 | To Holders Of Profit And (Loss) Sharing Certificates | - | - |
| 2.4 | DIVIDENDS TO PERSONNEL (-) | - | - |
| 2.5 | DIVIDENDS TO BOARD OF DIRECTORS (-) | - | - |
| **III.** | **EARNINGS PER SHARE** | | |
| 3.1 | TO OWNERS OF ORDINARY SHARES | 0.5141 | 0.1173 |
| 3.2 | TO OWNERS OF ORDINARY SHARES (%) | 51.41% | 11.73% |
| 3.3 | TO OWNERS OF PRIVILEGED SHARES | - | - |
| 3.4 | TO OWNERS OF PRIVILEGED SHARES (%) | - | - |
| **IV.** | **DIVIDEND PER SHARE** | | |
| 4.1 | TO OWNERS OF ORDINARY SHARES | - | - |
| 4.2 | TO OWNERS OF ORDINARY SHARES (%) | - | - |
| 4.3 | TO OWNERS OF PRIVILEGED SHARES | - | - |
| 4.4 | TO OWNERS OF PRIVILEGED SHARES (%) | - | - |

(*) Profit Appropriation Statement has been prepared according to unconsolidated financial statements of the Parent Bank.

(**) Decision regarding the profit distribution for the 2021 will be taken at the General Meeting.

The accompanying notes are an integral part of these consolidated financial statements.

# SECTION THREE

# ACCOUNTING POLICIES

## I. Basis of Presentation

### 1. Preparation of the consolidated financial statements and the accompanying footnotes in accordance with Turkish Accounting Standards and Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents

The financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Law No. 5411 published in the Official Gazette No. 26333 dated November 1, 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA") and in case where a specific regulation is not made by BRSA and Turkish Financial Rreporting Standards ("TFRS") published by the Public Oversight Accounting for the format and detail of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette No. 28337, dated June 28, 2012, and amendments to this Communiqué dated February 1, 2019 which include Turkish Accounting Standard principles.

Financial statements and the related disclosures and footnotes have been presented in thousands of Turkish Lira unless otherwise specified. The amounts expressed in foreign currency is indicated by the full amount

### 2. Accounting policies and valuation principles used in the preparation of the consolidated financial statements

The accounting policies and valuation principles used in the preparation of the interim financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2021 except for the new regulations mentioned in the chapter VIII. The accounting policies and valuation principles related with current period are explained in Notes II to XXVI below.

Consolidated financial statements are prepared in TRY accordance with the historical cost basis except for financial instruments measured at fair value through profit/loss, financial assets measured at fair value through other comprehensive income, derivative financial assets and liabilities.

In preparing the consolidated financial statements in accordance with TFRS, the Bank's management is required to make assumptions and estimations about the assets and liabilities in the balance sheet and contingent matters as of the balance sheet date. These assumptions and estimations are reviewed regularly, necessary corrections are made and the details of the effects of these adjustments are reflected in the profit or loss statement as explained in the related footnotes

### 2.1. Changes in Accounting policies and disclosures

In its accompanying consolidated financial statements, the Parent Bank announced the Phase 1 amendments to TFRS 9, TAS 39 and TFRS 7 within the scope of the Indicative Interest Rate Reform published by the POA in the Official Gazette dated December 14, 2019 and No. 30978. It has been implemented since January 1, 2020.

In 2020, the International Accounting Standards Board and POA published Phase 2 standards regarding the reform and related amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16. According to this; As of January 1, 2022, necessary changes/transitions regarding reference interest rates should be completed.

Within the scope of the said reform; The Bank has operations in the field of loans, securities, borrowing and derivative products, as well as hedge accounting applications. With this; A significant portion of bank transactions are indexed to EURIBOR and USD LIBOR reference interest rates, and EURIBOR continues to be used after the transition. And also; It is anticipated that USD LIBOR rates will continue to be published overnight in 1M, 3M, 6M and 1Y grades until June, 2023.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**ACCOUNTING POLICIES (Continued)**

**I. Basis of Presentation (Continued)**

**2.1. Changes in Accounting policies and disclosures (Continued)**

Considering the published standards and the Group's portfolio of products under the reform, the benchmark interest rate reform does not have a significant impact on financial reports.

| Current Period | Derivative | Non-Derivative Financial Instruments |
|---|---|---|
| USD LIBOR | 163,431,174 | 31,984,554 |
| Hedge Accounting Instruments | 89,029,911 | - |
| **Total** | **252,461,085** | **31,984,554** |

| Prior Period | Derivative | Non-Derivative Financial Instruments |
|---|---|---|
| USD LIBOR | 119,086,162 | 31,030,011 |
| Hedge Accounting Instruments | 64,743,012 | - |
| **Total** | **183,829,174** | **31,030,011** |

**2.2. Other**

In TAS 29 Financial Reporting Standard in Hyperinflationary Economies, the threshold value to be taken as a basis for determining whether there is hyperinflation in an economy by considering the economies with high inflation and the financial statements of the enterprises whose functional currency is the currency of a hyperinflationary economy are related to inflation. explains how to fix it. On January 20, 2022, the Public Oversight Authority (''POA'') made a statement on the Implementation of Financial Reporting in High Inflation Economies within the Scope of Turkish Financial Reporting Standards, Financial Reporting Standard for Large and Medium Sized Enterprises. Accordingly, it has been stated that businesses applying TFRS do not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29 Financial Reporting in High Inflation Economies. As of the preparation date of these financial statements, no new disclosure has been made by POA within the scope of TAS 29, and no inflation adjustment has been made according to TAS 29 while preparing the financial statements dated December 31, 2022.

TFRS 17 Insurance Contracts Standard was published in the Official Gazette dated February 16, 2019 and No. 30688 by the Public Oversight Accounting and Auditing Standards Authority and is valid for annual reporting periods beginning on or after January 1, 2023. This standard replaces TFRS 4, which currently allows for a wide variety of applications. The related standard is expected to have a significant impact on the unconsolidated financial statements of the Bank as of January 1, 2023.

The tension between Russia and Ukraine since January, 2022 has subsequently turned into a crisis and a hot conflict, and the current situation continues as of the date of the report. The Bank does not carry out any activities in the two countries that are subject to the crisis. However, since the course of the crisis is uncertain as of the report date, developments that may occur on a global scale and the effects of these developments on the global and regional economy on the Bank's operations are closely monitored.

**II. Strategy for the Use of Financial Instruments and the Foreign Currency Transactions**

**1. Strategy for the use of financial instruments**

The major funding sources of the Parent Bank are customer deposits, bond issues and funds borrowed from international markets. The customer deposits bear a fixed interest rate and have an average maturity of up to 3 months in line with the sector. Domestic bond issues are realized within the maturity of 6 months and foreign bond issues are based on long maturities with fixed interests. Funds borrowed from abroad mostly bear floating rates and are reprised at an average period of 3-6 months. The Parent Bank diverts its placements to assets with high return and sufficient collaterals. The Parent Bank manages the liquidity structure to meet its liabilities when due by diversifying the funding sources and keeping sufficient cash and cash equivalents. The maturity of fund sources and maturity and yield of placements are considered to the extent possible within the current market conditions and a higher return on long-term placements is aimed.

**ACCOUNTING POLICIES (Contunied)**

**II. Strategy for the Use of Financial Instruments and the Foreign Currency Transactions (Continued)**

**1. Strategy for the use of financial instruments (Continued)**

Besides customer deposits, the Parent Bank funds its long term fixed interest rate TRY loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Parent Bank converts the foreign currency liquidity obtained from the international markets to TRY liquidity using long term swap transactions (fixed TRY interest rate and floating FX interest rate). Thus, the Parent Bank generates TRY denominated resources for funding long term loans with fixed interest rates.

The Parent Bank has determined securities portfolio limits based on the market risk limitations for money, capital and commodity markets. Products included in the securities portfolio are subject to position and risk limits. Position limits restrict the maximum nominal position based on the product. Risk limits are expressed in terms of "Value at Risk (VAR)" by taking risk tolerance as a cap. The maximum VAR amounts are determined by interest and currency risk factors, which affect the securities portfolio that is subject to market risk, as well as determining the risk tolerance based on the total value at risk. The above mentioned limits are revised annually.

The strategies for hedging exchange rate risk resulting from the Group's foreign currency debt securities which are categorized as financial assets at fair value through other comprehensive income explained in foreign currency risk section and the applications regarding the cash flow hedging of interest rate cash flow risk resulting from deposits are explained in the Interest Rate Risk section in detail.

Hedging strategies for foreign exchange risk resulting from other foreign currency transactions are explained in the foreign currency risk section.

**2. Foreign currency transactions**

**2.1. Foreign currency exchange rates used in converting transactions denominated in foreign currencies and presentation of them in the financial statements**

The Group accounts for the transactions denominated in foreign currencies in accordance with TAS 21 "The Effects of Changes in Foreign Exchange Rates". Foreign exchange gains and losses arising from transactions that are completed, As of December 31, 2022 are translated to TRY by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities except for non-monetary items are converted into TRY by using foreign currency exchange rates of the Parent Bank for the period end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency nonmonetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement.

**2.2. Total exchange rate differences that are included in net profit or loss for the year**

The foreign currency position of the Parent Bank and the profit/loss from the foreign exchange transactions realized are included in the statement of profit or loss comprehensive foreign exchange gains/losses and income/losses from derivative financial instruments in the statement of profit or loss comprehensive. While gain/loss from spot foreign exchange transactions are included in the profit/loss item of foreign exchange gain/loss on balance sheet, profit/loss from derivative transactions (forward, option etc.) for the purpose of hedging related transactions are included in income/loss statement of derivative financial instruments. Therefore, in order to determine the net profit/loss effects of foreign exchange transactions, two balances should be assessed together. As of December 31, 2022, derivative financial transactions loss amounting to TRY 6,835,151 (December 31, 2021 – TRY 6,500,905 derivative financial transactions loss) from the total foreign exchange gain amounting to TRY 6,343,696 (December 31, 2021 – TRY 3,111,090 foreign exchange gain) excluding the net interest expense amounting to TRY 4,731,113 (December 31, 2021 – TRY 4,684,038) arising from derivative transactions is TRY 4,239,658 the net profit on foreign currency transactions (December 31, 2021 – TRY 1,294,223 net foreign currency transaction profit).

**2.3. Foreign associates**

None.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## ACCOUNTING POLICIES (Contunied)

### III. Information on Associates, Subsidiaries and Entities Under Common Control

The accompanying consolidated financial statements are prepared in accordance with TFRS 10 “Turkish Financial Reporting Standard in regards to Consolidated Financial Statements” and BRSA’s “Regulation on Preparation of Consolidated Financial Statements of Banks” published on the Official Gazette No. 26340 and dated November 8, 2006. The corporations included in consolidation and their places of incorporation, nature of activities and shareholding percentages are as follows:

| | | Consolidation Method | Place of Establishment | Subject of Operations | Effective Share of the Group (%) | |
|---|---|---|---|---|---|---|
| | | | | | December 31, 2022 | December 31, 2021 |
| 1. | QNB Finans Yatırım Menkul Değerler A.Ş. (Finans Yatırım) | Full Consolidation | Türkiye | Securities Intermediary Services | 100.00 | 100.00 |
| 2. | QNB Finans Portföy Yönetimi A.Ş. (Finans Portföy) | Full Consolidation | Türkiye | Portfolio Management | 100.00 | 100.00 |
| 3. | QNB Finans Finansal Kiralama A.Ş. (Finans Leasing) | Full Consolidation | Türkiye | Financial Leasing | 99.40 | 99.40 |
| 4. | QNB Finans Faktoring A.Ş. (Finans Faktoring) | Full Consolidation | Türkiye | Factoring Services | 100.00 | 100.00 |
| 5. | QNB Finans Varlık Kiralama Şirketi A.Ş. | Full Consolidation | Türkiye | Asset Lease | 100.00 | 100.00 |
| 6. | QNBeyond Ventures B.V. | Full Consolidation | Netherlands | Financial Holding | 100.00 | 100.00 |
| 7. | Cigna Sağlık, Hayat ve Emeklilik A.Ş. | Equity Method | Türkiye | Private Pension and Insurance | 49.00 | 49.00 |

Subsidiaries maintain their books of accounts and prepare their financial statements in accordance with the regulations on acounting and reporting framework and accounting standards which are determined by the accounting standards promulgated by the Turkish Commercial Code, Financial Leasing Law and Turkish Capital Markets Board (“CMB”) regulations. Certain adjustments and reclassifications were made on the financial statements of the subsidiaries for the purpose of fair presentation in accordance with the prevailing regulations and accounting standards according to regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and in case where a specific regulation is not made by BRSA, in accordance with Turkish Accounting Standards (“TAS”) and Turkish Financial Reporting Standards (“TFRS”) and related additions and interpretations published by Public Accounting and Auditing Oversight Authority (“POA”).

Differences between the accounting policies of subsidiaries and entities under common control and those of the Parent Bank are adjusted, if material. The financial statements of the subsidiaries and entities under common control are prepared as of December 31, 2022.

### 1. Subsidiaries

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Parent Bank’s returns.

Subsidiaries are consolidated using the full consolidation method based on the size of their asset equity, and result of operations. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Parent Bank and are put out of consolidation’s scope as soon as control is removed. Accounting policies applied by subsidiaries that are included in consolidated financial statements are not different from the Parent Bank’s accounting policies.

According to full consolidation method, 100% of subsidiaries’ asset, liability, income, expense and off balance sheet items are consolidated with the Parent Bank’s asset, liability, income, expense and off balance sheet items. Book value of the Group’s investment in each subsidiary is netted off with Group’s equity shares. Unrealized gains and losses and balances that arise due to transactions between subsidiaries within consolidation scope, have been net off. Non-controlling interests are shown separately from earnings per share on consolidated balance sheet and statement of profit or loss and other comprehensive income.

**ACCOUNTING POLICIES (Contunied)**

**III. Information on Associates, Subsidiaries and Entities Under Common Control (Continued)**

**2. Associates and entities under common control**

The Parent Bank does not have any financial associates that are consolidated in the accompanying financial statements.

The joint venture is established locally, has its primary operations in private pension and insurance, is controlled jointly with another group with a partnership agreement, and is included in Parent Bank's capital. Subject joint venture is included in consolidated financial statements by using equity method.

Equity method is a method of accounting whereby the book value of the investor's share capital in the subsidiary or the joint venture is either added to or subtracted in proportion with investor's share from the change in the subsidiary's or joint venture's equity within the period. The method also foresees that profit will be deducted from the subsidiary's or joint venture's accordingly recalculated value.

**IV. Explanations on Derivative Financial Assets and Liabilities**

The Group enters into forward currency purchase/sale agreements and swap transactions to reduce the foreign currency risk and interest rate risk and manage foreign currency liquidity risk. The Group also carries out currency and interest options and credit default swap and futures agreements.

Besides customer deposits, the Parent Bank funds its long term fixed interest rate TRY loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Parent Bank converts the foreign currency liquidity obtained from customer deposits and the international markets to TRY liquidity with long term swap transactions (fixed TRY interest rate and floating FC interest rate). Therefore, the Parent Bank not only funds its long term fixed interest rate loans with TRY but also hedges itself against interest rate risk.

The Parent Bank's derivative instruments held for trading and derivative instruments hedging purpose are classified, measured and accounted in accordance with "TFRS 9" and TAS 39 "Financial Instruments: Recognition and Measurement", respectively. Derivative instruments held for trading and derivative instruments hedging purpose are initially recognized at fair value and subsequently measured at fair value. Also, the liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual values. The derivative transactions are accounted for at fair value subsequent to initial recognition and are presented in the "Derivative Financial Assets at Fair Value Through Profit/Loss "," Derivative Financial Liabilities at Fair Value Through Profit & Loss" or "Derivative Financial Assets at Fair Value Through Other Comprehensive Income" and "Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income" items of the balance sheet depending on the resulting positive or negative amounts of the computed value. These amounts of derivative transactions presented on the balance sheet, represent the fair value differences based on the valuation.

Fair values of foreign currency purchase and sales contracts, currency and interest rate swap transactions are calculated by using internal pricing models based on market data.

Fair values of option contracts are calculated with option pricing models

Futures transactions are accounted for at settlement as of the balance sheet date.

The Parent Bank does not have either any hybrid contract contains a host that is not an asset within the scope of this standard or a financial instrument which shall be separated from the host and accounted for as derivative under this standard.

Credit derivatives are capital market tools designed to transfer credit risk from one party to another. The Parent Bank's credit derivatives portfolio included in the off-balance sheet accounts composes of credit default swaps resulted from protection buying or selling.

Credit default swap is a contract, in which the protection seller commits to pay the protection value to the protection buyer in case of certain credit risk events in return for the premium paid by the buyer for the contract. Credit default swaps are valued daily at their fair values.

**ACCOUNTING POLICIES (Contunied)**

**IV. Explanations on Derivative Financial Assets and Liabilities (Continued)**

Upon valuation of derivative instruments that are not subject to hedge accounting, differences in fair value, except for currency revaluation differences, are recorded in the statement of profit or loss and other comprehensive income on Gains/Losses from Derivative transactions. These foreign currency valuation differences are accounted for under "Foreign Exchange Gains/Losses" account.

In cash flow hedge accounting

The Parent Bank applies cash flow hedge accounting using interest swap transactions to hedge its TRY and FC customer deposits with short term cyclical basis and subordinated loans and loans with floating rate financial receivables which have floating interest payment. The Parent Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Other Comprehensive Income/Expense Items to be Reclassified to Profit or Loss" whereas the amount concerning ineffective parts is associated with the statement of profit or loss and other comprehensive income.

QNB Finans Finansal Kiralama AŞ., the subsidiary of the Parent Bank, applies cash flow hedge accounting through interest rate swaps to hedge itself against changes floating rate foreign currency borrowings and floating rates TRY securities.

In cash flow hedge accounting, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked; the hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized.

In fair value hedge accounting

The Parent Bank applies fair value hedge accounting within the framework of TAS 39 using swaps to hedge a portion of its long term, fixed rate mortgage and project finance loans against possible fair value change due to market interest rate fluctuations.

The Parent Bank applies fair value hedge accounting using interest rate swaps to hedge long term, fixed rate, foreign currency Eurobonds in financial assets measured at fair value through other comprehensive portfolio against interest rate fluctuations.

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term TRY government bonds with fixed coupon payment in financial assets measured at fair value through other comprehensive income portfolio using swap transactions as hedging instruments.

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the foreign currency bonds issued using interest rate swap transactions as hedging instruments.

QNB Finans Finansal Kiralama AŞ., the subsidiary of the Parent bank, applies fair value hedge accounting to hedge itself against changes in interest rates related to fixed rate TRY securities issued.

QNB Finans Finansal Kiralama A.Ş., the subsidiary of the Parent bank, applies fair value hedge accounting through interest rate swaps to hedge itself against changes in interest rates related to TRY borrowings.

QNB Finans Finansal Kiralama A.Ş., the subsidiary of the Parent Bank issues securities, uses loan and financial through swaps, in order to hedge itself against changes in interest and exchange rates regarding lease receivables

Fair value hedge accounting effects are accounted under "Derivative Financial Transactions Profit/Loss from Derivative Financial Transactions" in the statement of profit or loss. QNB Finans Finansal Kiralama A.Ş., the subsidiary, conducts efficiency tests on every balance sheet date for transactions where fair value hedge accounting is applied.

**ACCOUNTING POLICIES (Contunied)**

## IV. Explanations on Derivative Financial Assets and Liabilities (Continued)

In fair value hedge accounting (Continued)

QNB Finans Finansal Kiralama A.Ş., the subsidiary, conducts cash flow hedge accounting transactions effectiveness tests on every balance sheet date, the active segments are as defined in TAS 39 accounted in line with under Equity, "Reclassification of Accumulated Other Comprehensive Income and Expense in Profit or Loss" in financial statements and the amount related to the inactive part is associated with statement of profit or loss and other comprehensive income.

At each balance sheet date the Parent Bank and QNB Finans Finansal Kiralama A.Ş., the subsidiary of the Parent Bank, apply effectiveness tests for fair value hedge accounting.

When the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked, adjustments made to the carrying amount of the hedged item are transferred to profit and loss with straight line method for portfolio hedges or with effective interest rate method for micro hedges. In case the hedged item is derecognized, hedge accounting is discontinued and within context of fair value hedge accounting, adjustments made to the value of the hedged item are accounted in statement of profit or loss and other comprehensive income.

As of September 30, 2018, the Bank terminated the hedge accounting for the fair value hedge of the fair value risk arising from the changes in the exchange rates for the real estates purchased in previous periods in foreign currency and the fair value of which is in foreign currency in the market and as of December 31, 2022, fair value exchange difference adjustment amounting to TRY 1,142,449 which is shown intangible assets in the balance sheet, is amortized over the economic life of the property subject to hedging.

## V. Explanations on Interest Income and Expenses

Interest income is recorded according to the effective interest rate method (Rate equal to net present value of future cash flows of financial assets or liabilities) defined in the TFRS 9 "Financial Instruments" standard by applying the effective interest rate to the gross carrying amount of a financial asset except for purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. When applying the effective interest rate method, an entity identifies fees that are an integral part of the effective interest rate of a financial instrument. Fees that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate, unless the financial instrument is measured at fair value, with the change in fair value being recognized in profit or loss.

When applying the effective interest method, The Parent Bank amortized any fees, transaction costs and other premiums or discounts that are included in the calculation of the effective interest rate over the expected life of the financial instrument. In case an interest was accrued on a security before its acquisition, the collected interest is divided into two parts as interest before and after the acquisition and only the interest of the period after the acquisition is recorded as interest income in the financial statements. If the expectation for the cash flows from financial asset is revised for reasons other than the credit risk, the change is reflected in the carrying amount of asset and in the related statement of profit or loss line and is amortized over the estimated life of financial asset.

If the financial asset is impaired and classified as a non-performing receivable, the Parent Bank applies the effective interest rate on the amortized cost of the asset for subsequent reporting periods. Such interest income calculation is made on an individual contract basis for all financial assets subject to impairment calculation. It is used effective interest rate during calculation of loss given default rate in expected credit loss models and accordingly, the calculation of expected credit losses includes an interest amount. Therefore, a reclassification is made between the accounts of "Expected Credit Losses" and "Interest Income From Loans" for such calculated amount.

## ACCOUNTING POLICIES (Continued)

### VI. Explanations on Fees and Commission Income and Expenses

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period.

### VII. Explanations and Disclosures on Financial Instruments

**Initial recognition of financial instruments**

The Parent Bank shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date.

**Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of TFRS 15 Revenue from contracts with customers, at initial recognition, the Parent Bank measures financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit/loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Classification of financial instruments**

On which category a financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

As per TFRS 9, the Parent Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss. The Parent Bank tested all financial assets within the scope of TFRS 9 whether their “contractual cash-flows solely represent payments of principal and interest” and assessed the asset classification within the business model.

**Assessment of business model**

As per TFRS 9, the Parent Bank’s business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The Parent Bank’s business models are divided into three categories.

**Business model aimed to hold assets in order to collect contractual cash flows**

This is a model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Receivables from the Central Bank, Banks, Money Market Placements, investments under financial assets measured at amortized cost, loans, leasing receivables, factoring receivables and other receivables are assessed within this business model.

**ACCOUNTING POLICIES (Continued)**

**VII. Explanations and Disclosures on Financial Instruments (Continued)**

**Business model aimed to collect contractual cash flows and sell financial assets**

This is a model whose objective is achieved by both collecting contractual cash flows and selling financial assets: the Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial Assets Measured at Fair Value through Other Comprehensive Income are assessed in this business model.

**Other business models**

Financial assets are measured at fair value through profit or loss when they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Financial assets measured at fair value through profit/loss are assessed in this business model.

**Measurement categories of financial assets and liabilities**

Financial assets are classified in three main categories as listed below in accordance with TFRS 9:

- Financial assets measured at fair value through profit/loss,
- Financial assets measured at fair value through other comprehensive income and
- Financial assets measured at amortized cost.

**Financial assets at the fair value through profit or loss**

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the statement of profit or loss and other comprehensive income. According to uniform chart of accounts explanations interest income earned on financial asset and the difference between their acquisition costs and amortized costs are recorded as interest income in the statement of profit or loss. The differences between the amortized costs and the fair values of such assets are recorded under trading account income/losses in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

The Parent Bank has stocks, bills and bonds in portfolios of financial assets at fair value through profit and loss that are accounted in accordance with the Group' business model. In accordance with TFRS 9, the Parent Bank has classified cash flows are solely payments of principal and interest at certain dates under financial assets at fair value through profit and loss related to private purpose loans as of December, 2018.

**Financial assets at fair value through other comprehensive income**

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income. Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are measured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to statement of profit or loss and other comprehensive income.

## ACCOUNTING POLICIES (Continued)

### VII. Explanations and Disclosures on Financial Instruments (Continued)

**Financial assets at fair value through other comprehensive income (Continued)**

"Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the statement of profit or loss and other comprehensive income of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and are accounted under the "Other comprehensive income/expense items to be reclassified to profit/loss" under shareholders' equity. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

Parent Bank has inflation indexed (CPI) government bonds in its financial assets at fair value through other comprehensive income and measured at amortized cost portfolios. CPI government bonds that are constant throughout their lives and their real principal amounts are preserved from inflation. These marketable securities are valued and accounted by using effective interest rate method by considering the real coupon rates and reference inflation index at the issue date together with the index calculated by considering the estimated inflation rate as disclosed by the Turkish Treasury. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the real payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary.

Some portion of the Eurobond portfolio which has been recognized as financial assets at fair value through other comprehensive income are designated as fair value hedged items, hedged against interest rate fluctuations, starting from March and April, 2009, and some portion of the TRY government bonds are designated as fair value hedged items, hedged against interest rate fluctuations, starting from July 2011. Those securities are disclosed under financial assets at FV through OCI in order to be in line with balance sheet presentation. The fair value differences of Eurobond and TRY government bond hedged items are accounted for under "Trading Account Gains/Losses" in the statement of profit or loss and other comprehensive income.

In cases where fair value hedge operations cannot be effectively performed as described in TAS 39, fair value hedge accounting is ceased. After fair value accounting is ceased; value differences, previously reflected the statement of profit or loss and other comprehensive income, are amortized through the equity until the maturity of related hedged securities. The fair value differences of related portfolio securities sold prior to maturity are immediately recognized in the statement of profit or loss and other comprehensive income.

**Financial assets measured at amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in statement of profit or loss and other comprehensive income.

The Parent Bank as explained in part IV, "Explanations on Derivative Financial Assets and Liabilities", enters into fx swap transactions against TRY in order to hedge the possible losses which might arise due to the changes in the fair value of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. The Parent Bank accounts for the hedged loan portfolio at fair value related to hedged risk, the swap transactions used as the hedging instrument at fair value and reflects the related net gain or loss to respective period's statement of profit or loss and other comprehensive income.

When the fair value hedge accounting could not be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through statement of profit or loss and other comprehensive income until the maturity of the hedged loans.

## ACCOUNTING POLICIES (Continued)

### VII. Explanations and Disclosures on Financial Instruments (Continued)

**Equity Instruments Measured at Fair Value Through Other Comprehensive Income**

At initial recognition, an irrevocable election can be made to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of TFRS 9. Such election is made separately for each financial instrument. Fair value differences recognized in other comprehensive income are not transferred to profit or loss in the following periods and transferred to prior years' profit/loss. The equity instruments measured at fair value through other comprehensive income, are not subject to impairment calculation.

### VIII. Explanations on Expected Credit Losses

The Group recognizes a loss allowance for expected credit losses on financial assets and loans measured at amortized cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit/loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated June 22, 2016 in connection with "Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans" effective from January 1, 2018. At each reporting date, the Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. The Group considers the changes in the default risk of financial instrument, when making the assessment.

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets are divided into three categories depending on increase in credit risk observed since their initial recognition:

**Stage 1**

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of expected credit losses on the 12-month default risk. It is calculated 12-month expected credit loss based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate. As of December 31, 2022, minimum probability of default rate of Basel II is used in the expected credit loss calculation of receivables from public institutions and organizations. Such calculation is performed for each of three scenarios explained below.

**Stage 2**

As of the reporting date of the financial asset, in the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses. Calculation approach is quite similar with approach mentioned above, but probability of default and loss amount in default ratios estimated for the lifetime of instruments.

**Stage 3**

Financial assets considered as impaired at the reporting date are classified as stage 3. The probability of default is taken into account as 100% in the calculation of impairment provision and Parent Bank accounts lifetime expected credit losses. In determining the impairment, the Parent Bank takes into consideration the following criteria:

- Delay of over 90 days and impairment of credit worthiness.
- Collateral and/or equity of debtor is inadequate cover the payment of receivables on the maturity.
- If it is convinced that will be delayed by more than 90 days for recovery of receivables due to macroeconomic, sector-specific or customer-specific reasons.

**ACCOUNTING POLICIES (Continued)**

## VIII. Explanations on Expected Credit Losses (Continued)

### Calculation of expected credit losses

The Bank measured expected credit losses with the reasonable, objective and supportable information based on a probability-weighted including estimations about time value of money, past events, current conditions and future economic conditions as of the reporting date, without undue cost or effort. The calculation of expected credit losses consists of three main parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD). PDs and LGDs used in the ECL calculation are point in time ("PIT")-based for key portfolios and consider both current conditions and expected cyclical changes.

While the expected credit loss is estimated, two scenarios (internal adverse, internal severe negative) are evaluated. Each of these scenarios was associated with the different PD and LGD.

In addition, a certain portion of commercial and corporate loans is assessed individually in accordance with the internal policies in the calculation of the expected credit losses based on TFRS 9. Such calculations are made by discounting the expected cash flows from the individual financial instrument to its present value using the effective interest rate.

When measuring expected credit losses, it shall be considered the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. Such assessment is made by reflecting the estimate of expected credit loss which is unbiased and probability-weighted determined by evaluating a range of possible outcomes.

### Probability of default ("PD")

The PD represents the likelihood of a default over a specified time period. A 12-month PD represents the likelihood of default determined for the next 12 months and a lifetime PD represents the probability of default over the remaining lifetime of the instrument. The lifetime PD calculation is based on a series of 12-month PIT PDs that are derived from through the cycle (TTC) PDs and scenario forecasts. It is used internal rating systems for both retail and commercial portfolios to measure risk level. The internal rating models used for the commercial portfolio include customer financial information and qualitative survey responses. Whereas behavioral and application scorecards used in the retail portfolio include; the behavioral data of the customer and the product in the Bank, the demographic information of the customer, and the behavioral data of the customer in the sector. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

### Loss Given Default ("LGD")

The LGD represents an estimate of the economic loss at the time of a potential default occurring during the life of a financial instrument. The LGD is calculated taking into account expected future cash flows from collateral and other credit enhancements by considering time value of money. LGD calculations are performed using historical data which best reflects current conditions, by formation of segments based on certain risk factors that are deemed important for each portfolio and inclusion of forward-looking information and macroeconomic expectations. LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the "time value of money" calculated by means of deducting costs and additional losses from the present value of collections. The Bank bases its estimates on models for collateralized portfolios and on previous experience for unsecured parties, except for corporate loans that are assigned by the Basel Committee individually or as designated by the Basel Committee.

### Exposure at default ("EAD")

The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial instrument. It represents the cash flows outstanding at the time of default, considering expected repayments, interest payments and accruals, discounted at the effective interest rate. Future drawdowns on facilities are considered through a credit conversion factor (CCF) that is reflective of historical drawdown and default patterns and the characteristics of the respective portfolios. While the expected credit loss is estimated, two scenarios (internal adverse, internal severe negative) are evaluated. Each of these scenarios was associated with the probability of different default and loss in default.

## ACCOUNTING POLICIES (Continued)

### VIII. Explanations on Expected Credit Losses (Continued)

**Consideration of the macroeconomic factors**

Loss given default and probability of default parameters are determined by considering macroeconomic factors. The macroeconomic variables used in the calculation of the expected loss are as follows:

- Five year credit risk of Türkiye (CDS Spread),
- Real GDP growth,
- Unemployment rate,
- Inflation rate,
- Five year government bond interest rate of Türkiye.

Stages were determined through the models created using internal information for the Parent Bank, the simplified method has been applied for other financial institutions.

The Parent Bank revised its macroeconomic expectations and weights in the calculation of expected credit losses on September 30, 2022. Due to the nature of the model effects, events that cause changes and their effects occur at different times. For this reason, the Bank has made individual valuations in order to eliminate the timing difference and provided additional provisions for the sector and customers that are considered to have a high impact.

This approach, which is preferred in reserve calculations for the year-end period of 2022, will be revised in the following reporting periods, taking into account the impact of the pandemic, portfolio and future expectations.

**Calculating the expected loss period**

Lifetime ECL is calculated by taking into account maturity extensions, repayment options and the period during which the Bank will be exposed to credit risk. The time in financial guarantees and other irrevocable commitments represents the credit maturity for which the liabilities of the Bank. Behavioral maturity analysis has been performed on credit cards and overdraft accounts. With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless there is the legal right to call it earlier.

**Significant increase in credit risk**

The Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk of financial assets to be classified as stage 2 (Significant Increase in Credit Risk).

Within the scope of quantitative assessment, the quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date. If there is a significant deterioration in PD, it is considered that there is a significant increase in credit risk and the financial asset is classified as stage 2. In this context, the Parent Bank has calculated thresholds at which point the relative change is a significant deterioration. In the quantitative evaluation of the significant increase in credit risk, the Bank considers the absolute thresholds as well as the relative thresholds as an additional layer. Receivables below the absolute threshold value of default are not included in the relative threshold value comparison.

The Parent Bank classifies the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment:

- Loans overdue more than 30 days as of the reporting date,
- Loans classified as watch-list of the Bank,
- When there is a change in the payment plan due to restructuring.

**ACCOUNTING POLICIES (Continued)**

## VIII. Explanations on Expected Credit Losses (Continued)

### Write-Off Policy

Receivables that are classified as non-performing loans are collected primarily within the framework of administrative contacts with the debtors, and if no results are obtained, through legal means. In this context, in case the write-off of the uncollectible receivables comes to the agenda, one of the methods of destruction, sale of receivables and write-down can be applied.

In accordance with the provisions of the "Regulation on the Amendment of the Regulation on the Classification of Loans and the Procedures and Principles Regarding the Classification of Loans and Provisions for These" published in the Official Gazette dated July 6, 2021 and No. 31533, they are classified under the "Fifth Group – Loans with a Loss Qualification" and are for life due to the default of the debtor. The portion of the loans for which there is no reasonable expectation of the recovery of the expected loan loss provision is deducted from the records within the period determined specifically for the situation of the borrower within the scope of TFRS 9, starting from the first reporting period (interim or year-end reporting period) following their classification in this Group. In this context, deducting the loans that cannot be collected from the records is an accounting practice and does not result in the waiver of the right to receivable.

The portion of the loan receivables that do not have reasonable expectations regarding the recovery of the following items is deducted from the records within the scope of accounting practice:

• Classified as "Fifth Group – Loans with a Loss Qualification" under the regulation,
• The number of days of delay is at least one year,
• Lifetime expected credit loss provision has been made due to the default of the borrower.

The portion of the loans that do not have reasonable expectations regarding the recovery of the loans is determined by the internal organs authorized by the Board of Directors. Within the scope of this article, deducting the loans from the records is an accounting practice. Receivables are followed up by the relevant credit and operation teams before the customer.

Within the scope of TFRS 9, the amount written off by the Parent Bank during the period is TRY 361,940 (December 31, 2021: TRY 126,001) and the effect on the NPL ratio of the Parent Bank is 0.10% (December 31, 2021: 0.05%). While the NPL ratio is 2.50% (December 31, 2021: 4.21%) with the current period non-performing loan figures, the calculated rate including the loans written off during the year is 2.59% (December 31, 2021: 4.26%).

## IX. Explanations on Netting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when the Group has a legally enforceable right to offset the recognized amounts, and the intention of collecting or paying the net amount of related assets and liabilities or to realize the asset and settle the liability simultaneously

## X. Derecognition of Financial Instruments

### a) Derecognition of financial assets due to change in contractual terms

Based on TFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset could lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered as 'new' financial asset. When the Parent Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss. Where all risks and rewards of ownership of the asset have not been transferred to another party and the Parent Bank retains control of the asset, the Parent Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the Parent Bank retains substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognized in its entirety and the consideration received is recognized as a liability.

**ACCOUNTING POLICIES (Continued)**

## X. Derecognition of Financial Instruments (Continued)

### b) Derecognition of financial assets without any change in contractual terms

The Parent Bank derecognizes the asset if the contractual rights to cash flows from the financial asset are expired or the related financial asset and all risks and rewards of ownership of the asset are transferred to another party. Except for equity instruments measured at fair value through other comprehensive income, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognized in profit/loss.

### c) Derecognition of financial liabilities

It shall be removed a financial liability (or a part of a financial liability) from the statement of financial position when, and only when, it is extinguished when the obligation specified in the contract is discharged or cancelled or expires.

### d) Reclassification of financial instruments

Based on TFRS 9, it shall be reclassified all affected financial assets at amortised cost to financial assets measured at fair value through other comprehensive income and fair value through profit or loss in the subsequent accounting when, and only when, it is changed the business model for managing financial assets.

### e) Restructuring and refinancing of financial instruments

The Parent Bank may be changed the original contractual terms of a loan (maturity, repayment structure, guarantees and sureties) which were previously signed, in case the loan can not be repaid or if a potential payment difficulty is encountered based on the new financing power and structure of the borrower.

Restructuring is to change the financial terms of existing loans in order to facilitate the payment of debt. Refinancing is granting a new loan which will cover either the principal or the interest payment in whole or in part of one or a few existing loans due to the anticipated financial difficulty which the customer or group encounter currently or will encounter in the future.

Changes in the original terms of a credit risk can be made in the current contract or through a new contract. Corporate and commercial companies which have been restructured and refinanced may be excluded from close monitoring, as a minimum, within the scope of the Regulation on the Determination of the Qualifications of Loans and Other Receivables by Banks and the Procedures and Principles Regarding the Provisions To Be Allocated These and when the following conditions are met:

- Subsequent to the thorough review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time.
- At least 1 year should pass over the date of restructuring (or if it is later), the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring/refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring/refinancing.

In order for the restructured non-performing corporate and commercial loans to be classified to the watchlist category, the following conditions must be met:

- Recovery in debt service,
- At least 1 year should pass over the date of restructuring,
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring/refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring/refinancing,
- Collection of all overdue amounts, disappearance of the reasons for classification as nonperforming receivable (based on the conditions mentioned above) and having no overdue and there is no doubt that future payments will be made on time.

**ACCOUNTING POLICIES (Continued)**

**X. Derecognition of Financial Instruments (Continued)**

**e) Restructuring and refinancing of financial instruments (Continued)**

During the follow-up period of at least one year following the date of restructuring/refinancing, if there is a new restructuring/refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again.

In personal loans, loans can be restructured in order to give liquidity power to the debtor and to ensure the collection of the receivables of the Bank in case of temporary liquidity problems due to the failure of the payment obligation to the Parent Bank. The exclusion of customers from the scope of restructuring is carried out within the scope of the “Regulation on the Determination of the Qualifications of Loans and Other Receivables by Banks and the Procedures and Principles Regarding the Provisions To Be Set Aside For These”.

**XI. Explanations on Sales and Repurchase Agreements and Lending of Securities**

Securities sold under repurchase agreements are recorded on the balance in accordance with Uniform Chart of Accounts. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as “Investments Subject to Repurchase Agreements” and valued based on the Group’s management’s future intentions, either at market prices or using discounting method with internal rate of return.

Funds obtained in return for repo agreements are monitored in the "Funds From Repo Transactions" accounts under liabilities, and the expense rediscount is calculated according to the internal yield method for the part of the difference between the sales and repurchase prices determined by the repo agreements, which corresponds to the period.

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TRY 30,168,346 (December 31, 2021 – TRY 22,990,663).

As of December 31, 2022 the Parent Bank has no securities that are subject to lending transactions (December 31, 2021 – None).

Securities purchased with a commitment to resell (reverse repurchase agreements) has shown under “Cash and Cash Equivalents” on the line of “Money Market Placements” in the balance sheet. The difference resulting from purchase and resale prices is treated as interest income and accrued over the life of the agreement.

**XII. Explanations on Assets Held for Sale and Discontinued Operations**

In accordance with IFRS 5 (“Assets Held for Sale and Discontinued Operations”), assets classified as held for sale are measured at lower of carrying value or fair value less costs to sell. Amortization on subject asset is ended and these assets are presented separately on financial statements. 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 (or a disposal group) should be actively marketed at a price consistent with its fair value. Various events and conditions may prolong the sale procedures for more than one year. In case subject delay is caused by the events and conditions beyond the Group’s control and there is enough evidence that plans to sell subject asset (or a disposal group) continue subject assets continue to be classified as assets held for sale. As of December 31, 2022, the Group has assets held for sale and discontinued operations explained in footnote 1.17. of Section Five.

A discontinued operation is a part of the Parent Banks’ business classified as disposed or held-for-sale. The operating results of the discontinued operations are disclosed separately in the statement of profit or loss and other comprehensive income. The Parent Bank has no discontinuing operations.

The Parent Bank classifies tangible assets which are acquired due to non-performing receivables as other assets.

**ACCOUNTING POLICIES (Continued)**

## XIII. Explanations on Goodwill and Other Intangible Assets

The Group's intangible assets consist of software, intangible rights and goodwill.

The intangible assets are recorded at their historical cost less accumulated amortization and provision for impairment, if any. Amortization is calculated on a straight-line basis. Softwares have been classified as other intangible fixed assets. The useful life of softwares is determined as 3-5 years.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the Turkish Accounting Standard on Impairment of Assets (TAS 36) and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

## XIV. Explanations on Tangible Assets

Tangible assets are recorded at their historical cost less accumulated depreciation and provision for impairment, if any.

Depreciation is calculated on a straight-line basis over the estimated useful life of tangible assets. The annual amortization rates used are as follows:

| | |
|---|---|
| Properties | 2% |
| Movables purchased and acquired under finance lease contracts | 7% – 25% |

The depreciation of leasehold improvements acquired before December, 2009, under operating lease agreements, is calculated according to their useful lives. Depreciation of the leasehold improvements acquired after this date is calculated over the lease period not exceeding 5 years where the lease duration is certain; or 5 years where the lease period is not certain in accordance with "Communiqué on the Amendment of Communiqué on Uniform Chart of Accounts and Explanatory Notes" dated January 10, 2011.

As of the balance sheet date, with respect to assets which are monitored under tangible assets for less than one year, the projected depreciation amount for a full year, is allocated in proportion to the tangible asset's period of stay in the assets.

Net book value of the property and leased assets under financial lease contracts are compared with the fair values determined by independent appraisers as of the year end and provision for impairment is recognized in "Other Operating Expenses" in the related period statement of profit or loss and other comprehensive income when the fair value is below the net book value in accordance with "Turkish Accounting Standard on Impairment of Assets" (TAS 36).

Gains or losses resulting from disposals of the tangible assets are recorded in the statement of profit or loss and other comprehensive income as the difference between the net proceeds and net book value of the asset.

Expenses for repairs are capitalized if the expenditure increases economic life of the asset; otherwise, they are expensed.

There are no changes in the accounting estimates in regards to amortization duration, which could have a significant impact on the current and future financial statements. There are no pledges, mortgages or other restrictions on the tangible assets. There are no purchase commitments related to the fixed assets.

## XV. Explanations on Leasing Transactions

With the TFRS 16 Leases Standard, the difference between operating leases and financial leases has disappeared, and fixed assets acquired under finance lease contracts are presented under "Tangible Fixed Assets" on the asset side and under "Financial Lease Payables" on the liability side at the initial date of the lease. The basis for the determination of related balance sheet amounts is the lower of fair value of the leased asset and the present value of the lease payments. The direct costs incurred for a finance lease transaction are capitalized as additions to the cost of the leased asset. Lease payments include the financing costs incurred due to the leasing transaction and the principal amount of the leased asset for the current period. Depreciation is calculated on a straight-line basis over the estimated useful life of the leased assets at the rate of 20% except for the buildings which are depreciated at the rate of 2%.

**ACCOUNTING POLICIES (Continued)**

**XV. Explanations on Leasing Transactions (Continued)**

**TFRS 16 Leases**

TFRS 16 Leasing standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of financial leases (on balance sheet). For lessors, the accounting stays almost the same. The Group has started to apply “TFRS 16 Leases” Standard starting from January 1, 2019.

Set out below are the accounting policies of the Group upon application of TFRS 16:

**Right of use assets**

The Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The right use includes the presence of:

- The initial measurement of the lease,
- The amount obtained by deducting all lease payments received from all lease payments made on or on the date of actual lease; and
- All initial direct costs incurred by the Group

At the end of the lease term of the underlying asset's service, the transfer of the Group is reasonably finalized, and the Group depreciates the asset until the end of the life of the underlying asset on which the lease actually began. Right-of-use assets are subject to impairment.

**Lease Liabilities**

The Group measures the lease obligation at the present value of the unpaid lease payments on the date that the lease commences.

Lease payments included in the measurement of the lease obligation on the date that the lease actually commences, consists of the following payments to be made for the right of use of the underlying asset during the lease period and not paid on the date the lease actually starts:

- Fixed payments,
- Variable lease payments based on an index or rate, the first measurement made using an index or rate on the actual date of the lease.
- Amounts expected to be paid by the Group under the residual value commitments
- The use price of this option and, if the Group is reasonably confident that it will use the purchase option;
- Fines for termination of the lease if the lease term indicates that the Group will use an option to terminate the lease.

Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that triggered the payment occurred. The Group revises the revised discount rate for the remainder of the lease term, if the implicit interest rate in the lease can be easily determined; the Group’s alternative borrowing interest rate at the date of the revaluation.

After the effective date of the lease, the Group measures the lease obligation as follows:

- Increase the carrying amount to reflect the interest on the lease obligation; and
- Decreases the carrying amount to reflect the lease payments made.

In addition, in the event of a change in the lease term, in essence a change in fixed lease payments or a change in the assessment of the option to buy the underlying asset, the value of the lease obligations is remeasured.

**ACCOUNTING POLICIES (Continued)**

## XV. Explanations on Leasing Transactions (Continued)

### Short-Term Leases And Leases Of Low-Value Assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Due to the Group's implementation of TFRS 16, assets classified under tangible assets as of December 31, 2022 amounted to TRY 763,013 (December 31, 2021 – TRY 491,054), lease liability amounted to TRY 755,012 (December 31, 2021 – TRY 495,124), financing expense amounted to TRY 98,182 (December 31, 2021 – TRY 57,981) and depreciation expense amounted to TRY 260,707 (December 31, 2021 – TRY 227,038).

## XVI. Explanations on Factoring Receivables

Factoring receivables are measured at amortized cost using the effective interest rate method after deducting unearned interest income and expected provisions for losses.

## XVII. Explanations on Provisions and Contingent Liabilities

Provisions, other than specific and general provisions for loans and other receivables, and contingent liabilities are provided for in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Provisions are accounted for immediately when obligations arise as a result of past events and a reliable estimate of the obligation is made by the Parent Bank. In cases where reliable estimate cannot be made of the amount of the obligation, it is considered contingent liabilities. For contingent liabilities if the probability that the event will occur is greater than the probability that it will not and the amount of the obligation can be measured reliably, a provision is made.

## XVIII. Explanations on Obligations of the Group for Employee Benefits

Provision for employee severance benefits of the Group has been accounted for in accordance with TAS 19 "Employee Benefits".

In accordance with the existing social legislation in Türkiye, the Group is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Group over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Group. The Group has reflected the retirement pay liability amount, which was calculated by an independent actuary, in the accompanying financial statements. According to TAS 19, the Group recognizes all actuarial gains and losses immediately through other comprehensive income. The Group does not have any employees who work under limited period contracts with remaining terms longer than 12 months after the balance sheet date. Provision for the employees' unused vacations has been booked in accordance with TAS 19 and reflected to the financial statements.

There are no foundations, pension trusts or similar associations of which the Group employees are members.

## ACCOUNTING POLICIES (Continued)

### XIX. Explanations on Taxation

#### 1. Corporate tax

While the corporate tax is calculated at the rate of 20% on the corporate income according to the Corporate Tax Law No. 5520 published in the Official Gazette dated June 21, 2006 and No. 26205, 25% corporate tax rate was applied to the corporate earnings within 2021 taxation period as the Provisional Article 13 was added to the Corporate Tax Law with the 11th Article of the Law No. 7316 on the Collection of Public Receivables and the Law on the Amendment of Certain Laws published in the Official Gazette on April 22, 2021. Companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies were applied as 25% for corporate earnings for the taxation period of 2022 with the Law No. 7394 on Certain Amendments to Utilization of Immovable Properties Belonging to the Treasury and to the Law on Certain Amendments to Value Added Tax Law, article 26 of the Law on Amendments to Certain Laws and Statutory Decrees and the paragraph added to the temporary article 13 of the Corporate Tax Law, which was published in the Official Gazette dated April 15, 2022, and No. 31810. This amendment has been valid in the taxation of corporate income for the periods starting from January 1, 2022, and in the declarations that must be submitted as of July 1, 2022. Prepaid taxes are followed in “Current Tax Liability” or “Current Tax Asset” accounts to be deducted from the corporate tax liability of the relevant year.

With the 75% of the profits arising from the sale of the participation shares held in the Bank's assets for more than two years and the founder's shares, usufruct shares and preference rights held for the same period and 50% of the gains arising from the sale of immovables that are in the assets of the Bank for the same period is exempt from tax on the condition that it is added to the capital or kept in a special fund account for 5 years as stipulated in the Corporate Tax Law.

Companies calculate provisional tax at the rate of 25% for the taxation periods of 2021 and 2022 (20% in the first temporary tax period of 2021 and 23% in the first temporary tax period of 2022) on their quarterly financial profits and they declare and pay until the 17th day of the second month following that period. With the 9th article of the Law No. 7338 on the Amendment of the Tax Procedure Law and Some Laws published in the Official Gazette dated October 26, 2021 and No. 31640, the repetitive article 120 of the Income Tax Law No. 193 was amended and It has been stated that provisional tax will be calculated and paid on the quarterly earnings determined for the first nine months of the relevant accounting period, which is applied from the declarations submitted.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period, if they do not exceed 5 years. According to the Tax Procedure Law, declarations and related accounting records can be examined by the tax office within five years. On the other hand, if the provision of a document subject to stamp duty, whose tax and penalty is time-barred, is utilized after the expiry of the statute of limitations, the tax receivable of the aforementioned document arises.

The corporate tax provisions calculated over the profit for the period are recorded in the “Current Tax Provision” account in the profit or loss statement, and the current tax effects of the transactions that are directly accounted for in equity are reflected in the shareholders' equity.

In cases where the profit for the period is not distributed and added to the capital or distributed to fully taxpayer institutions while not subject to withholding tax, in accordance with the Council of Ministers Decision no 2009/14593 and the Council of Ministers Decision no 2009/14594 published in the Official Gazette dated February 3, 2009, and No. 27130, and articles 15 and 30 of the Corporate Tax Law No. 5520. Real persons who are fully taxpayers, those who are not liable for corporate tax and income tax, those who are exempt from corporate tax and income tax, non-resident corporations (expect for those who receive dividends through a workplace or permanent representative in Türkiye) and non-resident taxpayers while profit distribution to real persons is subject to withholding tax at the rate of 15%, this rate has been changed to 10% with the Presidential Decision published in the Official Gazette dated December 22, 2021 and No. 31697. In the application of withholding tax rates for profit distributions to non-resident companies and real persons, the practices included in the relevant Double Taxation Agreements are also taken into consideration.

The financial statements should be subject to inflation if both of the following conditions are met within the framework of the Tax Procedure Law's reiterated article 298/A:

- The increase in the price index (D-PPI- Domestic Producer Price Index) exceeded 100% in the last three accounting periods, including the current period, and

- To be more than 10% in the current accounting period.

**ACCOUNTING POLICIES (Continued)**

**XIX. Explanations on Taxation (Continued)**

**1. Corporate Tax (Continued)**

The law on the amendment of the Tax Procedure Law and the Corporate Tax Law was enacted on January 20, 2022, with the Law No. 7352, and the conditions regarding the inflation adjustment within the scope of the repeated article 298 are determined in the 2021 and 2022 accounting periods and the 2023 accounting period temporary tax periods, including the temporary accounting periods. It has been decided that the financial statements will not be subject to inflation adjustment, regardless of whether the financial statements have been made. In line with the Law No. 7352, inflation adjustment will be applied to the financial statements dated December 31, 2023, and the profit/loss difference arising from the inflation adjustment will be shown in the previous years' profit/loss account and will not be taxed.

**2. Deferred Taxes**

The Group calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with “Turkish Accounting Standard for Income Taxes” (“TAS 12”). In the calculation of the Parent Bank's deferred tax, the enacted tax rates that are valid in accordance with the current tax legislation are used in accordance with the tax period for the related items. The Corporate Tax rate, which is 20% in accordance with the Provisional Article 13 added to the Corporate Tax Law with the 11th Article of the Law on the Amendment of Certain Laws and the Law on the Collection of Public Claims and published in the Official Gazette on April 22, 2021, No. 7316, was applied as 25% for corporate earnings incurred in 2021. It will be applied as 23% for 2022.

With the Law No. 7394 published in the Official Gazette No. 31810 and dated April 15, 2022 on Evaluation of Immovable Property Owned by the Treasury and Amending the Value Added Tax Law, Article 26 of the Law on Amending Certain Laws and Decree-Laws and the paragraph added to the temporary 13th article of the Corporate Tax Law No. 5520, the Corporate Tax rate for banks, companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies will be applied as 25% for corporate earnings for the 2022 taxation period. As of December 31, 2022, deferred tax has been calculated over 25% in accordance with the tax legislation in effect in the relevant period.

This amendment will be valid in the taxation of corporate earnings for the period starting from January 1, 2022, starting with the declarations that must be submitted as of July 1, 2022.

While deferred tax liability is calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly probable to benefit from these differences by generating taxable profit in the future.

The Group is recognized deferred tax for the Stage 1 and Stage 2 expected credit losses provisions. Deferred tax effect related to transactions for which the profit or loss effect is directly accounted in equity, is also reflected to equity.

**1. Transfer Pricing**

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of “disguised profit distribution” by way of transfer pricing. “The General Communique on Disguised Profit Distribution by way of Transfer Pricing” published on November 18, 2007 explains the application related issues in detail. According to this Communique, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm’s length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes. Disguised profit distribution amount will be recognized as share in net profit and stoppage tax will be calculated depending on whether the profit distributing institution is a real or corporate entity, full-fledged or foreign based taxpayer, is subject to or exempt from tax.

As discussed under subject Communique’s 7.5 Annual Documentation section, taxpayers are required to fill out the “Transfer Pricing, Controlled Foreign Entities and Thin Capitalization” form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

**ACCOUNTING POLICIES (Continued)**

## XX. Additional Explanations on Borrowings

The Parent Bank and consolidated Group companies generate funds from domestically and internationally resident people and institutions by using debt instruments such as syndication, securitization, collateralized debt and bond issuance. Aforementioned transactions are initially recorded at transaction cost plus acquisition cost, reflective of their fair value, and are subsequently measured at amortized cost by using effective interest rate method.

## XXI. Explanations on Share Issues

There are no shares issued in 2022 (December 31, 2021 - None).

## XXII. Explanations on Confirmed Bills of Exchange and Acceptances

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any. There are no acceptances and confirmed bills of exchange presented as liabilities against any assets.

## XXIII.Explanations on Government Incentives

As of December 31, 2022, the Group does not have any governmental incentives or support (December 31, 2021 – None).

## XXIV. Explanations on Segment Reporting

In addition to corporate banking, retail banking and commercial banking services, the Group also provides private banking, SME banking, treasury operations and credit card services through branches and alternative channels. The Group serves its retail banking clients with time, demand deposits, also overdraft services, automatic account services, consumer loans, vehicle loans, housing loans and investment fund services. The Group provides services including deposit and loans, foreign trade financing, forward and option agreements to its corporate clients. Other than those mentioned above, the Group also serves in trading financial instruments, treasury operations, and performs insurance, factoring, and domestic and abroad finance lease operations.

The calculations based on the statement of profit or loss and other comprehensive income for retail banking (consumer banking and plastic cards), corporate and commercial banking that have operational units designated as the main profit centers, have been made according to the product and customer types. During the profitability calculations, the pricing of transfers among these units and treasury unit are made by using cost/return ratios that are determined by the Parent Bank's senior management and which are updated periodically. In this pricing method, general market conditions and the Parent Bank's internal policies are considered.

Corporate and Commercial Banking serves corporate firms with an annual turnover of TRY 1,5 billion (full TRY) or more, multinational companies operating in Türkiye, and commercial firms with an annual turnover of TRY 125 million – 1,5 billion (full TRY). In addition to the financing and investment needs of its customers, it offers products that will facilitate the payment and collection processes in both domestic and foreign trade. It produces solutions that will create added value for all the needs of its customers with its customer-oriented service approach, company-specific solution approach and strategy to establish long-term business partnerships.

The Consumer Banking meets the needs and expectations of the retail banking customers. The Private Banking Unit has formed and started to operate to serve customers with high level income, in a more effective way. The installments, discounts and bonus advantages are provided to the users of Card Finans in the plastic cards line. The main function of Treasury Segment is managing the liquidity of the Parent Bank and interest and foreign currency risks resulting from market conditions. This segment is in close relation with corporate, commercial, retail, SME and private banking units in order to increase the number of customers and the volume of transactions in treasury products of the Parent Bank.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## ACCOUNTING POLICIES (Continued)

## XXIV. Explanation on Segment Reporting (Continued)

| Current Period (January 1 – December 31, 2022) | Retail Banking | Corporate and Commercial Banking | Treasury and Head Office | Total Operations of the Group |
|---|---|---|---|---|
| **Operating Income** | **13,442,486** | **11,859,601** | **21,595,549** | **46,897,636** |
| Dividend Income | - | - | 16,976 | 16,976 |
| Gain/(Loss) on joint venture accounted for at equity method | - | - | 219,325 | 219,325 |
| **Profit Before Taxes** | **4,723,097** | **6,046,524** | **13,884,507** | **24,654,128** |
| **Provision Tax (-)** (*) | **-** | **-** | **7,427,908** | **7,427,908** |
| **Net Profit/Loss** | **4,723,097** | **6,046,524** | **6,456,599** | **17,226,220** |
| **Total Assets** | **126,454,786** | **236,630,113** | **228,648,529** | **621,143,814** |
| Segment Assets | 126,454,786 | 236,630,113 | 228,648,529 | 591,733,428 |
| Associates, Subsidiaries and Entities Under Common Control | - | - | - | 462,086 |
| Undistributed Assets | - | - | - | 28,948,300 |
| **Total Liabilities** | **253,680,550** | **128,856,795** | **144,695,892** | **621,143,814** |
| Segment Liabilities | 253,680,550 | 128,856,795 | 144,695,892 | 527,233,237 |
| Undistributed Liabilities | - | - | - | 49,634,445 |
| Equity | - | - | - | 44,276,132 |
| **Other Segment Accounts** | 986,034 | 664,806 | (62,799) | 1,588,041 |
| Capital Expenditures | 442,465 | 298,320 | 300 | 741,085 |
| Depreciation and Amortization | 543,569 | 366,486 | (63,099) | 846,956 |

(*) No tax provision has been distributed.

| Prior Period (January 1– December 31, 2021) | Retail Banking | Corporate and Commercial Banking | Treasury and Head Office | Total Operations of the Group |
|---|---|---|---|---|
| **Operating Income** | **6,790,334** | **4,827,935** | **2,174,062** | **13,792,331** |
| Dividend Income | - | - | 1,305 | 1,305 |
| Gain/(Loss) on joint venture accounted for at equity method | - | - | 107,822 | 107,822 |
| **Profit Before Taxes** | **3,200,872** | **510,244** | **1,424,033** | **5,135,149** |
| **Provision Tax (-)** (*) | **-** | **-** | **1,227,288** | **1,227,288** |
| **Net Profit/Loss** | **3,200,872** | **510,244** | **196,745** | **3,907,861** |
| **Total Assets** | **65,542,275** | **146,803,189** | **151,071,619** | **383,849,012** |
| Segment Assets | 65,542,275 | 146,803,189 | 151,071,619 | 363,417,083 |
| Associates, Subsidiaries and Entities Under Common Control | - | - | - | 270,367 |
| Undistributed Assets | - | - | - | 20,161,562 |
| **Total Liabilities** | **142,168,592** | **70,730,858** | **110,075,392** | **383,849,012** |
| Segment Liabilities | 142,168,592 | 70,730,858 | 110,075,392 | 322,974,842 |
| Undistributed Liabilities | - | - | - | 38,721,961 |
| Equity | - | - | - | 22,152,209 |
| **Other Segment Accounts** | **818,520** | **569,503** | **4,706** | **1,392,729** |
| Capital Expenditures | 418,853 | 291,419 | 21,225 | 731,497 |
| Depreciation and Amortization | 399,667 | 278,084 | (16,519) | 661,232 |

(*) No tax provision has been distributed.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## ACCOUNTING POLICIES (Continued)

### XXV. Explanations on Profit Reserves and Profit Distribution

The General Assembly Meeting of the Parent Bank was held on March 30, 2022. In the Board of Directors, it was decided that profit distribution 2021 operations to be distributed as follows.

**2021 Profit Distribution Table**

| | |
|---|---|
| **Current Year Profit** | **3,928,114** |
| A – First Legal Reserves (Turkish Commercial Code 519/A) 5% | 752,842 |
| C – Extraordinary Reserves | 3,170,272 |

### XXVI. Earnings per Share

Earnings per share listed on statement of profit or loss and other comprehensive income is calculated by dividing net profit to weighted average amount of shares issued within respective year.

| | Current Period | Prior Period |
|---|---|---|
| Group's Net Profit for the Period | 17,223,799 | 3,906,647 |
| Weighted Average Amount of Shares Issued (Thousands) | 33,500,000 | 33,500,000 |
| **Earnings per Share** | **0.5141** | **0.1166** |

In Türkiye, companies can increase capital through "bonus share" distributed from previous year earnings to current shareholders. Such "bonus share" distributions are accounted as issued shares while calculating earnings per share. Accordingly, weighted average amount of shares issued used in these calculations is found through taking into consideration retroactive effects of subject share distributions. In case, amount of shares issued increases after the balance sheet date but before the date of financial statement preparation due to distribution of "bonus share", earnings per share is calculated taking into consideration the new amount of shares.

Amount of issued bonus shared in 2022 is none (Amount of issued bonus shared in 2021 is none).

### XXVII. Explanations on Other Matters

None.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## SECTION FOUR

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

### I. Explanations on Consolidated Equity

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks." As of December 31, 2022, Group's total capital has been calculated as TRY 65,069,913 (December 31, 2021: TRY 37,540,811), capital adequacy ratio is 14.50% (December 31, 2021: 15.24%) calculated pursuant to former regulations.

In accordance with the BRSA's Decision dated December 21, 2021 and No. 9996 and published in the Official Gazette dated October 23, 2015 and No. 29511, in the calculation of the amount subject to credit risk in accordance with the Regulation on the Measurement and Evaluation of Capital Adequacy; Banks have the right to use the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days as of December 31, 2021, when calculating the monetary assets and non-monetary assets, other than the items in foreign currency measured in historical cost, in accordance with the Turkish Accounting Standards and the related provision amounts. In the event that the net valuation differences of the securities in the portfolio of "Securities at Fair Value Through Other Comprehensive Income" are negative, these differences are not taken into account in the equity amount to be calculated and used for the capital adequacy ratio.

#### Components of consolidated shareholders' equity items

| | Current Period December 31, 2022 | Prior Period December 31, 2021 |
|---|---|---|
| **COMMON EQUITY TIER 1 CAPITAL** | | |
| Paid-in capital following all debts in terms of claim in liquidation of the Bank | 3,350,000 | 3,350,000 |
| Share issue premiums | 714 | 714 |
| Reserves | 2,979,569 | 17,072,922 |
| Gains recognized in equity as per TAS | 3,460,024 | 298,650 |
| Profit | 17,223,799 | 3,906,647 |
| Current Period Profit | 17,223,799 | 3,906,647 |
| Prior Period Profit | - | - |
| Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period | 1,031 | - |
| Minorities' Share | 11,816 | 9,395 |
| **Common Equity Tier 1 Capital Before Deductions** | **45,026,953** | **24,638,328** |
| **Deductions from Common Equity Tier 1 Capital** | | |
| Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks | - | - |
| Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS | 1,099,566 | 837,041 |
| Improvement costs for operating leasing | 110,385 | 79,130 |
| Goodwill (net of related tax liability) | - | - |
| Other intangibles other than mortgage-servicing rights (net of related tax liability) | 948,015 | 593,242 |
| Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | - | - |
| Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk | - | - |
| Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision | - | - |
| Gains arising from securitization transactions | - | - |
| Unrealized gains and losses due to changes in own credit risk on fair valued liabilities | - | - |
| Defined-benefit pension fund net assets | - | - |
| Direct and indirect investments of the Bank in its own Common Equity | - | - |
| Shares obtained contrary to the 4th clause of the 56th Article of the Law | - | - |
| Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank | - | - |
| Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank | - | - |
| Portion of mortgage servicing rights exceeding 10% of the Common Equity | - | - |
| Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity | - | - |
| Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks | - | - |
| Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital | - | - |
| Excess amount arising from mortgage servicing rights | - | - |
| Excess amount arising from deferred tax assets based on temporary differences | - | - |
| Other items to be defined by the BRSA | - | - |
| Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital | - | - |
| **Total Deductions From Common Equity Tier 1 Capital** | **2,157,966** | **1,509,413** |
| Positive difference between the amount of expected credit losses before implementation of TFRS 9 and expected credit losses from TFRS 9 adoption | - | 142,258 |
| **Total Common Equity Tier 1 Capital** | **42,868,987** | **23,271,173** |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### I. Explanations on Consolidated Equity (Continued)

| | Current Period December 31, 2022 | Prior Period December 31, 2021 |
|---|---|---|
| **ADDITIONAL TIER I CAPITAL** | | |
| Preferred Stock not Included in Common Equity and the Related Share Premiums | - | - |
| Debt instruments and premiums approved by BRSA | 9,815,715 | 6,813,188 |
| Debt instruments and premiums approved by BRSA(Temporary Article 4) | - | - |
| Third parties' share in the Additional Tier I capital | - | - |
| Third parties' share in the Additional Tier I capital (Temporary Article 3) | - | - |
| **Additional Tier I Capital before Deductions** | **9,815,715** | **6,813,188** |
| **Deductions from Additional Tier I Capital** | **-** | **-** |
| Direct and indirect investments of the Bank in its own Additional Tier I Capital | - | - |
| Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7. | - | - |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital | - | - |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital | - | - |
| Other items to be defined by the BRSA | - | - |
| **Transition from the Core Capital to Continue to deduce Components** | - | - |
| Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | - | - |
| Net deferred tax asset/liability which is not deducted from Common equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | - | - |
| Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-) | - | - |
| **Total Deductions From Additional Tier I Capital** | **-** | **-** |
| **Total Additional Tier I Capital** | **-** | **-** |
| **Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)** | **52,684,702** | **30,084,361** |
| **TIER II CAPITAL** | | |
| Debt instruments and premiums deemed suitable by the BRSA | - | - |
| Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4) | 7,198,191 | 4,996,338 |
| Third parties' share in the Tier II Capital | - | - |
| Third parties' share in the Tier II Capital (Temporary Article 3) | - | - |
| Provisions (Article 8 of the Regulation on the Equity of Banks) | 5,227,864 | 2,783,169 |
| **Tier II Capital Before Deductions** | **12,426,055** | **7,779,507** |
| **Deductions From Tier II Capital** | **-** | **-** |
| Direct and indirect investments of the Bank on its own Tier II Capital (-) | - | - |
| Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8. | - | - |
| Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-) | - | - |
| Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank | - | - |
| Other items to be defined by the BRSA (-) | - | - |
| **Total Deductions from Tier II Capital** | **-** | **-** |
| **Total Tier II Capital** | **12,426,055** | **7,779,507** |
| **Total Capital (The sum of Tier I Capital and Tier II Capital)** | **65,110,757** | **37,863,868** |
| **Total Capital** | | |
| Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law | 8,049 | 8,140 |
| Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years | - | - |
| Other items to be defined by the BRSA (-) | 32,795 | 314,923 |
| **In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components** | - | - |
| The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds | - | - |
| The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds | - | - |
| The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds | - | - |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## I. Explanations on Consolidated Equity (Continued)

| | Current Period December 31, 2022 | Prior Period December 31, 2021 |
|---|---|---|
| **TOTAL CAPITAL** | | |
| Total Capital | 65,069,913 | 37,540,805 |
| Total risk weighted amounts | 448,723,522 | 246,313,414 |
| **Capital Adequacy Ratios** | | |
| Consolidated Core Capital Adequacy Ratio (%) | 9.55 | 9.45 |
| Consolidated Tier 1 Capital Adequacy Ratio (%) | 11.74 | 12.21 |
| Consolidated Capital Adequacy Ratio (%) | 14.50 | 15.24 |
| **BUFFERS** | | |
| Bank specific total common equity tier 1 capital ratio | 3.51 | 3.51 |
| a) Capital conservation buffer requirement (%) | 2.50 | 2.50 |
| b) Bank specific counter-cyclical buffer requirement (%) | 0.01 | 0.01 |
| c) Systemic significant bank buffer ratio (%) | 1.00 | 1.00 |
| The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%) | 3.55 | 3.80 |
| **Amounts below the Excess Limits as per the Deduction Principles** | | |
| Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital | - | - |
| Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital | 288,563 | 218,293 |
| Amount arising from mortgage-servicing rights | - | - |
| Amount arising from deferred tax assets based on temporary differences | - | - |
| **Limits related to provisions considered in Tier II calculation** | | |
| General provisions for standard based receivables (before ten thousand twenty-five limitation) | 10,030,638 | 5,782,122 |
| Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used | 5,227,864 | 2,783,169 |
| Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation | - | - |
| Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation | - | - |
| **Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)** | | |
| Upper limit for Additional Tier I Capital subjected to temporary Article 4 | 9,815,715 | 6,813,188 |
| Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4 | - | - |
| Upper limit for Additional Tier II Capital subjected to temporary Article 4 | 7,198,191 | 4,996,338 |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### I. Explanations on Consolidated Equity (Continued)

### Information on debt instruments included in the calculation of equity

| Information on debt instruments included in the calculation of equity | | | |
|---|---|---|---|
| | **1** | **2** | **3** |
| Issuer | QATAR NATIONAL BANK Q.P.S.C. | QATAR NATIONAL BANK Q.P.S.C. | QATAR NATIONAL BANK Q.P.S.C. |
| Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | - | - | - |
| Governing law(s) of the instrument | BRSA | BRSA | BRSA |
| Regulatory treatment | Additional Capital | Supplementary Capital | Supplementary Capital |
| Since 1.1.2015 10% reduction by being subject to the application | No | No | No |
| Eligible at stand-alone/consolidated | Standalone - Consolidated | Standalone - Consolidated | Standalone - Consolidated |
| Instrument type (types to be specified by each jurisdiction) | Loan | Loan | Loan |
| Amount recognized in regulatory capital (Currency in million, as of most recent reporting date) | 9,826 | 2,396 | 4,905 |
| Par value of instrument (Currency in million) | 9,826 | 2,396 | 4,905 |
| Accounting classification | Liability – Subordinated Loans- amortized cost | Liability – Subordinated Loans- amortized cost | Liability – Subordinated Loans- amortized cost |
| Original date of issuance | June 30, 2019 | April 1, 2019 | May 22, 2017 |
| Perpetual or dated | Perpetual | Dated | Dated |
| Original maturity date | - | 10 years | 8 years |
| Issuer call subject to prior BRSA approval | Yes | Yes | Yes |
| Optional call date, contingent call dates and redemption amount | Every 5 years | 5 years | 3 years |
| Subsequent call dates, if applicable | - | - | - |
| Coupons/dividends | - | - | - |
| Fixed or floating dividend/coupon | Fixed | Floating | Floating |
| Coupon rate and any related index | First 5 years fixed at 9.50%, next 5 years fixed at MS + 7.08 | 6M LIBOR + 5.75% | SOFR + 5.10% |
| Existence of a dividend stopper | Interest will not be processed for the value reduced after the impairment date. | - | - |
| Fully discretionary, partially discretionary or mandatory | Discretionary | - | - |

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### I. Explanations on Consolidated Equity (Continued)

### Information on debt instruments included in the calculation of equity(Continued)

| | 1 | 2 | 3 |
|---|---|---|---|
| Existence of step up or other incentive to redeem | - | - | - |
| Noncumulative or cumulative | Noncumulative | Noncumulative | Noncumulative |
| Convertible or non-convertible | None | Yes | Yes |
| If convertible, conversion trigger (s) | - | Article number 7-2-i of "Own fund regulation" | Article number 7-2-i of "Own fund regulation" |
| If convertible, fully or partially | - | All of the remaining capital | All of the remaining capital |
| If convertible, conversion rate | - | (*) | (*) |
| If convertible, mandatory or optional conversion | - | Optional | Optional |
| If convertible, specify instrument type convertible into | - | Equity Share | Equity Share |
| If convertible, specify issuer of instrument it converts into | - | QNB Finansbank A.Ş. | QNB Finansbank A.Ş. |
| Write-down feature | Yes | None | None |
| If write-down, write-down trigger(s) | Non-existence of the core capital ratio is less than 5.125% | - | - |
| If write-down, full or partial | Full and partial | - | - |
| If write-down, permanent or temporary | Temporary | - | - |
| If temporary write-down, description of write-up mechanism | Disappearance of non-existence and higher core capital ratio than 5.125 % | - | - |
| Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | After borrowing and contribution capital | After borrowing, before additional capital, the same as other contribution capital | After borrowing, before additional capital, the same as other contribution capital |
| Incompliance with article number 7 and 8 of "Own fund regulation" | It fulfills the conditions within the Article number 7 of "Own fund regulation" the Regulation on the Equity of Banks. | It fulfills the conditions within the Article number 8 of "Own fund regulation" the Regulation on the Equity of Banks. | It fulfills the conditions within the Article number 8 of "Own fund regulation" the Regulation on the Equity of Banks. |
| Details of incompliances with article number 7 and 8 of "Own fund regulation" | - | - | - |

(*) The conversion rate/value will be calculated based on the market data available when the right is exercised.

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### I. Explanations on Consolidated Equity (Continued)

**Explanations on the reconciliation of shareholders' equity items and balance sheet amounts**

There are differences between amounts in the explanation on equity items and amounts on the balance sheet. In this context; up to 1.25% of the amount of the first and second part of the expected loss provisions is taken into account as contribution capital, loses from cash flow hedges have not been taken into consideration in the information on the equity items and valuation adjustments calculated according to item (i) of the first paragraph of the ninth article of the “Regulation on Equity of Banks” have been taken into consideration in the explanations on equity items.

### II. Explanations on Consolidated Risk Management

### 1. Consolidated credit risk explanations

Credit Risk Explanations Credit risk represents the risk arising due to the counter party's not fulfilling its responsibilities stated in the agreement either partially or totally.

2 Loan strategies and policies are determined by the Policy Committees. These policies and strategies are constituted in line with the applications of the Parent, and credit risk is managed according to these policies and strategies. The quality of loan portfolio is monitored regularly with the help of metrics which are in line with the Bank’s risk appetite, as specified in Risk Management Strategies.

3 Credit Risk Management takes place in every steps of the Group’s credit process from the beginning. Loan applications are evaluated by non-profit oriented independent loan granting departments. Loan Limits are determined on a product basis and in the aggregate for every individual, corporate customer and risk group. Furthermore, concentration on product, industry, region, are monitored within the frame of loan limits in line with the regulation.

4 The credibility of the debtors is monitored periodically in accordance with the related regulation. The statements presenting the financial position of the borrowers are obtained in accordance with the related regulation.

5 Loan limits of the loan customers are revised periodically in line with the Group’s loan limit revision procedures.

6 The Group analyses the credibility of the loans within the framework of its loan policies and obtains collaterals for loans.

7 The Group has control limits over the positions of forward transactions, options and other similar agreements.

The credit risk arising from these instruments are managed together with the risks resulting from market fluctuations.

The Group monitors risks of forward transactions, options and other similar agreements and reduces the risk if necessary.

Indemnified non-cash loans are weighted in the same risk group with the past due but not impaired loans.

The restructured and rescheduled loans are monitored by the Group in line with the Group’s credit risk management procedures. The debtor’s financial position and commercial activities are continuously analyzed and the principal and interest payments of rescheduled loans are monitored by the related departments.
The restructured and rescheduled loans are evaluated in the Group’s current internal rating system besides the follow up method determined in the related regulation.

The risk of banking operation abroad and credit transactions is acceptable and there is no significant credit risk density in international banking market.

The policies implemented by the bank regarding the calculation of expected loss provisions are explained in note VIII of the third part. The bank has taken into consideration the general provision for overdue loans and special provision for impaired loans under the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation).

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**II. Explanations on Consolidated Risk Management (Continued)**

**1. Consolidated credit risk explanations (Continued)**

Pursuant to the Decision of the Banking Regulation and Supervision Agency dated December 21, 2022 and No. 9996;

In accordance with the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks (Capital Adequacy Regulation) specified in the Board Decision dated September 6, 2021 and No. 9795 and published in the Official Gazette dated October 23, 2015, monetary assets and non-monetary assets, in the calculation of the amount subject to credit risk; The application of using the simple arithmetic average of the Central Bank's foreign exchange buying rates of the last 252 business days before the calculation date, when calculating the amounts valued in accordance with Turkish Accounting Standards and the relevant provision amounts for items other than items in foreign currency measured in cost terms; until a Board Decision to the contrary is taken. To continue as of January 1, 2022, by using the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days as of December 31, 2021, in the aforementioned calculation,

In case the net valuation differences of the securities held by the banks in the portfolio of “Securities at Fair Value Through Other Comprehensive Income” as of the date of this Decision are negative, these differences will be calculated in accordance with the Regulation on the Equity of Banks published in the Official Gazette dated September 5, 2013, and Allowing the opportunity not to be taken into account in the amount of equity to be used for the capital adequacy ratio, continuing to apply the existing provisions of the aforementioned Regulation for "Securities at Fair Value Reflected in Other Comprehensive Income" acquired after the date of this Decision,

Capital Adequacy Regulation;

The limit for the definition of small and medium-sized enterprises (SMEs) in subparagraph (vv) of the first paragraph of Article 3 is determined as TRY 220,000,000 for domestic residents in terms of SMEs, It has been reported that it has been decided to set the retail credit limit as TRY 10,000,000 in the first sentence of subparagraph (c) of the second paragraph of Article 6, and to use the definition of SME, which is used by the banking authority of the country where the SME is located, in the calculation of capital adequacy for non-resident SMEs.

- The receivables of the Group from its top 100 cash loan customers are 26% in the total cash loans (December 31, 2021 – 31%).
- The receivables of the Group from its top 200 cash loan customers are 31% in the total cash loans (December 31, 2021 – 36%).
- The receivables of the Group from its top 100 non-cash loan customers are 44% in the total non-cash loans (December 31, 2021 – 50%).
- The receivables of the Group from its top 200 non-cash loan customers are 54% in the total non-cash loans (December 31, 2021 – 61%).
- The share of cash and non-cash receivables of the Group from its top 100 loan customers in total cash and non-cash loans is 25% (December 31, 2021 – 30%).
- The share of cash and non-cash receivables of the Group from its top 200 loan customers in total cash and non-cash loans is 30% (December 31, 2021 – 35%).
- The Group general total provision is amounted to TRY 9,406,589 (December 31, 2021 – TRY 5,782,123).
- As of December 31, 2022 Provision for probable risks in the Group’s loan portfolio amount is not included (December 31, 2021 – None).

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## II. Explanations on Consolidated Risk Management (Continued)

### 1. Consolidated credit risk explanations (Continued)

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| **Exposure Categories** | **Risk Amount (*)** | **Average Risk Amount (**)** | **Risk Amount (*)** | **Average Risk Amount (**)** |
| Conditional and unconditional receivables from central governments and Central Banks | 159,367,372 | 139,599,639 | 91,520,203 | 72,790,121 |
| Conditional and unconditional receivables from regional or local governments | 241,765 | 259,768 | 178,915 | 110,503 |
| Conditional and unconditional receivables from administrative bodies and noncommercial enterprises | 895,513 | 1,477,607 | 215,816 | 245,180 |
| Conditional and unconditional receivables from multilateral development banks | - | - | - | - |
| Conditional and unconditional receivables from international organizations | - | - | - | - |
| Conditional and unconditional receivables from banks and brokerage houses | 58,948,371 | 62,795,227 | 51,409,418 | 38,801,593 |
| Conditional and unconditional receivables from corporates | 186,340,459 | 159,471,406 | 105,329,129 | 98,227,618 |
| Conditional and unconditional receivables from retail portfolios | 142,555,639 | 105,881,846 | 84,088,691 | 79,232,618 |
| Conditional and unconditional receivables secured by mortgages | 13,409,160 | 13,109,491 | 13,863,607 | 9,776,526 |
| Past due receivables | 1,566,671 | 1,633,058 | 2,067,694 | 1,807,059 |
| Receivables defined in high risk category by BRSA | 54,526,030 | 33,554,991 | 14,155,145 | 4,680,245 |
| Securities collateralized by mortgages | - | - | - | - |
| Securitization positions | - | - | - | - |
| Short-term receivables from banks, brokerage houses and corporates | - | - | - | - |
| Investments similar to collective investment Funds | - | - | - | - |
| Investment in equities | 3,959,964 | 2,884,637 | 2,444,501 | 2,144,015 |
| Other receivables | 19,265,004 | 15,993,551 | 14,549,400 | 10,500,902 |

(*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

(**) The average risk amount was calculated by taking the arithmetic average of the values in the monthly reports prepared in balance sheet period in regards to “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the “Regulation”).

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## II. Explanations on Consolidated Risk Management (Continued)

## 1. Consolidated credit risk explanations (Continued)

### Profile of significant exposures in major regions

| | Exposure Categories (*) | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** | **12** | **13** | **14** | **15** | **16** | **17** | **Total** |
| **Current Period** | | | | | | | | | | | | | | | | | | |
| 1. Domestic | 159,367,372 | 241,765 | 895,513 | - | - | 8,628,499 | 165,575,050 | 79,299,617 | 13,349,211 | 1,360,119 | 51,480,162 | - | - | - | - | - | 19,265,004 | 499,462,312 |
| 2. European Union Countries | - | - | - | - | - | 2,781,602 | 336,131 | 9,864 | 586 | 11 | 126 | - | - | - | - | - | - | 3,128,320 |
| 3. OECD Countries (**) | - | - | - | - | - | 38,621,246 | 18 | 9,732 | - | - | - | - | - | - | - | - | - | 38,630,996 |
| 4. Offshore Banking Areas | - | - | - | - | - | 3,673,122 | 489,579 | 61,102 | 1,172 | - | - | - | - | - | - | - | - | 4,224,975 |
| 5. USA, Canada | - | - | - | - | - | 1,407,457 | - | 193 | - | - | - | - | - | - | - | - | - | 1,407,650 |
| 6. Other Countries | - | - | - | - | - | 3,836,445 | 19,939,681 | 63,175,131 | 58,191 | 206,541 | 3,045,742 | - | - | - | - | 3,959,964 | - | 94,221,695 |
| 7. Associates, Subsidiaries and Joint –Ventures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 8. Unallocated Assets/Liabilities (***) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **159,367,372** | **241,765** | **895,513** | **-** | **-** | **58,948,371** | **186,340,459** | **142,555,639** | **13,409,160** | **1,566,671** | **54,526,030** | **-** | **-** | **-** | **-** | **3,959,964** | **19,265,004** | **641,075,948** |

| | Exposure Categories (*) | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** | **12** | **13** | **14** | **15** | **16** | **17** | **Total** |
| **Prior Period** | | | | | | | | | | | | | | | | | | |
| 1. Domestic | 91,520,203 | 178,915 | 215,816 | - | - | 3,024,885 | 97,517,927 | 54,213,389 | 13,858,850 | 1,880,140 | 13,000,131 | - | - | - | - | - | 14,549,400 | 289,959,656 |
| 2. European Union Countries | - | - | - | - | - | 36,956,155 | 445,689 | 1,254 | 29 | 11 | 1,348 | - | - | - | - | - | - | 37,404,486 |
| 3. OECD Countries (**) | - | - | - | - | - | 1,472,322 | 13 | - | - | - | - | - | - | - | - | - | - | 1,472,335 |
| 4. Offshore Banking Areas | - | - | - | - | - | 3,211,363 | 297,697 | 335 | - | - | - | - | - | - | - | - | - | 3,509,395 |
| 5. USA, Canada | - | - | - | - | - | 4,262,094 | - | 5,165 | 19 | - | - | - | - | - | - | - | - | 4,267,278 |
| 6. Other Countries | - | - | - | - | - | 2,482,599 | 7,067,803 | 29,868,548 | 4,709 | 187,543 | 1,153,666 | - | - | - | - | 2,444,501 | - | 43,209,369 |
| 7. Associates, Subsidiaries and Joint –Ventures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 8. Unallocated Assets/Liabilities (***) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **91,520,203** | **178,915** | **215,816** | **-** | **-** | **51,409,418** | **105,329,129** | **84,088,691** | **13,863,607** | **2,067,694** | **14,155,145** | **-** | **-** | **-** | **-** | **2,444,501** | **14,549,400** | **379,822,519** |

(*) Exposure categories based on "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". Prior to the Credit Risk Reduction, the risk amounts after the credit conversion rate are given.
(**) Includes OECD countries other than EU countries, USA and Canada.
(***) Includes assets and liability items that cannot be allocated on a consistent basis.

**1- Conditional and unconditional receivables from central governments and Central Banks**
**2- Conditional and unconditional receivables from regional or local governments**
**3- Conditional and unconditional receivables from administrative bodies and noncommercial enterprises**
**4- Conditional and unconditional receivables from multilateral development banks**
**5- Conditional and unconditional receivables from international organizations**
**6- Conditional and unconditional receivables from banks and brokerage houses**
**7- Conditional and unconditional receivables from corporates**
**8- Conditional and unconditional receivables from retail portfolios**
**9- Conditional and unconditional receivables secured by mortgages**
**10- Past due receivables**
**11- Receivables defined under high risk category by BRSA**
**12- Securities collateralized by mortgages**
**13- Securitization positions**
**14- Short-term receivables from banks, brokerage houses and corporates**
**15- Investments similar to collective investment Funds**
**16- Investment in equities**
**17- Other receivables**

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## II. Explanations on Consolidated Risk Management (Continued)

## 1. Consolidated credit risk explanations (Continued)

### Risk profile regarding sectors or counter parties

| | Exposure Categories (*) | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Current Period** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** | **12** | **13** | **14** | **15** | **16** | **17** | **TRY** | **FC** | **Total** |
| **Agriculture** | - | - | **1,478** | - | - | - | **1,342,250** | **1,561,294** | **71,364** | **35,701** | **130,386** | - | - | - | - | - | - | **2,618,385** | **524,088** | **3,142,473** |
| Farming and Raising Livestock | - | - | 1,478 | - | - | - | 698,300 | 1,492,551 | 69,817 | 35,560 | 130,386 | - | - | - | - | - | - | 2,232,885 | 195,207 | 2,428,092 |
| Forestry | - | - | - | - | - | - | 54,078 | 23,733 | 731 | 1 | - | - | - | - | - | - | - | 77,670 | 873 | 78,543 |
| Fishing | - | - | - | - | - | - | 589,872 | 45,010 | 816 | 140 | - | - | - | - | - | - | - | 307,830 | 328,008 | 635,838 |
| **Industrial** | - | **144,509** | **1,045** | - | - | - | **68.357,935** | **9,762,988** | **2,691,576** | **147,646** | **4,289,605** | - | - | - | - | - | - | **43,932,290** | **41,463,014** | **85,395,304** |
| Mining and Quarrying | - | - | - | - | - | - | 497,696 | 208,482 | 72,391 | 2,480 | 74,338 | - | - | - | - | - | - | 627,925 | 227,462 | 855,387 |
| Production | - | - | 1,045 | - | - | - | 59,239,787 | 9,381,361 | 2,582,852 | 145,064 | 4,143,519 | - | - | - | - | - | - | 41,998,309 | 33,495,319 | 75,493,628 |
| Electricity, Gas, Water | - | 144,509 | - | - | - | - | 8,620,452 | 173,145 | 36,333 | 102 | 71,748 | - | - | - | - | - | - | 1,306,056 | 7,740,233 | 9,046,289 |
| **Construction** | - | - | - | - | - | - | **9,013,390** | **5,497,897** | **1,301,342** | **296,352** | **487,463** | - | - | - | - | - | - | **12,986,136** | **3,610,308** | **16,596,444** |
| **Services** | **63,704,102** | **54,038** | **20.400** | - | - | **50,775,140** | **78,434,668** | **23,488,299** | **7,806,370** | **565,912** | **8,009,908** | - | - | - | - | - | - | **98,417,959** | **134,440,878** | **232,858,837** |
| Wholesale and Retail Trade | - | - | 1,134 | - | - | - | 27,317,321 | 17,888,980 | 2,950,225 | 212,165 | 6,301,512 | - | - | - | - | - | - | 47,094,826 | 7,576,511 | 54,671,337 |
| Hotel, Food and Beverage | - | - | - | - | - | - | 5,870,161 | 376,656 | 749,351 | 25,633 | 5,649 | - | - | - | - | - | - | 1,953,013 | 5,074,437 | 7,027,450 |
| Transportation and Communication | - | 54,005 | - | - | - | - | 23,711,799 | 2,204,355 | 236,282 | 9,909 | 587,100 | - | - | - | - | - | - | 4,810,808 | 21,992,642 | 26,803,450 |
| Financial Institutions | 63,704,102 | 33 | - | - | - | 50,775,140 | 3,683,367 | 204,210 | 5,164 | 271 | 30,173 | - | - | - | - | - | - | 36,523,461 | 81,878,999 | 118,402,460 |
| Real Estate and Rent Services | - | - | - | - | - | - | 9,903,473 | 342,991 | 3,535,538 | 297,401 | 467,922 | - | - | - | - | - | - | 2,513,055 | 12,034,270 | 14,547,325 |
| Self-Employment Services | - | - | 17,707 | - | - | - | 1,616,146 | 1,218,256 | 194,821 | 11,384 | 51,776 | - | - | - | - | - | - | 2,224,733 | 885,357 | 3,110,090 |
| Educational Services | - | - | - | - | - | - | 182,289 | 336,290 | 17,408 | 6,054 | 171,938 | - | - | - | - | - | - | 707,502 | 6,477 | 713,979 |
| Health and Social Services | - | - | 1,559 | - | - | - | 6,150,112 | 916,561 | 117,581 | 3,095 | 393,838 | - | - | - | - | - | - | 2,590,561 | 4,992,185 | 7,582,746 |
| **Other** | **95,663,270** | **43,218** | **872,590** | - | - | **8,173,231** | **29,192,216** | **102,245,161** | **1,538,508** | **521,060** | **41,608,668** | - | - | - | - | **3,959,964** | **19,265,004** | **249,887,494** | **53,195,396** | **303,082,890** |
| **Total** | **159,367,372** | **241,765** | **895,513** | - | - | **58,948,371** | **186,340,459** | **142,555,639** | **13,409,160** | **1,566,671** | **54,526,030** | - | - | - | - | **3,959,964** | **19,265,004** | **407,842,264** | **233,233,684** | **641,075,948** |

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

**1- Conditional and unconditional receivables from central governments and Central Banks**
**2- Conditional and unconditional receivables from regional or local governments**
**3- Conditional and unconditional receivables from administrative bodies and noncommercial enterprises**
**4- Conditional and unconditional receivables from multilateral development banks**
**5- Conditional and unconditional receivables from international organizations**
**6- Conditional and unconditional receivables from banks and brokerage houses**
**7- Conditional and unconditional receivables from corporates**
**8- Conditional and unconditional receivables from retail portfolios**
**9- Conditional and unconditional receivables secured by mortgages**
**10- Past due receivables**
**11- Receivables defined under high risk category by BRSA**
**12- Securities collateralized by mortgages**
**13- Securitization positions**
**14- Short-term receivables from banks, brokerage houses and corporates**
**15- Investments similar to collective investment Funds**
**16-Investment in equities**
**17- Other receivables**

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### II. Explanations on Consolidated Risk Management (Continued)

### 1. Consolidated credit risk explanations (Continued)

### Risk profile regarding sectors or counter parties

| | Exposure Categories (*) | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Prior Period** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** | **12** | **13** | **14** | **15** | **16** | **17** | **TRY** | **FC** | **Total** |
| **Agriculture** | **-** | **-** | **2,723** | **-** | **-** | **-** | **711,895** | **1,608,169** | **34,664** | **83,852** | **50,624** | **-** | **-** | **-** | **-** | **-** | **-** | **2,100,668** | **391,259** | **2,491,927** |
| Farming and Raising Livestock | - | - | 2,723 | - | - | - | 366,971 | 1,554,423 | 30,295 | 83,679 | 50,624 | - | - | - | - | - | - | 1,962,678 | 126,037 | 2,088,715 |
| Forestry | - | - | - | - | - | - | 94 | 16,616 | 169 | 31 | - | - | - | - | - | - | - | 16,910 | - | 16,910 |
| Fishing | - | - | - | - | - | - | 344,830 | 37,130 | 4,200 | 142 | - | - | - | - | - | - | - | 121,080 | 265,222 | 386,302 |
| **Industrial** | **-** | **116,496** | **94** | **-** | **-** | **-** | **43,181,146** | **7,478,925** | **1,720,921** | **223,451** | **43,937** | **-** | **-** | **-** | **-** | **-** | **-** | **22,237,061** | **30,527,909** | **52,764,970** |
| Mining and Quarrying | - | - | - | - | - | - | 486,256 | 170,257 | 3,532 | 12,032 | 44 | - | - | - | - | - | - | 397,950 | 274,171 | 672,121 |
| Production | - | - | 94 | - | - | - | 35,584,160 | 7,163,433 | 1,713,814 | 211,376 | 43,893 | - | - | - | - | - | - | 21,010,315 | 23,706,455 | 44,716,770 |
| Electricity, Gas, Water | - | 116,496 | - | - | - | - | 7,110,730 | 145,235 | 3,575 | 43 | - | - | - | - | - | - | - | 828,796 | 6,547,283 | 7,376,079 |
| **Construction** | **-** | **-** | **-** | **-** | **-** | **-** | **6,185,284** | **3,561,464** | **660,865** | **451,326** | **44,185** | **-** | **-** | **-** | **-** | **-** | **-** | **7,907,673** | **2,995,451** | **10,903,124** |
| **Services** | **50,098,746** | **33** | **3,530** | **-** | **-** | **46,439,591** | **47,509,479** | **15,605,962** | **9,338,943** | **836,566** | **117,072** | **-** | **-** | **-** | **-** | **-** | **-** | **54,396,490** | **115,553,432** | **169,949,922** |
| Wholesale and Retail Trade | - | - | 2,276 | - | - | - | 14,192,645 | 12,193,986 | 1,249,005 | 364,274 | 77,931 | - | - | - | - | - | - | 22,000,335 | 6,079,782 | 28,080,117 |
| Hotel, Food and Beverage | - | - | - | - | - | - | 2,633,611 | 331,832 | 2,210,924 | 41,872 | 10,900 | - | - | - | - | - | - | 773,255 | 4,455,884 | 5,229,139 |
| Transportation and Communication | - | - | - | - | - | - | 17,615,731 | 1,147,303 | 464,727 | 19,231 | 2,794 | - | - | - | - | - | - | 1,959,087 | 17,290,699 | 19,249,786 |
| Financial Institutions | 50,098,746 | 33 | - | - | - | 46,439,591 | 2,811,383 | 134,488 | 23,443 | 1,087 | - | - | - | - | - | - | - | 25,598,825 | 73,909,946 | 99,508,771 |
| Real Estate and Rent Services | - | - | - | - | - | - | 4,439,707 | 264,010 | 4,944,735 | 373,898 | 1,067 | - | - | - | - | - | - | 1,247,865 | 8,775,552 | 10,023,417 |
| Self-Employment Services | - | - | 697 | - | - | - | 1,213,872 | 727,457 | 61,407 | 20,962 | 3,046 | - | - | - | - | - | - | 1,315,236 | 712,205 | 2,027,441 |
| Educational Services | - | - | 3 | - | - | - | 106,101 | 223,735 | 18,868 | 7,605 | 20,801 | - | - | - | - | - | - | 361,383 | 15,730 | 377,113 |
| Health and Social Services | - | - | 554 | - | - | - | 4,496,429 | 583,151 | 365,834 | 7,637 | 533 | - | - | - | - | - | - | 1,140,504 | 4,313,634 | 5,454,138 |
| **Other** | **41,421,457** | **62,386** | **209,469** | **-** | **-** | **4,969,827** | **7,741,325** | **55,834,171** | **2,108,214** | **472,499** | **13,899,327** | **-** | **-** | **-** | **-** | **2,444,501** | **14,549,400** | **117,557,381** | **26,155,195** | **143,712,576** |
| **Total** | **91,520,203** | **178,915** | **215,816** | **-** | **-** | **51,409,418** | **105,329,129** | **84,088,691** | **13,863,607** | **2,067,694** | **14,155,145** | **-** | **-** | **-** | **-** | **2,444,501** | **14,549,400** | **204,199,273** | **175,623,246** | **379,822,519** |

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

**1- Conditional and unconditional receivables from central governments and Central Banks**
**2- Conditional and unconditional receivables from regional or local governments**
**3- Conditional and unconditional receivables from administrative bodies and noncommercial enterprises**
**4- Conditional and unconditional receivables from multilateral development banks**
**5- Conditional and unconditional receivables from international organizations**
**6- Conditional and unconditional receivables from banks and brokerage houses**
**7- Conditional and unconditional receivables from corporates**
**8- Conditional and unconditional receivables from retail portfolios**
**9- Conditional and unconditional receivables secured by mortgages**
**10- Past due receivables**
**11- Receivables defined under high risk category by BRSA**
**12- Securities collateralized by mortgages**
**13- Securitization positions**
**14- Short-term receivables from banks, brokerage houses and corporates**
**15- Investments similar to collective investment Funds**
**16- Investment in equities**
**17- Other receivables**

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### II. Explanations on Consolidated Risk Management (Continued)

### 1. Consolidated credit risk explanations (Continued)

#### Analysis of maturity-bearing exposures according to remaining maturities (*)

| **Current Period**<br>**Exposure Categories** | **Term To Maturity** | | | | |
|---|---|---|---|---|---|
| | **Up to 1 month** | **1-3 month** | **3-6 months** | **6-12 months** | **Over 1 year** |
| Conditional and unconditional receivables from central governments and Central Banks | 785,676 | 422,833 | 3,491,006 | 4,689,779 | 85,267,977 |
| Conditional and unconditional receivables from regional or local governments | - | 2,307 | 7,612 | 6,113 | 222,855 |
| Conditional and unconditional receivables from administrative bodies and noncommercial enterprises | 164,987 | 314,964 | 90,348 | 10,140 | 288,595 |
| Conditional and unconditional receivables from multilateral development banks | - | - | - | - | - |
| Conditional and unconditional receivables from international organizations | - | - | - | - | - |
| Conditional and unconditional receivables from banks and brokerage houses | 17,621,354 | 5,984,127 | 4,124,416 | 4,860,106 | 6,796,423 |
| Conditional and unconditional receivables from corporates | 17,114,528 | 19,398,381 | 20,661,730 | 22,967,590 | 76,638,128 |
| Conditional and unconditional receivables from retail portfolios | 11,166,774 | 15,685,571 | 12,049,891 | 28,307,427 | 90,695,830 |
| Conditional and unconditional receivables secured by mortgages | 306,281 | 748,503 | 1,177,719 | 1,644,559 | 9,225,468 |
| Past due receivables | - | - | - | - | - |
| Receivables defined in high risk category by BRSA | 1,384,749 | 3,590,529 | 4,858,923 | 1,521,542 | 40,072,042 |
| Securities collateralized by mortgages | - | - | - | - | - |
| Securitization positions | - | - | - | - | - |
| Short-term receivables from banks, brokerage houses and corporates | - | - | - | - | - |
| Investments similar to collective investment Funds | - | - | - | - | - |
| Investment in equities | 7,674 | - | - | - | - |
| Other receivables | - | - | - | - | - |
| **Generall Total** | **48,552,023** | **46,147,214** | **46,461,646** | **64,007,255** | **309,207,318** |

(*) Risk amounts prior to Loan Reduction, After the Loan conversion rates are given.

| **Prior Period**<br>**Risk Classification** | **Term To Maturity** | | | | |
|---|---|---|---|---|---|
| | **Up to 1 month** | **1-3 month** | **3-6 months** | **6-12 months** | **Over 1 year** |
| Conditional and unconditional receivables from central governments and Central Banks | 2,559,232 | 2,252,336 | 322,789 | 1,807,675 | 38,301,974 |
| Conditional and unconditional receivables from regional or local governments | - | - | 3,656 | - | 175,226 |
| Conditional and unconditional receivables from administrative bodies and noncommercial enterprises | 601 | 753 | 9,746 | 6 | 195,413 |
| Conditional and unconditional receivables from multilateral development banks | - | - | - | - | - |
| Conditional and unconditional receivables from international organizations | - | - | - | - | - |
| Conditional and unconditional receivables from banks and brokerage houses | 8,992,416 | 9,209,816 | 782,541 | 6,024,921 | 4,959,909 |
| Conditional and unconditional receivables from corporates | 8,119,331 | 10,569,045 | 11,324,719 | 15,120,906 | 53,181,052 |
| Conditional and unconditional receivables from retail portfolios | 4,876,286 | 7,753,065 | 7,522,719 | 11,769,701 | 28,611,822 |
| Conditional and unconditional receivables secured by mortgages | 118,023 | 292,342 | 727,457 | 1,126,423 | 11,430,203 |
| Past due receivables | - | - | - | - | - |
| Receivables defined in high risk category by BRSA | - | - | - | - | 12,719,133 |
| Securities collateralized by mortgages | - | - | - | - | - |
| Securitization positions | - | - | - | - | - |
| Short-term receivables from banks, brokerage houses and corporates | - | - | - | - | - |
| Investments similar to collective investment Funds | - | - | - | - | - |
| Investment in equities | 7,674 | - | - | - | - |
| Other receivables | - | - | - | - | - |
| **General Total** | **24,673,563** | **30,077,357** | **20,693,627** | **35,849,632** | **149,574,732** |

(*) Risk amounts prior to Loan Reduction, After the Loan conversion rates are given.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## II. Explanations on Consolidated Risk Management (Continued)

### 1. Consolidated credit risk explanations (Continued)

### Exposures by risk weights

**Current Period**

| Risk Weight | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | 200% | 250% | 2% | Deductions from Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Exposures Before Credit Risk Mitigation | 168,514,959 | - | 22,724,748 | - | 33,940,632 | 119,097,189 | 242,251,866 | 41,628,959 | 12,700,634 | - | 196,437 | 20,523 |
| 2. Exposures After Credit Risk Mitigation | 169,852,592 | - | 16,560,567 | 1,814,699 | 31,572,888 | 106,571,583 | 227,359,607 | 41,090,648 | 12,700,634 | - | 196,437 | 20,523 |

**Prior Period**

| Risk Eight | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | 200% | 250% | 2% | Deductions from Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Exposures Before Credit Risk Mitigation | 96,792,187 | - | 13,795,968 | - | 35,922,633 | 80,409,985 | 138,720,007 | 14,155,145 | - | - | 26,594 | 995,430 |
| 2. Exposures After Credit Risk Mitigation | 96,450,222 | - | 8,254,658 | 2,110,492 | 24,595,077 | 73,240,114 | 130,861,186 | 13,702,564 | - | - | 26,594 | 995,430 |

### Information by major sectors and type of counterparties

Information about impaired credits and past due credits and value adjustments and provisioning methods are described in Section IV Part 2.

| Current Period | Loans (*) | | | Provisions | |
|---|---|---|---|---|---|
| | Impaired Loans (TFRS 9 ) | | | | |
| Major Sectors/Counterparties | Significant Increase of Credit Risk (Stage 2) | Default (Stage 3) | Non-Performing (Regulation of Provision) | Expected Credit Loss Provisions (TFRS 9) | (Regulation of Provision) |
| **1. Agriculture** | **142,855** | **249,702** | **-** | **213,655** | **-** |
| 1.1. Farming and Livestock | 133,225 | 247,302 | - | 210,600 | - |
| 1.2. Forestation | 4,236 | 104 | - | 559 | - |
| 1.3. Fishing | 5,394 | 2,296 | - | 2,496 | - |
| **2. Industrial** | **2,835,561** | **1,775,197** | **-** | **1,884,035** | **-** |
| 2.1. Mining and Quarrying | 36,000 | 75,109 | - | 62,178 | - |
| 2.2. Manufacturing Industry | 2,780,315 | 1,390,390 | - | 1,482,880 | - |
| 2.3. Electricity, Gas, Water | 19,246 | 309,698 | - | 338,977 | - |
| **3. Construction** | **1,113,394** | **1,056,060** | **-** | **866,551** | **-** |
| **4. Services** | **19,344,003** | **3,166,763** | **-** | **6,148,952** | **-** |
| 4.1. Wholesale and Retail Commerce | 4,698,583 | 1,748,378 | - | 1,957,589 | - |
| 4.2. Hotel and Restaurant Services | 1,447,733 | 260,681 | - | 520,392 | - |
| 4.3. Transportation and Communication | 441,084 | 136,948 | - | 176,137 | - |
| 4.4. Financial Corporations | 11,131,296 | 808,138 | - | 2,822,164 | - |
| 4.5. Real Estate and Loan Services | 89,659 | 27,373 | - | 89,309 | - |
| 4.6. Independent Business Services | 846,616 | 101,121 | - | 302,366 | - |
| 4.7. Education Services | 59,133 | 37,760 | - | 35,693 | - |
| 4.8. Health and Social Services | 629,899 | 46,364 | - | 245,302 | - |
| **5. Other** | **12,915,605** | **3,246,798** | **-** | **4,517,552** | **-** |
| **6. Total** | **36,351,418** | **9,494,520** | **-** | **13,630,745** | **-** |

(*) Represents the distribution of cash loans.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### II. Explanations on Consolidated Risk Management (Continued)

### 1. Consolidated credit risk explanations (Continued)

**Information by major sectors and type of counterparties (Continued)**

| Prior Period | Loans (*) | | | Provisions | |
|---|---|---|---|---|---|
| | Impaired Loans (TFRS 9 ) | | | | |
| Major Sectors/Counterparties | Significant Increase of Credit Risk (Stage 2) | Default (Stage 3) | Non-Performing (Regulation of Provision) | Expected Credit Loss Provisions (TFRS 9) | (Regulation of Provision) |
| **1. Agriculture** | **251,454** | **451,157** | **-** | **289,430** | **-** |
| 1.1. Farming and Livestock | 248,085 | 370,225 | - | 255,233 | - |
| 1.2. Forestation | 1,819 | 78,577 | - | 31,853 | - |
| 1.3. Fishing | 1,550 | 2,355 | - | 2,344 | - |
| **2. Industrial** | **1,944,161** | **1,572,015** | **-** | **1,717,924** | **-** |
| 2.1. Mining and Quarrying | 23,286 | 111,473 | - | 63,464 | - |
| 2.2. Manufacturing Industry | 1,902,286 | 1,136,513 | - | 1,301,989 | - |
| 2.3. Electricity, Gas, Water | 18,589 | 324,029 | - | 352,471 | - |
| **3. Construction** | **1,013,482** | **1,329,720** | **-** | **1,034,844** | **-** |
| **4. Services** | **11,926,149** | **3,552,235** | **-** | **4,812,317** | **-** |
| 4.1. Wholesale and Retail Commerce | 1,602,091 | 1,928,118 | - | 1,805,898 | - |
| 4.2. Hotel and Restaurant Services | 966,052 | 392,321 | - | 383,648 | - |
| 4.3. Transportation and Communication | 276,018 | 140,079 | - | 151,353 | - |
| 4.4. Financial Corporations | 7,916,880 | 825,439 | - | 1,967,628 | - |
| 4.5. Real Estate and Loan Services | 94,351 | 27,810 | - | 43,251 | - |
| 4.6. Independent Business Services | 598,745 | 122,167 | - | 284,680 | - |
| 4.7. Education Services | 38,197 | 67,775 | - | 42,250 | - |
| 4.8. Health and Social Services | 433,815 | 48,526 | - | 133,609 | - |
| **5. Other** | 4,057,337 | 2,611,020 | - | 2,694,362 | - |
| **6. Total** | **19,192,583** | **9,516,147** | **-** | **10,548,877** | **-** |

(*) Represents the distribution of cash loans.

**Movements in value adjustments and provisions**

| Current Period | Opening Balance | Provision for Period | Provision Reversals | Other Adjustments (*) | Closing Balance |
|---|---|---|---|---|---|
| 1. Stage 3 Provisions (**) | 7,132,156 | 1,768,481 | (677,441) | (394,163) | 7,829,033 |
| 2. Stage 1 and 2 Provisions | 5,553,774 | 4,991,919 | (1,139,103) | - | 9,406,590 |

(*) Represents the provision of loans written-off or sold.
(**) Demonstrates provision movement of Stage 3 cash loans.

| Prior Period | Opening Balance | Provision for Period | Provision Reversals | Other Adjustments (*) | Closing Balance |
|---|---|---|---|---|---|
| 1. Stage 3 Provisions (**) | 7,133,071 | 2,197,301 | (973,373) | (1,224,843) | 7,132,156 |
| 2. Stage 1 and 2 Provisions | 4,019,817 | 2,351,094 | (817,137) | - | 5,553,774 |

(*) Represents the provision of loans written-off or sold.
(**) Demonstrates provision movement of Stage 3 cash loans.

**Exposures subject to countercyclical capital buffer**

The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué "Regulation on Capital Conservation and Countercyclical Capital Buffers of Banks" published in the Official Gazette No. 28812 dated November 5, 2013 is presented below:

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**II. Explanations on Consolidated Risk Management (Continued)**

**1. Consolidated credit risk explanations (Continued)**

**Information on private sector receivables**

| Current Period Country | RWAs of Banking Book for Private Sector Lending | RWAs of Trading Book | Total |
|---|---|---|---|
| Türkiye | 488,140,145 | - | 488,140,145 |
| Malta | 442,373 | - | 442,373 |
| Other | 731,150 | - | 731,150 |
| **Total** | **489,313,668** | **-** | **489,313,668** |

| Prior Period Country | RWAs of Banking Book for Private Sector Lending | RWAs of Trading Book | Total |
|---|---|---|---|
| Türkiye | 238,366,466 | - | 238,366,466 |
| Malta | 621,516 | - | 621,516 |
| Other | 1,243,149 | - | 1,243,149 |
| **Total** | **240,231,131** | **-** | **240,231,131** |

**2. Risk Management and General Disclosures regarding Risk Weighted Amounts**

**2.1. GBA – Risk management approach of the group**

**a) The way risk profile of the Group is determined by business model and the interaction between (e.g. key risks related to business model and in which way those risks are reflected to disclosures) and in which way the risk profile of the Group is related to risk appetite approved by board of directors**

Group acknowledges that business and strategy risks are material since the Group’s growth oriented business plan is sensitive to changes in market conditions. From this point of view, Group classifies business and strategy risk as an important risk. Group reviews its 5 year long term business plans once a year periodically. If the economic developments and market conditions require, then business plans are reviewed and revised more often.

**b) Risk management structure: Allocation of responsibilities in the Group (e.g. supervision and delegation of authorization; separation of responsibilities with respect to their risk type, business unit etc.; relations between structures included in risk management processes [e.g. board of directors, senior management, separate risk committee, risk management unit, legal compliance, internal audit function])**

Group’s risk measurement, monitoring, and control functions have clearly defined responsibilities that are sufficiently independent from position/risk taking functions. Risk exposures are directly reported to Senior Management and the Board of Directors/Board Risk Committee. Group’s internal control systems are designed to provide adequate segregation of duties, in order to prevent conflicts of interest with respect to the distinct functions of undertaking, approving, monitoring and controlling risks. In particular the functions that undertake transactions (front line) are administratively and operationally separate from the functions of, confirmation, accounting and settlement of transactions, as well as the safekeeping of the assets of the Group or its customers.

Risk management governance at the Group starts with the Board of Directors. The Board Risk Committee (“BRC”), Audit Committee (the “AC”), Assets and Liabilities Committee (the “ALCO”), Corporate and Retail Credit Policy Committee (“CPC”), Operational Risk Management Committee (“ORC”), Reputation Risk Management Committee and Risk Management Department are the important bodies of the risk management structure. The Board of Directors determines the general risk policy and the risk appetite of the Group.

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**II. Explanations on Consolidated Risk Management (Continued)**

**2. Risk Management and General Disclosures regarding Risk Weighted Amounts (Continued)**

**2.1. GBA – Risk management approach of the group (Continued)**

**b) Risk management structure: Allocation of responsibilities in the Group (e.g. supervision and delegation of authorization; separation of responsibilities with respect to their risk type, business unit etc.; relations between structures included in risk management processes [e.g. board of directors, senior management, separate risk committee, risk management unit, legal compliance, internal audit function]) (Continued)**

The AC is responsible for supervising whether the Group complies with the provisions of applicable risk management legislation, and the internal risk management policies and procedures approved by the BoD. The AC reviewing whether the Group has the methods, instruments and procedures required for identifying, measuring, monitoring and controlling the risk exposures of the Group,

The ALCO, meeting monthly, is responsible for monitoring and managing the structural asset-liability mismatches of the Group, as well as monitoring and controlling liquidity risk and foreign currency exchange risk.

The CPC meets monthly and is responsible for monitoring and evaluating the Group's lending portfolio and determining principles and policies regarding the credit risk management processes such as loan approval, limit setting, rating, monitoring and problem management. The ORMC meets every three months and is responsible for reviewing operational risk issues of the Group and defining the necessary actions to be taken to minimize these risks. The Reputation Risk Management Committee is established to identify, evaluate and monitor the reputational risks that the Group is exposed to and to take necessary actions to prevent risks and meets quarterly.

The Risk Management Department, working independently from the executive functions and reporting to the Board of Directors, is organized under three main section as market risk, credit risk, operational risk and model validation, each having responsibility for identifying, measuring, monitoring, controlling and managing the relevant risks as well as for model validation, assessing the predictive ability of risk estimates and the use of ratings in credit processes.

The Compliance function is ensuring, through proper procedures, that the requirements and deadlines provided for by the regulatory framework in force are observed. In doing so, the compliance function informs all Group employees on the relevant changes to the regulatory framework and provides guidance on the required changes to internal rules and processes. Moreover, the Compliance function cooperates as appropriate with the Risk Management unit, as compliance risk is considered a subcategory of operational risk.

Internal audit function acts as one of the three lines of defense of Group risk Management model and provides the independent review function. Risk assessments at internal audit are carried out by internal audit department by paying attention to exposures that Group has and controls relevant to them during audit works.

**c) Channels which are used to extend and apply risk culture in the Group (e.g. behavior rules, manuals including operation limits or procedures which shall be applied when the risk limits are exceeded, procedures regarding sharing of risk matters between business units and risk units)**

The Risk Appetite Statement stands out as the basic risk management policy document in which the Group defines its risks and determines its risk appetite and management principles. It also defines current and targeted risk profile and appetite, risk management organization, and core risk management capabilities.

Corporate and Retail Loan Policies and application directions also determines the Group's credit risk management workflow and procedures.

TFRS 9 Impairment Policy is to define TFRS 9 Impairment and related activities to be performed in accordance with the requirements of TFRS 9 Implementation Guide. The policy is to determine the roles and responsibilities of the Group units within the framework of TFRS 9, to determine the changes specific to TFRS 9 apart from the existing credit policy guidelines, to establish guidelines for TFRS 9 risk monitoring, control and reporting activities, and to establish the TFRS 9 Impairment framework applied within the Group. aims to provide.

Corporate Rating Governance Policy regulates the internal governance framework for corporate and commercial segment risk rating system operations.

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**II. Explanations on Consolidated Risk Management (Continued)**

**2. Risk Management and General Disclosures regarding Risk Weighted Amounts (Continued)**

**2.1. GBA – Risk management approach of the group (Continued)**

**c) Channels which are used to extend and apply risk culture in the Group (e.g. behavior rules, manuals including operation limits or procedures which shall be applied when the risk limits are exceeded, procedures regarding sharing of risk matters between business units and risk units) (Continued)**

Capital Management Policy sets a framework for managing capital requirements and adequacy assessment, capital planning, capital measurement and monitoring, capital allocation, risk-adjusted aims to establish performance measurement and pricing principles.

Counterparty Credit Risk Policy, the risk strategy determined by the Bank with risk policies and local legislation in comply with effective and sufficient counterparty credit risk management with caution, constant to establish based on the principles of applicability.

Country Risk Policy is to set a consistent framework for the identification, management and reporting of country risk that QNB Finansbank is exposed to through its counterparties in different countries.

The Market Risk Management Policy determines the key principles underlying the operations of the Group in money and capital markets including limit structure.

Banking Account Interest Rate Risk (BHFOR) Policy sets the basic principles for the management of interest rate risk related to banking activities other than trading accounts.
The liquidity policy outlines the Group's view and identifies the guidelines for incurring, retaining and managing liquidity risk.

The Fair Value Policy aims to define the main principles, roles and responsibilities for measuring the fair value of financial instruments in accordance with accounting provisions and regulatory principles.

Investment Portfolio Risk Policy ensures that the activities related to the management of the Group's investment portfolio are carried out in accordance with generally accepted practices. This policy explains the objectives and targets of the investment portfolio, whose management is given to the Treasury Trading and Asset-Liability Management units by the Asset-Liability Committee (ALCO). It also defines the management and risk control framework for managing and maintaining the investment portfolio.

The Operational Risk Management Policy ensures that all the Group's stakeholders manage operational risk within a formalized framework aligned to business objectives.

Reputation Risk Policy, identifies the rules and frame of managing the reputation risk.

The Environmental and Social Risk Policy (Policy) sets forth QNB Finansbank's approach to environmental and social issues in line with the sustainability policy, strategy and ESG (Environmental, Social, Governance) commitments of QNB Group and QNB Finansbank.

**d) Key elements and scope of risk measurement systems**

Consistent across the Group internal risk rating systems appropriate to the nature, size and complexity of each activity and fully integrated in credit processes. The internal risk rating system employs appropriate credit risk rating models the scope and coverage of which are adequate to accommodate the Group's strategic aspirations and regulatory requirements. In particular, the Group's internal rating systems form the basis of capital assessment and allocation and constitute a key element of risk adjusted performance measurement, pricing and profitability measurement.

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**II. Explanations on Consolidated Risk Management (Continued)**

**2. Risk Management and General Disclosures regarding Risk Weighted Amounts (Continued)**

**2.1. GBA – Risk management approach of the group (Continued)**

**d) Key elements and scope of risk measurement systems (Continued)**

Information systems and analytical techniques that enable measurement of credit risk inherent in all relevant activities, providing adequate information on the composition of the credit portfolio of the Group, including identification of any concentrations of risk.

The Market Risk Management Policy determines the key principles underlying the operations of the Group in money and capital markets. Key principles of Market Risk Management Framework are:

The Board Risk Committee is responsible for ensuring that market risk strategy and policy are consistently implemented. This includes:

- Implementation of the market risk management policy.
- Designation of risk limits.
- Definition of responsibilities for every unit involved in market risk management.
- Ongoing market risk monitoring and control, ensuring that risk appetite remains within the approved limits.
- Setting up appropriate IT systems for evaluating and monitoring the risks taken.
- Setting up standard models for market risk positions valuation and performance evaluation.
- Setting up comprehensive reporting and internal control systems.
- Providing for the maintenance of an adequate level of regulatory capital against the market risk undertaken.
- Providing for the disclosure of information regarding the type and level of the market risk assumed and for the implementation of policies for the management thereof.

**e) Disclosures regarding risk reporting processes provided to Board of Directors and senior management (especially on the scope and main content of reporting)**

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operation Risk.

Credit Risk section of the report consists of three main sub sections such as general Outlook, business Loans and retail Loans, and include;

- Basic risk appetite parameters in the Group Risk Management Strategy.
- Exposures by segments, monthly and annual changes, portfolio growth.
- Sector concentration and risk metrics.
- Delinquency amounts, product types and delinquencies by segments, new NPLs and recoveries from NPLS.
- Detailed watch list analyses for business segments.
- Rating distributions, PD distributions, expected loss trend, collateral structure.
- New NPLs, vintage analyses, recoveries by segments and products.
- Restructured credits by segments.
- Derivative products exposures by segments, stress testing.
- Credit risk information regarding subsidiaries.

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**II. Explanations on Consolidated Risk Management (Continued)**

**2. Risk Management and General Disclosures regarding Risk Weighted Amounts (Continued)**

**2.1. GBA – Risk management approach of the group (Continued)**

**e) Disclosures regarding risk reporting processes provided to Board of Directors and senior management (especially on the scope and main content of reporting) (Continued)**

The Risk Management Division is required to inform Senior Management and Board Member who is responsible from Internal Systems on Market Risk of Trading Book and AFS portfolio.

Reports are prepared daily and indicatively include the following:
- Estimation of the VaR on aggregate basis and by type of risk (interest rate, FX, equity)
- Estimation of Stress VaR on aggregate basis and by type of risk (interest rate, FX, equity)
- Sensitivity of the Trading Book and AFS portfolio
- Nominal values of bond portfolios
- A breakdown of the portfolio and the relevant limits utilization
- Utilization of limits on option Greeks
- Sensitivity of credit derivatives to credit spread changes

In addition, Board of Directors Risk Committee Report is prepared monthly in a way covering abovementioned market risk metrics and stress tests in order to be presented to Board of Directors and Risk Committee.

Operational Risk segment reporting broadly covers the following:
- Operational risk loss events experienced in the group
- Key risk indicators and risk metrics
- Action tracking

**f) Disclosures regarding stress test (e.g. assets included in stress test, adapted scenarios and used methodologies and use of stress test in risk management)**

Stress tests constitute the center of capital planning within the scope of the Group's APICA (Assessment Process of Internal Capital Adequacy). The Bank's general principles on the stress testing framework can be summarized as follows:

- Comprehensive stress testing, aggregated per risk category, is conducted at least annually on year end data and business plan
- Stress testing is integrated to the ICAAP document which is subject to Board of Directors approval
- A historical scenario is selected as an anchor scenario to be used on the construct of base adverse scenario for the stress test use. However, final scenario is applied by enriching with hypothetical components as independent from anchor scenario
- Bank's stress testing framework encompasses sensitivity tests.
- The impact of the stress testing on the Group's financial strength and capital position are analyzed through some key ratios and key items including but not limited to the following: Non-performing Loan Ratio, Return of Equity, Return on Asset, Leverage Ratio, Core Tier I Ratio, Capital Adequacy Ratio, Loan Balances, Balance Sheet Items, Statement of Profit or Loss Items
- Stress testing framework encompasses reverse stress testing

In scenarios using stress testing, as a result of increase in non-performing loans due to significant deterioration in asset quality and a decrease in capital adequacy, The Group's ability to meet capital-strengthening actions and cash outflows that may occur in case of a possible liquidity crisis were tested. In this context, when the potential risks created and to be created by Covid are evaluated, it is thought that the Bank has the power to be able to act at an adequate level.

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**II. Explanations on Consolidated Risk Management (Continued)**

**2. Risk Management and General Disclosures Regarding Risk Weighted Amounts (Continued)**

**2.1. GBA – Risk management approach of the group (Continued)**

**f) Disclosures regarding stress test (e.g. assets included in stress test, adapted scenarios and used methodologies and use of stress test in risk management) (Continued)**

Market Risk Management defines the stress test approaches as below:

- To move the risk factors parallel in one direction.
- To move the risk factors non parallel.
- To perform tests to the existing portfolio based on past extreme situations.

Trading book consists of Financial Assets at Fair Value Through Profit or Loss securities, Financial Assets at Fair Value Through Profit or Loss derivatives and open currency positions which are clearly defined in Market Risk Management Policy.

Within the scope of liquidity stress test to identify possible sources of liquidity weaknesses, scenarios that are specific to the bank, related to the market in general and taking both situations into account have been defined. Thus, the Group's ability to meet its obligations during a funding crisis is tested. The Group has had four different stress tests measuring how much it can meet its promises, without providing any new funds from the market or at very low levels of funds, cumulative cash outflows. During the coronavirus epidemic, the scenarios were reviewed by observing the financial movements and the minimum life expectancy of the Bank and it has been observed that it is resistant to stress over 30 days.

**g) Risk management, protection and mitigation strategies and process of the Group sourcing from its business model and Monitoring processes of continuing effects of protection and mitigation**

Forecasts related to effectiveness of credit risk mitigation methods and collection ability of the Group associated with miscellaneous collateral types are stated with consideration ratios on the basis of collaterals. The aforementioned ratios are determined based on long term historical observations of the Group and judgement of expert business units and most importantly with precautionary principle.

Likewise, conservatism is also embedded in regulatory rules through respective haircuts, collateral eligibility requirements and so forth. Furthermore, the collaterals used as a risk mitigant in the Bank’s capital adequacy calculations are predominantly cash or equivalent collaterals. The treatment of cash collaterals is straight forward, issues about recovery, and valuation are not relevant.

Regarding the exposure secured with mortgages, the new capital adequacy regime with Basel II increased the operational requirements for the recognition.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## II. Explanations on Consolidated Risk Management (Continued)

## 2. Risk Management and General Disclosures regarding Risk Weighted Amounts (Continued)

### 2.1. GBA – Risk management approach of the group (Continued)

#### GB1 – Overview of risk weighted assets

| | | Risk Weighted Assets | | Minimum Capital Requirements | |
|---|---|---|---|---|---|
| | | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| 1 | Credit risk (excluding counterparty credit risk) | 399,456,740 | 212,756,907 | 31,956,540 | 17,020,553 |
| 2 | Standardised approach | 399,456,740 | 212,756,907 | 31,956,540 | 17,020,553 |
| 3 | Internal rating-based approach | - | - | - | - |
| 4 | Counterparty credit risk | 18,772,414 | 9,896,598 | 1,501,793 | 791,728 |
| 5 | Standardised approach for counterparty credit risk | 18,772,414 | 9,896,598 | 1,501,793 | 791,728 |
| 6 | Internal model method | - | - | - | - |
| 7 | Basic risk weight approach to internal models equity position in the banking account | - | - | - | - |
| 8 | Investments made in collective investment companies – look-through approach | - | - | - | - |
| 9 | Investments made in collective investment companies – mandate-based approach | - | - | - | - |
| 10 | Investments made in collective investment companies – 1250% weighted risk approach | - | - | - | - |
| 11 | Settlement risk | - | - | - | - |
| 12 | Securitisation exposures in banking accounts | - | - | - | - |
| 13 | IRB ratings-based approach | - | - | - | - |
| 14 | IRB Supervisory Formula Approach | - | - | - | - |
| 15 | SA/simplified supervisory formula approach | - | - | - | - |
| 16 | Market risk | 10,050,275 | 5,888,475 | 804,022 | 471,078 |
| 17 | Standardised approach | 10,050,275 | 5,888,475 | 804,022 | 471,078 |
| 18 | Internal model approaches | - | - | - | - |
| 19 | Operational risk | 20,444,093 | 17,771,434 | 1,635,527 | 1,421,714 |
| 20 | Basic Indicator Approach | 20,444,093 | 17,771,434 | 1,635,527 | 1,421,714 |
| 21 | Standardised Approach | - | - | - | - |
| 22 | Advanced Measurement Approach | - | - | - | - |
| 23 | The amount of the discount threshold under the equity (subject to a 250% risk weight) | - | - | - | - |
| 24 | Floor adjustment | - | - | - | - |
| **25** | **TOTAL(1+4+7+8+9+10+11+12+16+19+23+24)** | **448,723,522** | **246,313,414** | **35,897,882** | **19,705,073** |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## II. Explanations on Consolidated Risk Management (Continued)

### 3. Linkages between financial statements and risk amounts

### 3.1. B1- Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts

| Current Period | | | Carrying values of items in accodance with TAS | | | |
|---|---|---|---|---|---|---|
| **Assets** | **Carrying values in financial statements prepared as per TAS** | **Carrying values in accordance legal consolidation prepared as per TAS** | **Subject to credit risk** | **Subject to counterparty credit risk** | **Subject to market risk** | **Not subject to capital requirements or subject to deduction from capital** |
| Cash and Balances with the Central Bank | 94,533,049 | 94,527,176 | 94,532,103 | - | - | - |
| Trading Financial Assets (*) | 8,090,348 | 8,090,348 | - | 7,691,497 | - | 3,792,070 |
| Financial Assets at Fair Value Through Profit or Loss | 1,619,014 | 1,619,015 | - | - | - | 1,211,871 |
| Banks | 11,358,595 | 11,137,685 | 11,149,252 | - | - | - |
| Money Market Placements | 8,462,898 | 8,462,898 | 4,422,294 | 4,040,604 | - | - |
| Financial Assets Available-for-Sale (net) | 40,302,956 | 40,257,481 | 40,128,060 | 10,288,785 | - | - |
| Loans and Receivables | 339,661,284 | 338,904,231 | 348,269,977 | - | - | - |
| Factoring Receivables | 9,468,733 | 9,593,485 | 9,593,485 | - | - | - |
| Held-to-Maturity Investments (net) | 61,943,267 | 61,943,267 | 61,948,362 | 19,879,566 | - | - |
| Investment in Associates (net) | - | 45,477 | 45,477 | - | - | - |
| Investment in Subsidiaries (net) | - | 128,046 | 128,046 | - | - | - |
| Investment in Joint ventures (net) | 343,575 | 288,563 | 288,563 | - | - | - |
| Lease Receivables | 15,284,714 | 14,607,221 | 14,607,221 | - | - | - |
| Derivative Financial Assets Held for Hedging (*) | 14,521,606 | 14,521,606 | - | 14,521,606 | - | - |
| Property and Equipment (net) | 4,857,485 | 4,901,332 | 4,790,947 | - | - | - |
| Intangible Assets (net) | 982,157 | 944,149 | - | - | - | - |
| Investment Property (net) | - | - | - | - | - | - |
| Tax Asset | 570,548 | 665,697 | 665,697 | - | - | - |
| Assets Held for Resale and Related to Discontinued Operations (net) | - | - | - | - | - | - |
| Other Assets | 7,559,384 | 10,506,137 | 10,519,352 | - | - | - |
| **Total Assets** | **619,559,613** | **621,143,814** | **601,088,836** | **56,422,058** | **-** | **5,003,941** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Deposits | 407,494,763 | 392,763,122 | - | - | | |
| Derivative Financial Liabilities Held for Trading (**) | 5,591,399 | 5,591,399 | - | - | - | 3,515,675 |
| Funds Borrowed | 54,946,924 | 55,217,357 | - | - | - | - |
| Money Markets | 23,053,503 | 23,078,637 | - | 23,078,637 | - | - |
| Marketable Securities Issued | 32,001,173 | 32,016,909 | - | - | - | - |
| Funds | - | - | - | - | - | - |
| Miscellaneous Payables (***) | 14,784,702 | 29,702,644 | - | - | - | - |
| Other Liabilities (***) | 10,997,460 | 7,564,175 | - | - | - | - |
| Factoring Payables | - | - | - | - | - | - |
| Lease Payables | 741,622 | 741,622 | - | - | - | - |
| Derivative Financial Liabilities Held for Hedging (**) | 1,123,589 | 1,123,589 | - | - | - | - |
| Provisions | 4,583,106 | 9,097,021 | - | - | - | - |
| Tax Liability | 2,843,483 | 2,843,483 | - | - | - | - |
| Liabilities for Property and Equipment Held for Sale and Related to Discontinued Operations (net) | - | - | - | - | - | - |
| Subordinated Loans | 17,127,724 | 17,127,724 | - | - | - | - |
| Shareholders' Equity | 44,270,165 | 44,276,132 | - | - | - | - |
| **Total Liabilities** | **619,559,613** | **621,143,814** | **-** | **23,078,637** | **-** | **3,515,675** |

(*) Financial assets held for trading and derivative financial assets for hedging purposes are included in the "Derivative Financial Assets" item in the financial statements.
(**) Financial liabilities held for trading and derivative financial liabilities for hedging purposes are included in the "Derivative Financial Liabilities" item in the financial statements.
(***) Miscellaneous payables and other liabilities are presented under "Other Liabilities" items in the financial statements.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### II. Explanations on Consolidated Risk Management (Continued)

### 3. Linkages between financial statements and risk amounts (Continued)

### 3.1. B1- Differences and matching between asset and liabilities’ carrying values in financial statements and risk amounts

| Prior period | | | Carrying values of items in accodance with TAS | | | |
|---|---|---|---|---|---|---|
| **Assets** | **Carrying values in financial statements prepared as per TAS** | **Carrying values in accordance legal consolidation prepared as per TAS** | **Subject to credit risk** | **Subject to counterparty credit risk** | **Subject to market risk** | **Not subject to capital requirements or subject to deduction from capital** |
| Cash and Balances with the Central Bank | 70,290,905 | 70,287,488 | 70,294,571 | - | - | - |
| Trading Financial Assets (*) | 9,842,852 | 9,842,852 | - | 9,839,432 | - | 5,227,730 |
| Financial Assets at Fair Value Through Profit or Loss | 562,736 | 774,458 | 537,617 | - | - | 339,126 |
| Banks | 17,684,194 | 15,816,302 | 15,819,972 | - | - | - |
| Money Market Placements | 159,508 | 159,508 | - | 159,508 | - | - |
| Financial Assets Available-for-Sale (net) | 19,691,782 | 19,677,747 | 19,677,747 | 8,052,567 | - | - |
| Loans and Receivables | 198,376,037 | 197,854,995 | 203,085,571 | - | - | - |
| Factoring Receivables | 3,727,952 | 3,810,518 | 3,810,518 | - | - | - |
| Held-to-Maturity Investments (net) | 29,847,182 | 29,847,183 | 29,856,976 | 14,938,096 | - | - |
| Investment in Associates (net) | - | 14,027 | 14,027 | - | - | - |
| Investment in Subsidiaries (net) | - | 38,046 | 38,046 | - | - | - |
| Investment in Joint ventures (net) | 210,971 | 218,294 | 218,294 | - | - | - |
| Lease Receivables | 11,401,832 | 10,689,748 | 10,689,748 | - | - | - |
| Derivative Financial Assets Held for Hedging (*) | 11,963,432 | 11,963,432 | - | 11,963,432 | - | - |
| Property and Equipment (net) | 3,731,530 | 3,773,645 | 3,694,515 | - | - | - |
| Intangible Assets (net) | 669,817 | 569,455 | - | - | - | - |
| Investment Property (net) | - | - | - | - | - | - |
| Tax Asset | 346,969 | 343,730 | 343,730 | - | - | - |
| Assets Held for Resale and Related to Discontinued Operations (net) | - | - | - | - | - | - |
| Other Assets | 4,602,348 | 8,167,584 | 8,176,087 | - | - | - |
| **Total Assets** | **383,110,047** | **383,849,012** | **366,257,419** | **44,953,035** | **-** | **5,566,856** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Deposits | 236,219,701 | 225,876,579 | - | - | - | - |
| Derivative Financial Liabilities Held for Trading (**) | 10,784,969 | 10,784,969 | - | - | - | - |
| Funds Borrowed | 37,171,251 | 37,252,267 | - | - | - | - |
| Money Markets | 18,123,446 | 18,190,614 | - | 18,190,614 | - | - |
| Marketable Securities Issued | 29,800,057 | 29,802,816 | - | - | - | - |
| Funds | - | - | - | - | - | - |
| Miscellaneous Payables (***) | 8,499,110 | 18,846,635 | - | - | - | - |
| Other Liabilities (***) | 4,170,744 | 4,788,052 | - | - | - | - |
| Factoring Payables | - | - | - | - | - | - |
| Lease Payables | 487,262 | 487,262 | - | - | - | - |
| Derivative Financial Liabilities Held for Hedging (**) | 1,998,921 | 1,998,921 | - | - | - | - |
| Provisions | 1,651,362 | 1,648,401 | - | - | - | - |
| Tax Liability | 167,723 | 167,723 | - | - | - | - |
| Liabilities for Property and Equipment Held for Sale and Related to Discontinued Operations (net) | - | - | - | - | - | - |
| Subordinated Loans | 11,852,564 | 11,852,564 | - | - | - | - |
| Shareholders’ Equity | 22,182,937 | 22,152,209 | - | - | - | - |
| **Total Liabilities** | **383,110,047** | **383,849,012** | **-** | **18,190,614** | **-** | **-** |

(*) Financial assets held for trading and derivative financial assets for hedging purposes are included in the "Derivative Financial Assets" item in the financial statements.
(**) Financial liabilities held for trading and derivative financial liabilities for hedging purposes are included in the "Derivative Financial Liabilities" item in the financial statements.
(***) Miscellaneous payables and other liabilities are presented under "Other Liabilities" items in the financial statements.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**II. Explanations on Consolidated Risk Management (Continued)**

**3. Linkages between financial statements and risk amounts (Continued)**

**3.2. B2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements**

| | Current period | Total | Subject to Credit Risk | Subject to the Securitization | Subject to Counterparty Credit Risk | Subject to Market Risk |
|---|---|---|---|---|---|---|
| 1 | Asset carrying value amount under scope of regulatory consolidation (as in template B1) | 662,514,835 | 601,088,836 | - | 56,422,058 | 5,003,941 |
| 2 | Liabilities carrying value amount under regulatory scope of consolidation (as in template B1) | 26,594,312 | - | - | 23,078,637 | 3,515,675 |
| 3 | Total net amount under regulatory scope of consolidation | 635,920,523 | 601,088,836 | - | 33,343,421 | 1,488,266 |
| 4 | Off-Balance Sheet Amount | 342,491,942 | 58,108,375 | - | - | - |
| 5 | Differences due to different netting rules (except 2) | 8,562,009 | - | - | - | 8,562,009 |
| 6 | Repo transactions | 2,471,321 | - | - | 2,471,321 | - |
| 7 | Decrease in counterparty credit risk as a result of netting | - | - | - | - | - |
| 8 | Potential credit risk amount calculated for the counterparty | 9,114,794 | - | - | 9,114,794 | - |
| 9 | Differences due to credit risk reduction | (25,665,149) | (11,730,439) | - | (13,934,710) | - |
| 10 | Average exchange rate effect (*) | (70,721,420) | (70,721,420) | - | - | - |
| | **Risk amounts** | | **576,745,352** | **-** | **30,994,826** | **10,050,275** |

(*) It shows the average exchange rate effect used in credit risk calculation within the scope of the BRSA's Resolution dated April 28, 2022.

| | Prior Period | Total | Subject to Credit Risk | Subject to the Securitization | Subject to Counterparty Credit Risk | Subject to Market Risk |
|---|---|---|---|---|---|---|
| 1 | Asset carrying value amount under scope of regulatory consolidation (as in template B1) | 416,777,310 | 366,257,419 | - | 44,953,035 | 5,566,856 |
| 2 | Liabilities carrying value amount under regulatory scope of consolidation (as in template B1) | 18,190,614 | - | - | 18,190,614 | - |
| 3 | Total net amount under regulatory scope of consolidation | 398,586,696 | 366,257,419 | - | 26,762,421 | 5,566,856 |
| 4 | Off-Balance Sheet Amount | 205,902,080 | 37,004,161 | - | - | - |
| 5 | Differences due to different netting rules (except 2) | 321,619 | - | - | - | 321,619 |
| 6 | Repo transactions | 1,470,527 | - | - | 1,470,527 | - |
| 7 | Decrease in counterparty credit risk as a result of netting | 2,310,393 | - | - | 2,310,393 | - |
| 8 | Potential credit risk amount calculated for the counterparty | (19,636,270) | (6,594,164) | - | (13,042,106) | - |
| 9 | Differences due to credit risk reduction | (64,927,744) | (64,927,744) | - | - | - |
| 10 | Average exchange rate effect (*) | 588,955,045 | 331,739,672 | - | 17,501,235 | 5,888,475 |
| | **Risk amounts** | | **366,257,419** | **-** | **44,953,035** | **5,566,856** |

(*) It shows the average exchange rate effect used in credit risk calculation within the scope of the BRSA's Resolution dated December 21, 2021.

**3.3. BA - Disclosures regarding differences between amounts valued according to TAS and risk exposures**

**a)** None

**b)** There is no significant difference between amounts valued in accordance with TAS included in B2 and risk exposures except for “Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)”. There is a significant difference between amounts valued according to TAS and risk exposures, since the securities which are subject to repurchase that include in Money Market Payables account item are subject to counter party risk.

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**II. Explanations on Consolidated Risk Management (Continued)**

**3. Linkages between financial statements and risk amounts (Continued)**

**3.3. BA - Disclosures regarding differences between amounts valued according to TAS and risk exposures (Continued)**

**c) Valuation methodologies regarding the disclosure related to use of Market Value and Model Value**

In general terms, market risk is the possibility of making loss as a result of changes occurring in the current market values of financial assets and positions in the Group's trading accounts. In this framework, the following elements of the Group, which must be reflected on balance sheet over their current market values (market to market), are included in market risk:

- Equity shares included in trading, investment fund participation documents, securities such as bonds and bills,
- Open foreign exchange position with respect to each foreign currency,
- Derivative contracts (forwards) sensitive to interest changes and concluded for trading, future transactions, simple or complex options, swaps, credit derivatives are subject to market risk. Classification of Trading Accounts are made in accordance with Appedix-3 of Regulation on Measurement and Evaluation of Bank’s Capital Adequacy.

The Parent Bank calculates its value at market risk with standard method in the framework of “Regulation on Measurement and Evaluation of Bank’s Capital Adequacy”. Accordingly, capital requirement is reached through multiplying of total of general market risk, commodity risk, settlement risk, option risk to 12.5.

The Group's market risk basis value is reached by determining the amounts related to market risk. The details of the analysis are as follows:

- Commodity risk analysis: Simplified approach (Standard method)
- Interest rate risk analysis: General Market Risk Calculation (Standard method – maturity approach) – Specific risk calculation (standard method)
- Equity share risk analysis: Position risk in equity share investments (Standard method)
- Exchange rate exposure analysis (standard method)
- Option risk analysis: Weighting method with delta factor (standard method)

Securities such as equity share, bond and bills, whose market prices are monitored directly, and derivative products such as futures, which are traded in stock exchange, are reviewed over their transaction prices as of reporting date. If a security included in Financial Assets at Fair Value through Profit/Loss portfolio cannot be treated as of reporting date, it is evaluated over the price determined in scope of precautionary principles.

Market value of products, which are traded at over the counter markets such as forward foreign exchange, foreign exchange swaps and interest swaps, are calculated in line with discounting of cash flows over market interest rates. Market value of option transactions is performed based on softwares which are internationally accepted valuation methodologies.

**Definition of independent price approval processes**

There are four main price parameters which shall have an impact on current market value of financial assets and positions held by the Banks:

- Market interest rates (bond, bill and derivative prices)
- Share prices
- Exchange rates
- Gold, other precious metals and commodity prices

Total risk of loss sourcing from price movements (interest, equity share, exchange and commodity risk) related to financial assets and positions are called as “general market risk”.

Independency of price process in ensured through the recording and management of prices to Group systems by back office. In addition, the pricing and valuation systems in question are also reviewed and validated by Validation Unit. Details belonging to aforementioned valuation and accounting are strictly documented and monitored by Treasury Control Unit.

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**II. Explanations on Consolidated Risk Management (Continued)**

**3. Linkages between financial statements and risk amounts (Continued)**

**3.3. BA - Disclosures regarding differences between amounts valued according to TAS and risk exposures (Continued)**

**Processes for valuation adjustments or differences (It includes definition of process and methodology definition for the valuation of trading positions according to type of financial instrument)**

TRY borrowing instruments included in securities portfolio of Financial Assets at Fair Value through Profit/Loss account consist of government securities. The aforementioned securities are evaluated based on weighted average price traded in BIST. Market price is calculated based on CBRT prices for TRY securities not traded in BIST. Average of quotation of purchase and sell in the market are accepted as market price for Foreign Currency securities included in the same portfolio

**4. Credit Risk Disclosures**

**4.1. General Information on Credit Risk**

**4.1.1. CRD – general qualitative information on credit risk**

**a) Conversion of The Parent Bank’s business model to components of credit risk profile**

The Parent Bank has forward-looking measurement and forecast instruments which are sensitive to risk and including appropriate information technology applications and management information systems in order to take expected or unexpected losses into account in all types of risk under both normal and also negative market conditions. The conversion of business model to components in risk profile is digitized through aforementioned instruments.

**b) Criteria and approach used during the determination of credit risk policy and credit risk limits**

Group credit policies have been established to form effective and satisfactory loan allocation processes based on prudence and applicability principles in a way that it is in line with the risk boundaries set by the Group, Group Credit Policies and legal authorities. Pillars of credit risk management policy in Group are;

- Rules and Regulations of BRSA (Banking Regulation and Supervision Agency)
- Decisions of institutions auditing QNB Group
- Credit policies and procedures at Group level
- Credit policies and procedures at Bank level
- Risk Appetite Statement Document
- Corporate, commercial and SME banking credit policies and corporate grading management documents
- Individual credit and credit cards policies

Risk Management Strategy is the main risk management policy document in which the risks of the Group are identified, and its risk appetite and managements principles are determined. Credit risk limits are annually reviewed in line with risk strategy.

**c) Structure and organization of credit risk management and control function**

All of the process related to direct or indirect credit allocation, extension, monitoring and operation of the Group in favour of individuals or legal entities are reviewed in scope of credit risk management. Activities related to capital management includes calculation of legal and economic capital requirement of annual and long term business plans of the Bank.

Activities related to Credit Risk and Capital Management are carried out by Credit Risk Analytic, Strategy and Capital Management unit. Group’s Credit Risk organization, duties and responsibilities, related units and responsibilities of those units are identified in detail in the own Credit Policy documents of the Group, Risk Management Strategy Document and Risk Management Department operation instruction and also main principles, applications, limits and reporting processes, which are going to be adopted in Credit Risk Management, are included

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**II. Explanations on Consolidated Risk Management (Continued)**

**4. Credit Risk Disclosures (Continued)**

**4.1. General Information on Credit Risk (Continued)**

**4.1.1. CRD – general qualitative information on credit risk (Continued)**

**c) Structure and organization of credit risk management and control function (Continued)**

Main responsibilities of Credit Risk Management Department are as follows:

- To establish risk management policies and strategies related to risks exposed by the Group and to submit those policies and strategies for the approval of Board of Directors Risk Committee,
- To ensure fulfilment of risk identification, measurement, analysis, monitoring, control and mitigation activities in accordance with risk management policies and processes approved by Board of Directors and to report all significant in balance and off balance risks which are undertaken at group level to senior management,
- To make internal capital adequacy review covering all risks and to make forecasts related to course of capital adequacy ratio in the framework of long term business plans of the Group,
- To make periodic stress tests and scenario analysis and establish early warning systems,
- To support decision-making processes of the Group through providing reviews and risk point of view with respect to risk management,
- To develop of forecasting models/approaches and the measurement monitoring of portfolio credit risk through Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD).
- Implementation of risk based Credit Classification and Expected Credit Loss calculations under TFRS 9, determination of credit risk measurement framework, development and implementation of relevant models/approaches.

**d) Relationship between credit risk management, risk control, legal compliance and internal audit functions**

Risk governance model includes three lines of defense consisting of:

- The risk taking units (lines of business) at the first level, responsible for assessing and minimizing risks for a given level of return.
- Risk Management Unit, at the second level, identifies, monitors, controls, quantifies risk, provides appropriate tools and methodologies, provides coordination and assistance; measures risk adjusted performance across the business lines; reports to appropriate levels and proposes mitigation measures, being supported by business lines, where the risk is actually created, and specialized units.
- Internal Audit – provides the independent review function.

The Compliance function is ensuring, through proper procedures, that the requirements and deadlines provided for by the regulatory framework in force are observed. In doing so, the compliance function informs all Group employees on the relevant changes to the regulatory framework and provides guidance on the required changes to internal rules and processes. Moreover, the Compliance function cooperates as appropriate with the Risk Management unit, as compliance risk is considered a subcategory of operational risk.

Internal audit function acts as one of the three lines of defense of Group risk Management model and provides the independent review function. Risk assessments at internal audit are carried out by internal audit department by paying attention to exposures that Group has and controls relevant to them during audit works.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**II. Explanations on Consolidated Risk Management (Continued)**

**4. Credit Risk Disclosures (Continued)**

**4.1. General Information on Credit Risk (Continued)**

**4.1.1. CRD – general qualitative information on credit risk (Continued)**

**e) Scope and main content of reporting to senior management and board members regarding the credit risk management function and exposure to credit risk**

A Board of Directors Risk Committee Report is prepared monthly to be submitted to the Board of Directors Risk Committee, and the report mainly consists of information on capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operational Risk. The main content and scope of the report contains development in risk parameters, change in risk profile, concentration and risk metrics, stress tests and results, delay amounts and rates on the basis of segments, third stage, second stage, rating and default probability distributions, aging analysis collateral structure, collection amounts by segment and product, and non-performing loan restructurings. In addition to this monthly report, a quarterly comparison analysis with peer banks based on capital adequacy and credit risk metrics is reported to senior management and the board of directors.

**4.2. CR1 Credit Quality of Assets**

| | Current Period | Gross carrying values of as per TAS | | | |
|---|---|---|---|---|---|
| | | Defaulted exposures | Non-defaulted exposures | Allowances/impairments | Net value |
| 1 | Loans | 9,494,520 | 347,114,928 | 7,829,034 | 348,780,414 |
| 2 | Debt Securities | - | 102,094,281 | - | 102,094,281 |
| 3 | Off-balance sheet exposures | 52,021 | 245,588,683 | 55,641 | 245,585,063 |
| **4** | **Total** | **9,546,541** | **694,797,892** | **7,884,675** | **696,459,758** |

| | Prior Period | Gross carrying values of as per TAS | | | |
|---|---|---|---|---|---|
| | | Defaulted exposures | Non-defaulted exposures | Allowances/impairments | Net value |
| 1 | Loans (*) | 9,516,147 | 201,781,415 | 7,132,156 | 204,165,406 |
| 2 | Debt Securities | - | 49,490,388 | - | 49,490,388 |
| 3 | Off-balance sheet exposures | 410,472 | 130,802,870 | 54,581 | 131,158,761 |
| **4** | **Total** | **9,926,619** | **382,074,673** | **7,186,737** | **384,814,555** |

(*) Includes financial assets at fair value through profit or loss in line with TFRS 9 amounting to TRY 209,670.

**4.3. CR2 Changes in stock of defaulted loans and debt securities**

| | | Current Period | Prior Period |
|---|---|---|---|
| 1 | Defaulted loans and debt securities at end of the previous reporting period | 9,516,147 | 9,523,366 |
| 2 | Loans and debt securities that have defaulted since the last reporting period | 2,777,814 | 3,131,039 |
| 3 | Returned to non-defaulted status | - | - |
| 4 | Amounts written-off (*) | 394,163 | 1,224,842 |
| 5 | Other changes (**) | 2,405,279 | 1,913,416 |
| **6** | **Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)** | **9,494,519** | **9,516,147** |

(*) Includes sales of non-performing loan receivables amounting to TRY 32.223 in the current period (31 December 2021 – TRY 1.098.841).
(**) Includes collections from credits in default.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**II. Explanations on Consolidated Risk Management (Continued)**

**4. Credit Risk Disclosures (Continued)**

**4.4. CRB – Additional disclosures related to credit quality of assets**

**a)** The criteria taken into consideration by the Parent Bank in determining the impairment are explained in footnote VIII of the third section.
**b)** There is no part of past due receivables which is not reviewed as "loans subject to provisioning".
**c)** The Group's specific provision calculation is explained in footnote VIII of the third section.
**d)** In receivables of the customers having difficulties in payment of receivables to the Bank or expected to have possible difficulties in payments then receivables in aforementioned scope are identified as "restructured receivables".

**e) Exposures provisioned against by major regions, major sectors and remaining maturity**

*Exposures provisioned against by major regions*

| Country | Current Period | Prior Period |
|---|---|---|
| Domestic | 345,259,369 | 199,914,126 |
| European Union (EU) Countries | 454,198 | 632,806 |
| USA, Canada | 746 | 7,388 |
| OECD Countries | 1,158 | 1,532 |
| Off-Shore Banking | 727,673 | 591,399 |
| Other Countries | 671,786 | 634,165 |
| **Total (*)** | **347,114,930** | **201,781,416** |

(*) Includes Financial Assets at Fair Value Through Profit and Loss amounting to TRY 209,670 in accordance with TFRS 9 in the prior period.

*Exposures provisioned against by major sectors*

| | Current Period | Prior Period |
|---|---|---|
| **1. Agricultural** | **2,986,225** | **2,179,822** |
| 1.1. Farming and raising livestock | 2,240,146 | 1,868,450 |
| 1.2. Forestry | 42,472 | 11,919 |
| 1.3. Fishing | 703,607 | 299,453 |
| **2. Manufacturing** | **76,599,281** | **45,082,115** |
| 2.1. Mining and Quarrying | 659,976 | 525,255 |
| 2.2. Production | 65,591,520 | 35,897,055 |
| 2.3. Electricity, Gas, Water | 10,347,785 | 8,659,805 |
| **3. Construction** | **11,221,790** | **6,882,725** |
| **4. Services** | **134,895,954** | **84,683,520** |
| 4.1 Wholesale and retail trade | 54,134,919 | 27,027,715 |
| 4.2 Hotel, food and beverage services | 10,198,976 | 7,605,536 |
| 4.3 Transportation and telecommunication | 33,428,456 | 24,608,341 |
| 4.4 Financial institutions | 23,562,180 | 16,125,432 |
| 4.5 Real estate and leasing services | 770,012 | 431,966 |
| 4.6 Self-employment services | 3,133,492 | 2,149,942 |
| 4.7 Education services | 789,278 | 384,891 |
| 4.8 Health and social services | 8,878,641 | 6,349,697 |
| **5.Other** | **121,411,680** | **62,953,234** |
| **6. Total (*)** | **347,114,930** | **201,781,416** |

(*) Includes Financial Assets at Fair Value Through Profit and Loss amounting to TRY 209,670 in accordance with TFRS 9 in the prior period.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

## II. Explanations on Consolidated Risk Management (Continued)

## 4. Credit Risk Disclosures (Continued)

### 4.4. CRB – Additional disclosures related to credit quality of assets (Continued)

#### e) Exposures provisioned against by major regions, major sectors and remaining maturity (Continued)

*Breakdown of Exposures according to remaining maturity*

| Current Period | Demand | Up to 1 month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | Total |
|---|---|---|---|---|---|---|---|
| Loans and Receivables (*) | - | 77,550,568 | 52,229,600 | 121,086,605 | 87,641,420 | 22,931,257 | 361,439,450 |

(*) The related provisions have been deducted from current period balances.

| Prior Period | Demand | Up to 1 month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | Total |
|---|---|---|---|---|---|---|---|
| Loans and Receivables (*) | - | 36,365,387 | 23,074,462 | 65,726,182 | 66,055,120 | 18,750,119 | 209,971,270 |

(*) The related provisions have been deducted from current period balances.

#### f) Exposures provisioned against by major regions and sectors and loans written off during the period an uncollectible

*Exposures provisioned against by major regions and loans written off during the period an uncollectible*

| Current Period | Loans subject to provision | Provision | Written-off from Assets |
|---|---|---|---|
| Türkiye | 9,478,145 | 7,812,737 | 394,163 |
| EU Countries | 26 | 15 | - |
| USD, Canada | - | - | - |
| OECD Countries (*) | - | - | - |
| Off-shore Banking Regions | 16,263 | 16,246 | - |
| Other Countries | 86 | 38 | - |
| **Total** | **9,494,520** | **7,829,036** | **394,163** |

(*) Includes OECD countries other than EU countries, USA and Canada.

| Prior Period | Loans subject to provision | Provision | Written-off from Assets |
|---|---|---|---|
| Türkiye | 9,498,907 | 7,115,777 | 1,224,842 |
| EU Countries | 1,015 | 154 | - |
| USD, Canada | - | - | - |
| OECD Countries (*) | - | - | - |
| Off-shore Banking Regions | 16,225 | 16,225 | - |
| Other Countries | - | - | - |
| **Total** | **9,516,147** | **7,132,156** | **1,224,842** |

(*) Includes OECD countries other than EU countries, USA and Canada.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**II. Explanations on Consolidated Risk Management (Continued)**

**4. Credit Risk Disclosures (Continued)**

**4.4. CRB – Additional disclosures related to credit quality of assets (Continued)**

**f) Exposures provisioned against by major regions and sectors and loans written off during the period an uncollectible (Continued)**

*Exposures provisioned against by major sectors and loans written off*

| | Current Period | | | Prior Period | | |
|---|---|---|---|---|---|---|
| | Loans subject to provision | Provision | Written-off from Assets | Loans subject to provision | Provision | Written-off from Assets |
| **1. Agriculture** | **249,702** | **201,668** | **580** | **451,157** | **290,968** | **22,542** |
| 1.1. Farming and Raising Livestock | 247,302 | 199,421 | 215 | 370,225 | 228,669 | 21,618 |
| 1.2. Forestry | 104 | 102 | 365 | 78,577 | 31,559 | 788 |
| 1.3. Fishing | 2,296 | 2,145 | - | 2,355 | 30,740 | 136 |
| **2. Industrial** | **1,775,197** | **1,549,603** | **23,208** | **1,572,015** | **1,246,256** | **68,613** |
| 2.1. Mining and Quarrying | 75,109 | 55,073 | - | 111,473 | 35,665 | 2,052 |
| 2.2. Production | 1,390,390 | 1,184,947 | 3,647 | 1,136,513 | 890,828 | 66,359 |
| 2.3. Electricity, Gas, Water | 309,698 | 309,583 | 19,561 | 324,029 | 319,763 | 202 |
| **3. Construction** | **1,056,060** | **733,609** | **1,099** | **1,329,720** | **753,557** | **39,176** |
| **4. Services** | **3,166,763** | **2,551,914** | **327,998** | **3,552,235** | **2,573,063** | **215,011** |
| 4.1. Wholesale and Retail Trade | 1,748,378 | 1,529,582 | 52 | 1,928,118 | 1,523,771 | 162,886 |
| 4.2. Hotel, Food and Beverage Services | 260,681 | 198,455 | - | 392,321 | 254,098 | 22,955 |
| 4.3. Transportation and Communication | 136,948 | 123,681 | 327,946 | 140,079 | 112,224 | 15,257 |
| 4.4. Financial Institutions | 808,138 | 510,967 | - | 825,439 | 466,007 | 2,548 |
| 4.5. Real Estate and Renting Services | 27,373 | 26,468 | - | 27,810 | 26,228 | 1,505 |
| 4.6. Self-Employment Services | 101,121 | 88,490 | - | 122,167 | 96,859 | 5,754 |
| 4.7. Educational Services | 37,760 | 31,373 | - | 67,775 | 52,353 | 1,192 |
| 4.8. Health and Social Services | 46,364 | 42,898 | - | 48,526 | 41,523 | 2,914 |
| **5. Other** | **3,246,798** | **2,792,242** | **41,278** | **2,611,020** | **2,268,312** | **879,500** |
| **6. Total** | **9,494,520** | **7,829,036** | **394,163** | **9,516,147** | **7,132,156** | **1,224,842** |

**g) Aging analysis**

| Overdue days | Current Period | Prior Period |
|---|---|---|
| 0-30 | 364,955,258 | 212,448,268 |
| 31-60 | 1,157,522 | 1,226,744 |
| 61-90 | 568,805 | 563,834 |
| 90+ | 9,494,520 | 9,516,147 |
| **Total** | **376,176,105** | **223,754,993** |

**5. Credit risk mitigation**

**5.1. CRM - Qualitative disclosure on credit risk mitigation techniques**

Collateralization is used as main risk mitigation method. Tangible and intangible assets which can be accepted as collateral and their consideration rates are defined in detail in instructions. The Parent Bank follows a conservative approach in collateral valuation. The value of the collateral is determined both with independent valuation and also internal valuation.

Legality and operational applicability is the precondition for the validity of collaterals. Legal teams should have performed sufficient legal examinations and confirmed all legal regulations related to collateral and validity of collateral before the receipt of the collateral. In addition, all contracts and other related documents should be obtained.

Collateral value should not have a positive correlation with the credit worthiness of the debtor.

Monitoring of collateral values is important to maintain credit quality. Market value of the collateral is periodically reviewed in line with determined frequency in directives and necessary precautions are taken when there is a significant deterioration indication in market value of the collateral.

Insurance policies of the collaterals should be obtained.

Collateral value meets Debt-Collateral ratio determined for credit type or specific sectors legally or in internal application of The Parent Bank.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**II. Explanations on Consolidated Risk Management (Continued)**

**5. Credit risk mitigation (Continued)**

**5.1. CRM - Qualitative disclosure on credit risk mitigation techniques (Contunied)**

The Parent Bank takes netting agreements concluded with counterparties into account in the framework of rules mentioned in scope of Appendix-2 of Regulation on Measurement and Evaluation of Bank's Capital Adequacy during the counterparty risk measurement.

**5.2. CR3 – Credit risk mitigation techniques – Overview**

| | Current Period | Exposures unsecured: carrying amount as per TAS | Exposures secured by collateral | Collateralized amount of exposures secured by collateral | Exposures secured by financial guarantees | Collateralized amount of exposures secured by financial guarantees | Exposures secured by credit derivatives | Collateralized amount of exposures secured by credit derivatives |
|---|---|---|---|---|---|---|---|---|
| 1 | Loans | 334,526,954 | 14,253,460 | 9,470,250 | - | - | - | - |
| 2 | Debt securities | 102,094,281 | - | - | - | - | - | - |
| **3** | **Total** | **436,621,235** | **14,253,460** | **9,470,250** | **-** | **-** | **-** | **-** |
| 4 | Of which defaulted | 1,644,593 | 17,273 | 314 | - | - | - | - |

| | Prior Period | Exposures unsecured: carrying amount as per TAS | Exposures secured by collateral | Collateralized amount of exposures secured by collateral | Exposures secured by financial guarantees | Collateralized amount of exposures secured by financial guarantees | Exposures secured by credit derivatives | Collateralized amount of exposures secured by credit derivatives |
|---|---|---|---|---|---|---|---|---|
| 1 | Loans | 196,398,968 | 7,766,438 | 4,754,458 | - | - | - | - |
| 2 | Debt securities | 49,490,388 | - | - | - | - | - | - |
| **3** | **Total** | **245,889,356** | **7,766,438** | **4,754,458** | **-** | **-** | **-** | **-** |
| 4 | Of which defaulted | 2,661,342 | 78,540 | 475 | - | - | - | - |

**6. Credit risk when standard approach is used**

**6.1. CRA – Qualitative disclosures which shall be made related to grading marks used by the Banks while calculating credit risk with standard approach**

**a)** Marks of Fitch credit rating institution are used in credit risk standard approach calculations
**b)** Centralized administrations and Banks take CRA marks into account for risk classes.
**c)** Mark assigned to a debtor is taken into account for all assets of the debtor.
**d)** CRA, which is not included in twinning table of the institution, is not used.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## II. Explanations on Consolidated Risk Management (Continued)

## 6. Credit risk when standard approach is used (Continued)

### 6.2. CR4 – Standardised approach - Credit risk exposure and credit risk mitigation (CRM) effects

| | Current Period | Exposures before CCF and CRM | | Exposures post-CCF and CRM | | RWA and RWA density | |
|---|---|---|---|---|---|---|---|
| | Exposure Categories | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density |
| 1 | Exposures to central governments or central banks | 158,594,968 | - | 159,932,601 | - | - | - |
| 2 | Exposures to regional governments or local authorities | 241,732 | 115 | 241,732 | - | 120,866 | 50% |
| 3 | Exposures to public sector entities | 788,967 | 160,548 | 787,710 | 35,695 | 823,404 | 100% |
| 4 | Exposures to multilateral development banks | - | - | - | - | - | - |
| 5 | Exposures to international organizations | - | - | - | - | - | - |
| 6 | Exposures to institutions | 13,775,238 | 3,648,585 | 13,770,672 | 2,089,021 | 4,949,804 | 31% |
| 7 | Exposures to corporates | 142,242,834 | 103,403,298 | 135,956,690 | 39,716,961 | 175,673,650 | 100% |
| 8 | Retail exposures | 129,352,594 | 217,461,119 | 125,375,302 | 6,650,760 | 105,828,690 | 80% |
| 9 | Exposures secured by residential property | 1,760,178 | 173,017 | 1,760,178 | 54,521 | 635,145 | 35% |
| 10 | Exposures secured by commercial real estate | 10,819,746 | 1,562,221 | 10,819,746 | 774,714 | 8,314,408 | 72% |
| 11 | Past-due loans | 1,566,671 | - | 1,566,362 | - | 1,034,419 | 66% |
| 12 | Higher-risk categories by the Agency Board | 54,495,857 | 30,173 | 53,957,546 | 30,173 | 88,019,427 | 163% |
| 13 | Exposures in the form of covered bonds | - | - | - | - | - | - |
| 14 | Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - |
| 15 | Exposures in the form of units or shares in collective investment undertakings (CIUs) | - | - | - | - | - | - |
| 16 | Other assets | 19,265,004 | 56,194 | 19,265,004 | - | 10,096,920 | 52% |
| 17 | Investments in equities | 3,959,964 | - | 3,959,964 | - | 3,959,964 | 100% |
| **18** | **Total** | **536,863,753** | **326,495,270** | **527,393,507** | **49,351,845** | **399,456,697** | **69%** |

| | Prior Period | Exposures before CCF and CRM | | Exposures post-CCF and CRM | | RWA and RWA density | |
|---|---|---|---|---|---|---|---|
| | Exposure Categories | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density |
| 1 | Exposures to central governments or central banks | 87,342,881 | - | 88,539,233 | - | - | - |
| 2 | Exposures to regional governments or local authorities | 178,882 | 135 | 178,882 | - | 89,441 | 50% |
| 3 | Exposures to public sector entities | 203,918 | 36,358 | 201,226 | 11,056 | 212,283 | 100% |
| 4 | Exposures to multilateral development banks | - | - | - | - | - | - |
| 5 | Exposures to international organizations | - | - | - | - | - | - |
| 6 | Exposures to institutions | 11,972,528 | 5,071,025 | 11,963,246 | 3,253,098 | 5,947,305 | 39% |
| 7 | Exposures to corporates | 82,637,216 | 55,679,361 | 80,182,645 | 20,067,871 | 100,250,515 | 100% |
| 8 | Retail exposures | 79,027,320 | 130,820,178 | 75,996,109 | 4,719,014 | 62,414,348 | 77% |
| 9 | Exposures secured by residential property | 2,098,315 | 239,441 | 2,098,315 | 12,178 | 738,673 | 35% |
| 10 | Exposures secured by commercial real estate | 10,670,907 | 1,657,490 | 10,670,907 | 1,082,208 | 9,391,174 | 80% |
| 11 | Past-due loans | 2,067,694 | - | 2,067,219 | - | 1,464,000 | 71% |
| 12 | Higher-risk categories by the Agency Board | 14,155,145 | - | 13,702,564 | - | 20,553,847 | 150% |
| 13 | Exposures in the form of covered bonds | - | - | - | - | - | - |
| 14 | Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - |
| 15 | Exposures in the form of units or shares in collective investment undertakings (CIUs) | - | - | - | - | - | - |
| 16 | Other assets | 14,549,400 | 202,872 | 14,549,400 | - | 9,250,820 | 64% |
| 17 | Investments in equities | 2,444,501 | - | 2,444,501 | - | 2,444,501 | 100% |
| **18** | **Total** | **307,348,707** | **193,706,860** | **302,594,247** | **29,145,425** | **212,756,907** | **64%** |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### II. Explanations on Consolidated Risk Management (Continued)

### 6. Credit risk when standard approach is used (Continued)

### 6.3. CR5 – Standard approach – exposures by asset classes and risk

**Current Period**

| | Exposure Categories/Risk Weight | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | Others | Total Credit Risk Exposure Amount |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Exposures to central governments or central banks | 159,932,601 | - | - | - | - | - | - | - | - | 159,932,601 |
| 2 | Exposures to regional governments or local authorities | - | - | - | - | 241,732 | - | - | - | - | 241,732 |
| 3 | Exposures to public sector entities | - | - | - | - | - | - | 823,405 | - | - | 823,405 |
| 4 | Exposures to multilateral development banks | - | - | - | - | - | - | - | - | - | - |
| 5 | Exposures to international organizations | - | - | - | - | - | - | - | - | - | - |
| 6 | Exposures to institutions | - | - | 10,096,273 | - | 5,665,736 | - | 97,684 | - | - | 15,859,693 |
| 7 | Exposures to corporates | - | - | - | - | - | - | 175,673,651 | - | - | 175,673,651 |
| 8 | Retail exposures | - | - | - | - | - | 104,789,489 | 27,236,573 | - | - | 132,026,062 |
| 9 | Exposures secured by residential property | - | - | - | 1,814,699 | - | - | - | - | - | 1,814,699 |
| 10 | Exposures secured by commercial real estate | - | - | - | - | 6,560,107 | - | 5,034,353 | - | - | 11,594,460 |
| 11 | Past-due loans | - | - | - | - | 1,063,835 | - | 502,527 | - | - | 1,566,362 |
| 12 | Higher-risk categories by the Agency Board | - | - | - | - | - | - | - | 41,090,648 | 12,897,071 | 53,987,719 |
| 13 | Exposures in the form of covered bonds | - | - | - | - | - | - | - | - | - | - |
| 14 | Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - | - |
| 15 | Exposures in the form of units or shares in collective investment undertakings (CIUs) | - | - | - | - | - | - | - | - | - | - |
| 16 | Investments in equities | - | - | - | - | - | - | 3,959,964 | - | - | 3,959,964 |
| 17 | Other Assetd | 9,168,110 | - | - | - | - | - | 10,096,894 | - | - | 19,265,004 |
| **18** | **Total** | **169,100,711** | **-** | **10,096,273** | **1,814,699** | **13,531,410** | **104,789,489** | **223,425,051** | **41,090,648** | **12,897,071** | **576,745,352** |

**Prior Period**

| | Exposure Categories/Risk Weight | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | Others | Total Credit Risk Exposure Amount |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Exposures to central governments or central banks | 88,539,233 | - | - | - | - | - | - | - | - | 88,539,233 |
| 2 | Exposures to regional governments or local authorities | - | - | - | - | 178,882 | - | - | - | - | 178,882 |
| 3 | Exposures to public sector entities | - | - | - | - | - | - | 212,282 | - | - | 212,282 |
| 4 | Exposures to multilateral development banks | - | - | - | - | - | - | - | - | - | - |
| 5 | Exposures to international organizations | - | - | - | - | - | - | - | - | - | - |
| 6 | Exposures to institutions | - | - | 6,085,616 | - | 8,801,092 | - | 329,636 | - | - | 15,216,344 |
| 7 | Exposures to corporates | - | - | - | - | - | - | 100,250,516 | - | - | 100,250,516 |
| 8 | Retail exposures | - | - | - | - | - | 73,203,098 | 7,512,025 | - | - | 80,715,123 |
| 9 | Exposures secured by residential property | - | - | - | 2,110,493 | - | - | - | - | - | 2,110,493 |
| 10 | Exposures secured by commercial real estate | - | - | - | - | 4,723,881 | - | 7,029,234 | - | - | 11,753,115 |
| 11 | Past-due loans | - | - | - | - | 1,206,437 | - | 860,782 | - | - | 2,067,219 |
| 12 | Higher-risk categories by the Agency Board | - | - | - | - | - | - | - | 13,702,564 | - | 13,702,564 |
| 13 | Exposures in the form of covered bonds | - | - | - | - | - | - | - | - | - | - |
| 14 | Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - | - |
| 15 | Exposures in the form of units or shares in collective investment undertakings (CIUs) | - | - | - | - | - | - | - | - | - | - |
| 16 | Investments in equities | - | - | - | - | - | - | 2,444,501 | - | - | 2,444,501 |
| 17 | Other Assetd | 5,298,578 | - | 3 | - | - | - | 9,250,819 | - | - | 14,549,400 |
| **18** | **Total** | **93,837,811** | **-** | **6,085,619** | **2,110,493** | **14,910,292** | **73,203,098** | **127,889,795** | **13,702,564** | **-** | **331,739,672** |

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**II. Explanations on Consolidated Risk Management (Continued)**

**7. Disclosures Regarding Counterparty Credit Risk**

**7.1. Qualitative disclosures regarding DCCR – CCR table**

**a)** Counterparty credit risk (CCR) states default risk of counterparty, which is a party to a transaction imposing an obligation to both parties, going into default before the final payment included in cash flow of the transaction in question. CCR causes credit risk for banks carrying out money and capital market transactions. Derivative financial instruments, repo and reverse repo transactions, securities and commodities lending transactions, transactions having long clearing process and margin trading transactions are considered in the aforementioned scope.

The most significant part of CCR in the Parent Bank is sourced from derivative financial instruments. Derivative transactions are made with financial institutions, individual and commercial customers for the purposes of trading, management of interest risk of banking accounts and meeting customer demands.

CCR is managed within the framework of the Counterparty Credit Policy approved by the Board of Directors. In this policy, the scope of the CCR, the risk calculation method, and the distribution of responsibility distribution were determined. The general lines determined in the CCR policy are detailed with the Derivative Products Application Instructions.

The Parent Bank make a distinction between banks, non-bank financial institutions and individual customers with respect to counterparty credit risk. Transactions made with non-bank financial institutions are reviewed in the framework of corporate-commercial credit risk while banks are considered in the framework of financial institutions.

Derivative risk amount which can be carried by the customer is limited within the credit policies framework. Related risk and limit amounts are monitored on a daily basis and when a collateral shortfall exists, shortfall collateral amount is completed in line with given standards in Derivative Products Application Instruction.

**b)** A clear definition of risk appetite and its approval by Board of Directors is the precondition to establish a consistent risk limit system. The Bank has determined the following limit structure in order to limit the risk carried over derivative transactions. Those limits are determined in Market Risk Policy and approved by Board of Directors.

- Limits on option sensitivity indexes basis: Maximum risk which can be taken in delta, gamma and vega positions is limited.
- Option nominal position limit: Maximum nominal position which can be taken on option type basis is limited.
- Interest sensitivity limit of forward exchanges included in trading accounts: Interest risk which can be carried by swap and forward exchanges made for the purposes of trading.

Derivative limit on the basis of customer has been prepared in addition to abovementioned limit structure. The Bank has established required control mechanism in order to stay in the framework of determined limits.

**c)** CCR is being tried to be reduced with various techniques. The Parent Bank uses daily exchange limits in addition to credit support and global repo agreements in order to reduce exchange risk. Limits, defined for financial institutions, are allocated according to creditability of counterparty and monitored as real time and online. Parties, having over the counter transactions with the Bank, are financial institutions which are well known and having a long term of business relationship.

**d)** Countertrend risk states that probability of default of counterparty has a positive correlation with general market risk factors. Parent Bank monitors impacts of market risk factors such as interest and exchange on customer credit risk. Especially, in periods having sharp financial movements, required actions are taken in line with analysis performed.

**e)** If there is a decline in credit rating grade, there is no additional collateral amount which must be provided by the Bank.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## II. Explanations on Consolidated Risk Management (Continued)

### 7. Disclosures Regarding Counterparty Credit Risk (Continued)

### 7.2. CCR1 – Analysis of counterparty credit risk (CCR) exposure by approach

| | Current Period | Revaluation Cost | Potential credit risk exposure | EEPE | Alpha | Exposure after credit risk mitigation | Risk Weighted Amounts |
|---|---|---|---|---|---|---|---|
| 1 | Standard approach - CCR (for derivatives) | 6,254,657 | 9,114,794 | - | 1.4 | 21,278,169 | 9,959,668 |
| 2 | Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions) | - | - | - | - | - | - |
| 3 | The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions, | - | - | - | - | - | - |
| 4 | Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions) | - | - | - | - | 9,716,657 | 5,625,466 |
| 5 | Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions | - | - | - | - | - | - |
| **6** | **Total** | **-** | **-** | **-** | **-** | **-** | **15,585,134** |

| | Current Period | Revaluation Cost | Potential credit risk exposure | EEPE | Alpha | Exposure after credit risk mitigation | Risk Weighted Amounts |
|---|---|---|---|---|---|---|---|
| 1 | Standard approach - CCR (for derivatives) | 16,452,623 | 2,310,393 | - | 1.4 | 10,900,526 | 5,186,233 |
| 2 | Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions) | - | - | - | - | - | - |
| 3 | The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions, | - | - | - | - | - | - |
| 4 | Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions) | - | - | - | - | 6,600,709 | 3,089,652 |
| 5 | Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions | - | - | - | - | - | - |
| **6** | **Total** | **-** | **-** | **-** | **-** | **-** | **8,275,885** |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## II. Explanations on Consolidated Risk Management (Continued)

### 7. Disclosures Regarding Counterparty Credit Risk (Continued)

### 7.3. CCR2 – Credit valuation adjustment (CVA) capital charge

| | | Exposure (After credit risk mitigation methods) | | Risk Weighted Amounts | |
|---|---|---|---|---|---|
| | | **Current Period** | **Prior Period** | **Current Period** | **Prior Period** |
| | Total portfolio value with comprehensive approach CVA capital adequacy | | | | |
| 1 | (i) Value at risk component (3*multiplier included) | - | - | - | - |
| 2 | (ii) Stressed Value at Risk (3*multiplier included) | - | - | - | - |
| 3 | Total portfolio value with simplified approach CVA capital adequacy | 21,278,169 | 10,900,526 | 3,187,279 | 1,620,713 |
| **4** | **Total amount of CVA capital adequacy** | **21,278,169** | **10,900,526** | **3,187,279** | **1,620,713** |

### 7.4. CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk weights

**Current Period**

| | **Exposure Categories/Risk Weight** | **0%** | **10%** | **20%** | **50%** | **75%** | **100%** | **150%** | **Other** | **Total Credit Risk** |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Exposures from central governments or central banks | 751,881 | - | - | - | - | - | - | 20,523 | 772,404 |
| 2 | Exposures from regional or local governments | - | - | - | - | - | - | - | - | - |
| 3 | Exposures from administrative units and non-commercial enterprises | - | - | - | - | - | 502 | - | - | 502 |
| 4 | Exposures from multilateral development banks | - | - | - | - | - | - | - | - | - |
| 5 | Exposures from international organizations | - | - | - | - | - | - | - | - | - |
| 6 | Exposures from banks and brokerage houses | - | - | 6,464,294 | 18,041,478 | - | 900,503 | - | - | 25,406,275 |
| 7 | Exposures from corporates | - | - | - | - | - | 3,033,551 | - | - | 3,033,551 |
| 8 | Retail receivables | - | - | - | - | 1,782,094 | - | - | - | 1,782,094 |
| 9 | Mortgage receivables | - | - | - | - | - | - | - | - | - |
| 10 | Non performing receivables | - | - | - | - | - | - | - | - | - |
| 11 | High risk defined receivables | - | - | - | - | - | - | - | - | - |
| 12 | Mortgage backed securities | - | - | - | - | - | - | - | - | - |
| 13 | Securitization Positions | - | - | - | - | - | - | - | - | - |
| 14 | Short term credit rated banks and Intermediary Institutions receivables | - | - | - | - | - | - | - | - | - |
| 15 | Collective investment undertaking investments | - | - | - | - | - | - | - | - | - |
| 16 | Equity Investments | - | - | - | - | - | - | - | - | - |
| 17 | Other Receivables | - | - | - | - | - | - | - | - | - |
| 18 | Other Assets | - | - | - | - | - | - | - | - | - |
| **19** | **Total** | **751,881** | **-** | **6,464,294** | **18,041,478** | **1,782,094** | **3,934,556** | **-** | **20,523** | **30,994,826** |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### II. Explanations on Consolidated Risk Management (Continued)

### 7. Disclosures Regarding Counterparty Credit Risk (Continued)

### 7.4. CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk weights (Continued)

**Prior Period**

| | Exposure Categories/Risk Weight | 0% | 10% | 20% | 50% | 75% | 100% | 150% | Other | Total Credit Risk |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Exposures from central governments or central banks | 2,612,411 | - | - | - | - | - | - | 26,594 | 2,639,005 |
| 2 | Exposures from regional or local governments | - | - | - | - | - | - | - | - | - |
| 3 | Exposures from administrative units and non-commercial enterprises | - | - | - | - | - | 74 | - | - | 74 |
| 4 | Exposures from multilateral development banks | - | - | - | - | - | - | - | - | - |
| 5 | Exposures from international organizations | - | - | - | - | - | - | - | - | - |
| 6 | Exposures from banks and brokerage houses | - | - | 2,169,039 | 9,684,785 | - | 698,616 | - | - | 12,552,440 |
| 7 | Exposures from corporates | - | - | - | - | - | 2,272,700 | - | - | 2,272,700 |
| 8 | Retail receivables | - | - | - | - | 37,016 | - | - | - | 37,016 |
| 9 | Mortgage receivables | - | - | - | - | - | - | - | - | - |
| 10 | Non performing receivables | - | - | - | - | - | - | - | - | - |
| 11 | High risk defined receivables | - | - | - | - | - | - | - | - | - |
| 12 | Mortgage backed securities | - | - | - | - | - | - | - | - | - |
| 13 | Securitization Positions | - | - | - | - | - | - | - | - | - |
| 14 | Short term credit rated banks and Intermediary Institutions receivables | - | - | - | - | - | - | - | - | - |
| 15 | Collective investment undertaking investments | - | - | - | - | - | - | - | - | - |
| 16 | Equity Investments | - | - | - | - | - | - | - | - | - |
| 17 | Other Receivables | - | - | - | - | - | - | - | - | - |
| 18 | Other Assets | - | - | - | - | - | - | - | - | - |
| **19** | **Total** | **2,612,411** | **-** | **2,169,039** | **9,684,785** | **37,016** | **2,971,390** | **-** | **26,594** | **17,501,235** |

### 7.5. CCR4 – Risk class and counterparty credit risk on the basis of possibility of default

Related table is not presented due to standard method is used for calculation of capital adequacy (December 31, 2021 – None).

### 7.6. CCR5 – Composition of collateral for CCR exposure

| | Collaterals for Derivatives | | | | Collaterals or Other Transactions | |
|---|---|---|---|---|---|---|
| | Collaterals Taken | | Collaterals Given | | Collaterals Taken Segregated | Collaterals Given Unsegregated |
| **Current Period** | **Segregated** | **Unsegregated** | **Segregated** | **Unsegregated** | **Segregated** | **Unsegregated** |
| Cash-Local Currency | - | - | - | - | 5,155,375 | - |
| Cash - Foreign Currency | - | 14,917,942 | - | 4,741,482 | 18,076,585 | - |
| Government bond-domestic | - | - | - | - | - | - |
| Government bond-other | - | - | - | - | - | - |
| Public institution bonds | - | - | - | - | - | - |
| Corporate bond | - | - | - | - | - | - |
| Equity share | - | - | - | - | - | - |
| Other collaterals | - | - | - | - | - | - |
| **Total** | **-** | **14,917,942** | **-** | **4,741,482** | **23,231,960** | **-** |

| | Collaterals for Derivatives | | | | Collaterals or Other Transactions | |
|---|---|---|---|---|---|---|
| | Collaterals Taken | | Collaterals Given | | Collaterals Taken | Collaterals Given |
| **Prior Peiod** | **Segregated** | **Unsegregated** | **Segregated** | **Unsegregated** | **Segregated** | **Unsegregated** |
| Cash-Local Currency | - | - | - | - | 1,871,554 | - |
| Cash - Foreign Currency | - | 10,347,525 | - | 9,348,632 | 15,514,952 | - |
| Government bond-domestic | - | - | - | - | - | - |
| Government bond-other | - | - | - | - | - | - |
| Public institution bonds | - | - | - | - | - | - |
| Corporate bond | - | - | - | - | - | - |
| Equity share | - | - | - | - | - | - |
| Other collaterals | - | - | - | - | - | - |
| **Total** | **-** | **10,347,525** | **-** | **9,348,632** | **17,386,506** | **-** |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

## II. Explanations on Consolidated Risk Management (Continued)

## 7. Disclosures Regarding Counterparty Credit Risk (Continued)

### 7.7. CCR6 – Credit derivatives

Related table is not presented due to the Parent Bank has no risk arrived from derivative credit received or sold (December 31, 2021 None).

### 7.8. CCR7 – RWA changes on CCR within the internal model method

Related table is not presented due to standard method is used for calculation of capital adequacy (December 31, 2021 None).

### 7.9. CCR8 – Exposures to central counterparties

| | | Current Period | | Prior Period | |
|---|---|---|---|---|---|
| | | Exposure at default (post-CRM) | RWA | Exposure at default (post-CRM) | RWA |
| **1** | **Exposure to Qualified Central Counterparties (QCCPs)(total)** | **20,523** | **410** | **26,594** | **532** |
| 2 | Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which | - | - | - | - |
| 3 | (i) OTC Derivatives | - | - | - | - |
| 4 | (ii) Other derivative financial instruments | 20,523 | 410 | 26,594 | 532 |
| 5 | (iii) Repo-reverse repo transactions, overdraft transactions, and lending or borrowing of securities or commodities | - | - | - | - |
| 6 | (iv) Netting sets where cross-product netting has been approved Segregated initial margin | - | - | - | - |
| 7 | Segregated initial margin | - | - | - | - |
| 8 | Non-segregated initial margin | - | - | - | - |
| 9 | Pre-funded default fund contributions | - | - | - | - |
| 10 | Unfunded default fund contributions | - | - | - | - |
| 11 | Exposures ton on-QCCPs (total) | - | - | - | - |
| 12 | Exposures for trades at non- QCCPs (excluding initial margin and default fund contributions); of which | - | - | - | - |
| 13 | (i) OTC Derivatives | - | - | - | - |
| 14 | (ii) Other derivative financial instruments | - | - | - | - |
| 15 | (iii) Repo-reverse repo transactions, overdraft transactions, and lending or borrowing of securities or commodities | - | - | - | - |
| 16 | (iv) Netting sets where cross-product netting has been approved Segregated initial margin | - | - | - | - |
| 17 | Segregated initial margin | - | - | - | - |
| 18 | Non-segregated initial margin | - | - | - | - |
| 19 | Pre-funded default fund contributions | - | - | - | - |
| 20 | Unfunded default fund contributions | - | - | - | - |

## 8. Securitization exposures

The Parent Bank has no securitization transactions (December 31, 2021 None).

## 9. Disclosures regarding Market Risk

### 9.1. MRD – Qualitative information which shall be disclosed to public related to market risk

**a)** Market risk states the risk sourcing from change in market prices on positions held in order to make profit in trading accounts in line with short term expectations in market prices or interest rates. Financial Assets at Fair Value through Profit/Loss accounts covers all derivative products except for Financial Assets at Fair Value through Profit/Loss, open exchange position and having hedging purposes.

The Parent Bank has established a structure to effectively define, monitor and manage the risk sourcing from changes in market prices including interest rates, stocks, bond prices, exchange rates and uncertainty of aforementioned prices in their volatility levels. The aforementioned structure is determined in Market Risk Policy of the Bank which is approved by the Board of Directors. This policy determines principles, measurement methods, processes and limits covering all transactions of the Bank sourcing from market risk.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### II. Explanations on Consolidated Risk Management (Continued)

### 9. Disclosures regarding Market Risk (Continued)

### 9.1. MRD – Qualitative information which shall be disclosed to public related to market risk (Continued)

Market risk is calculated and reported on a monthly basis with standard method for capital adequacy calculation in line with regulation on Measurement and Evaluation of Bank's Capital Adequacy published by BRSA.

Market risk also includes value at risk limits in line with internal policies based on internal model. Limits include value at risk limits, positions, limits on options sensitivity and loss cessation limits for each of the market risk types.

**b)** Risk Committee of the Parent Bank is responsible to ensure implementation of market risk strategy and policies in a consistent manner. Market risk unit operates totally independent from risk carrying units and directly subject to Risk Committee of the Bank in given authorization and responsibilities framework.

Internal Control Department is responsible for the evaluation of internal control system related to market risk through periodical independent audits. Required system evaluation reports are shared with Board of Directors and other related authorities. Risk Committee of Board of Directors provides holding of sufficient capital against market risk carried by the Parent Bank.

**c)** The Parent Bank makes its capital calculation for market risk in accordance with standard method approach defined in Basel II first pillar. Capital calculation method for each risk category is made by BRSA in line with Basel standards as of month-ends as solo and consolidated.

The Group calculates market risk with value at risk approach for the purpose of monitoring and management of risk at the Bank except for standard method. The aforementioned calculation is made both for the risk of trading portfolio and the risk of positions of the trading desk. Value at risk calculation is made daily with historical simulation at 99% confidence interval through 252 working days observation period and exponential weighted moving average volatility assumption. Dynamic structure of the volatility is reached through giving weight to recent observations in exponential weighted moving average. In addition to the VaR calculation, risk amounts are calculated by stress VaR and stress tests, taking into account the risk that may occur during stress periods.

### 9.2. MR1- Market risk under standardised approach

| | | RWA (**) | |
|---|---|---|---|
| | | **Current Period** | **Prior Period** |
| | Outright products (*) | 9,120,888 | 5,804,800 |
| 1 | *Interest rate risk (general and specific)* | *3,931,938* | *2,370,687* |
| 2 | *Equity risk (general and specific)* | *1,057,475* | *248,863* |
| 3 | *Foreign exchange risk* | *3,810,275* | *2,905,000* |
| 4 | *Commodity risk* | *321,200* | *280,250* |
| | Options | 929,388 | 83,675 |
| 5 | *Simplified approach* | - | - |
| 6 | *Delta-plus method* | *929,388* | *83,675* |
| 7 | *Scenario approach* | - | - |
| 8 | *Securitization* | - | - |
| **9** | **Total** | **10,050,276** | **5,888,475** |

(*) Outright products refer to position in products that are not optional.

(**) The market Risk represents the capital requirement multiplied by 12.5 times Risk Weighted Amount.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### II. Explanations on Consolidated Risk Management (Continued)

### 10. Explanations on Consolidated Operational Risk

The Parent Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2021, 2020 and 2019, year-end gross income balances of the Bank, in accordance with Section 3 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio", published in the Official Gazette No. 28337 dated June 28, 2012, namely "The Calculation of the Amount Subject to Operational Risk. As of December 31, 2022, the total amount subject to operational risk is TRY 20,444,088 (December 31, 2021 – TRY 17,771,438)

| Current Period Basic Indicator Method | 2 Prior Period Value | 1 Prior Period Value | Current Period value | Total/Total number of years for which gross income is positive | Rate (%) | Total |
|---|---|---|---|---|---|---|
| Gross Income (*) | 9,332,624 | 10,141,119 | 13,236,805 | 10,903,516 | 15 | 1,635,527 |
| **Amount subject to operational risk (Total*12.5)** | | | | | | **20.444.088** |

| Prior Period Basic Indicator Method | 2 Prior Period Value | 1 Prior Period Value | Current Period value | Total/Total number of years for which gross income is positive | Rate (%) | Total |
|---|---|---|---|---|---|---|
| Gross Income (*) | 8,960,553 | 9,332,623 | 10,141,119 | 9,478,099 | 15 | 1,421,715 |
| **Amount subject to operational risk (Total*12.5)** | | | | | | **17,771,438** |

Annual gross income is calculated by deducting the profit/loss arising from the sale of securities followed up in the securities available for sale and held-to-maturity accounts, the extraordinary incomes and the amounts indemnified from insurance, from the sum of the net amounts of interest income and non-interest income.

### III. Explanations on Consolidated Foreign Exchange Risk

**1. Whether the Group is exposed to foreign exchange risk, whether the effects of this situation are estimated, and whether the Board of Directors of the Parent Bank sets limits for positions that are monitored daily**

The difference between the Parent Bank's foreign currency denominated and foreign currency indexed assets and liabilities is defined as the "Net Foreign Currency Position" and is the basis of currency risk. Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposure ("cross currency risk").

Board of Directors has determined the limits considering the consistency with the "Foreign Currency Net General Position." Positions are being followed daily and limits are reviewed at least once a year depending on economic conditions and The Parent Bank strategy and updated as deemed necessary.

In measuring the exchange rate exposure of The Parent Bank, the "standard method" used in the legal reports and the internal method. The measurements made within the scope of the standard method are carried out monthly and the measurements made within the scope of VaR calculations are carried out on a daily basis. In addition, the maximum foreign currency position that can be taken is determined on the basis of currency types and table, and daily limit compliance control is carried out by Risk Management.

**2. The magnitude of hedging foreign currency debt instruments and net foreign currency investments by using derivatives**

The Group hedges foreign currency borrowings with derivative instruments. The Group does not hedge net foreign currency investments with derivative instruments. The extent of the hedging of foreign currency debt instruments and net foreign currency investments by hedging derivative instruments is explained in Note III of Section Five.

**3. The spot foreign exchange bid rates of the Parent Bank as of the balance sheet date and for each of the five days prior to that date**

| | |
|---|---|
| US Dollars purchase rate in the balance sheet date | TRY 18.6966 |
| Euro purchase rate in the balance sheet date | TRY 19.8816 |

| Date | US Dollar | Euro |
|---|---|---|
| December 30, 2022 | 18.6966 | 19.8816 |
| December 29, 2022 | 18.6964 | 19.8946 |
| December 28, 2022 | 18.6813 | 19.9087 |
| December 27, 2022 | 18.6649 | 19.8324 |
| December 26, 2022 | 18.6592 | 19.8044 |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### III. Explanations on Consolidated Foreign Exchange Risk (Continued)

### 4. The basic arithmetical average of the Parent Bank's foreign exchange bid rate for the last thirty days

The arithmetical average of the Parent Bank's US Dollar and Euro purchase rates for December 2022 are TRY 18.6396 and TRY 19.7124 respectively.

### 5. Information on the consolidated foreign exchange risk

| **Current Period** | **EUR** | **USD** | **Other** | **Total** |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R.Central Bank [(1)] | 41,253,863 | 37,765,771 | 5,798,300 | 84,817,934 |
| Due From Banks [(3)] | 3,735,906 | 3,637,247 | 636,411 | 8,009,564 |
| Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) [(3)] | 1,328,691 | 1,878,677 | 5,501 | 3,212,869 |
| Money Market Placements | - | 427,044 | - | 427,044 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) | 1,186,098 | 9,395,854 | 3,375 | 10,585,327 |
| Loans [(4)] | 69,602,228 | 45,029,147 | 403,228 | 115,034,603 |
| Investments in Assoc., Subsidiaries and Entities under Common Control | - | - | - | - |
| Investment Assets Measured at Amortized Cost | 1,548,238 | 18,816,096 | - | 20,364,334 |
| Derivative Financial Assets Hedging Purposes | 118,759 | 2,162,310 | - | 2,281,069 |
| Tangible Assets | - | - | 94 | 94 |
| Intangible Assets | - | - | - | - |
| Other Assets [(5)] | 478,815 | 296,364 | 4,183 | 779,362 |
| **Total Assets** | **119,252,598** | **119,408,510** | **6,851,092** | **245,512,200** |
| **Liabilities** | | | | |
| Bank Deposits | 2,887,288 | 6,396,074 | 501,036 | 9,784,398 |
| Foreign Currency Deposits [(6)] | 34,180,947 | 88,273,745 | 25,540,433 | 147,995,125 |
| Money Market Borrowings | 1,661,053 | 18,784,150 | 1,288,601 | 21,733,804 |
| Funds Provided from Other Financial Institutions | 23,167,988 | 42,963,293 | 17,546 | 66,148,827 |
| Securities Issued | 1,274,281 | 16,854,884 | 5,155,157 | 23,284,322 |
| Sundry Creditors | 8,991,825 | 7,093,387 | 87,608 | 16,172,820 |
| Derivative Fin. Liabilities Hedging Purposes | 5,272 | 1,118,317 | - | 1,123,589 |
| Other Liabilities [(7)] | 1,578,617 | 2,380,154 | 41,346 | 4,000,117 |
| **Total Liabilities** | **73,747,271** | **183,864,004** | **32,631,727** | **290,243,002** |
| **Net Balance Sheet Position** | **45,505,327** | **(64,455,494)** | **(25,780,635)** | **(44,730,802)** |
| **Net Off-Balance Sheet Position** | **(45,107,396)** | **66,570,093** | **26,048,445** | **47,511,142** |
| Financial Derivative Assets | 32,202,013 | 225,595,182 | 28,403,576 | 286,200,771 |
| Financial Derivative Liabilities | 77,309,409 | 159,025,089 | 2,355,131 | 238,689,629 |
| Non-Cash Loans [(8)] | 18,043,662 | 17,030,918 | 463,539 | 35,538,119 |
| **Prior Period** | | | | |
| Total Assets | 94,224,027 | 98,444,556 | 5,406,494 | 198,075,077 |
| Total Liabilities | 57,498,646 | 162,073,737 | 28,166,159 | 247,738,542 |
| **Net Balance Sheet Position** | **36,725,381** | **(63,629,181)** | **(22,759,665)** | **(49,663,465)** |
| **Net Off-Balance Sheet Position** | **(36,545,349)** | **60,908,043** | **22,811,068** | **47,173,762** |
| Financial Derivative Assets | 31,112,576 | 164,392,409 | 23,228,937 | 218,733,922 |
| Financial Derivative Liabilities | 67,657,925 | 103,484,366 | 417,869 | 171,560,160 |
| Non-Cash Loans | 18,384,626 | 15,231,819 | 715,572 | 34,332,017 |

(1) Cash and Balances with TR Central; Other FC include TRY 5,494,682 (December 31, 2021 – TRY 1,587,037) precious metal deposit account.
(2) Includes foreign bank guarantees amounting to TRY 4,516,091 (December 31, 2021 – TRY 7,481,729).
(3) Foreign exchange accruals of TRY 369,444 (December 31, 2021 - TRY 327,092) for derivative financial instruments are not included.
(4) Includes foreign currency indexed loans amounting to TRY 232,939 (December 31, 2021 - TRY 379.005) followed as TRY in the balance sheet. There are no repealed leasing receivables followed as FC in the balance sheet (31 December 2021 - 1.301 TRY). There are no foreign currency indexed factoring receivables that are followed as TRY in the balance sheet (December 31, 2021 - None).
(5) Does not include FC prepaid expenses amounting to TRY 224,639 (December 31, 2021 – TRY 67,969) as per BRSA's Communique published in Official Gazette no 26085 on February 19, 2006.
(6) Foreign currency deposits include TRY 22,159,406 (December 31, 2021 – TRY 21,599,519) of precious metal deposit account.
(7) Other Liabilities do not include the Foreign Currency Index Factoring payables amounting to TRY 3,260 (December 31, 2021 – TRY 3,885)
(7) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TRY 151,702 (December 31, 2021 – TRY 193,977)
(8) Does not have an effect on Net Off-balance Sheet Position.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**III. Explanations on Consolidated Foreign Exchange Risk (Continued)**

## 6. Sensitivity to foreign exchange risk

The Group is exposed to currency risk in Euro and US Dollars.
The Bank is subject to exchange rate risk mainly from Euro and USD. The table below shows the Bank's sensitivity to a 10% change in Euro and USD currencies. It is assumed that all other variables are constant.

| | % change in the Foreign currency | Effect on Gain/Loss (After Tax) | Net Effect on Shareholders Equity (*) | Effect on Gain/Loss (After Tax) | Net Effect on Shareholders Equity (*) |
|---|---|---|---|---|---|
| | | **Current Period** | **Current Period** | **Prior Period** | **Prior Period** |
| USD | 10% increase | (22,613) | (85,182) | (24,502) | (231,759) |
| | 10% decrease | 22,613 | 85,182 | 24,502 | 231,759 |
| EURO | 10% increase | 8,957 | 17,770 | (4,941) | (9,011) |
| | 10% decrease | (8,957) | (17,770) | 4,941 | 9,011 |

(*) Effect on Shareholders Equity include the effect of the change of exchange rates on the statement of profit or loss and other comprehensive income.

**IV. Explanations on Consolidated Interest Rate Risk**

Interest rate risk that would arise from the changes in interest rates depending on the Parent Bank's position is managed by the Asset/Liability Committee of the Parent Bank.

Interest rate sensitivity of assets, liabilities and off balance sheet items is analyzed by top management in the Asset/Liability Committee meetings held monthly by taking the market developments into consideration. The management of the Parent Bank follows the interest rates in the market on a daily basis and revises interest rates of the Parent Bank when necessary

Besides customer deposits, the Parent Bank funds its long term fixed interest rate TRY loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Parent Bank changes the foreign currency liquidity obtained from the international markets to TRY liquidity with long term swap transactions (fixed TRY interest rate and floating FC interest rate). Therefore, the Parent Bank not only funds its long term fixed interest rate loans with TRY but also hedges itself from interest rate and maturity risk.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### IV. Explanations on Consolidated Interest Rate Risk (Continued)

### Interest Rate Sensitivity of Assets, Liabilities and off-Balance Sheet Items

*(Based on repricing dates)*

| | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | Non-Interest Bearing [1] | Total |
|---|---|---|---|---|---|---|---|
| **End of Current Period** | | | | | | | |
| Assets | | | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank (2) | 36,498,079 | - | - | - | - | 58,029,097 | 94,527,176 |
| Due from Banks [3] | 2,941,212 | - | - | - | - | 8,196,473 | 11,137,685 |
| Financial Assets at Fair Value Through Profit/Loss [4] | 302,530 | 104,379 | 118,529 | 191,795 | 34,143 | 16,610,867 | 17,362,243 |
| Money Market Placements | 4,427,376 | 4,040,604 | - | - | - | (5,082) | 8,462,898 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI) [5] | 7,070,186 | 5,959,770 | 3,354,114 | 9,825,209 | 9,624,704 | 11,292,224 | 47,126,207 |
| Loans and Receivables | 82,955,431 | 70,375,199 | 135,559,924 | 64,146,706 | 8,464,963 | 1,602,714 | 363,104,937 |
| Financial Assets Measured at Amortized Cost [6] | 28,418,409 | 647,443 | 2,276,143 | 15,932,112 | 7,588,431 | 7,080,729 | 61,943,267 |
| Other Assets | - | - | - | - | - | 17,479,401 | 17,479,401 |
| **Total Assets** | **162,613,223** | **81,127,395** | **141,308,710** | **90,095,822** | **25,712,241** | **120,286,423** | **621,143,814** |
| Liabilities | | | | | | | |
| Bank Deposits | 3,762,400 | 3,283,443 | 2,487,067 | - | - | 692,867 | 10,225,777 |
| Other Deposits | 148,288,212 | 95,663,898 | 12,667,551 | 589,295 | 504 | 125,327,885 | 382,537,345 |
| Money Market Borrowings | 12,075,878 | 7,644,329 | 3,209,343 | - | - | 149,087 | 23,078,637 |
| Miscellaneous Payables | 15,775,865 | - | - | - | - | 13,926,779 | 29,702,644 |
| Securities Issued | 6,179,495 | 9,842,834 | 3,680,636 | 12,135,273 | - | 178,671 | 32,016,909 |
| Funds Borrowed | 9,627,502 | 17,463,759 | 30,434,536 | 3,873,655 | 10,162,444 | 783,185 | 72,345,081 |
| Other Liabilities [7] | 397 | 1,161 | 21,331 | 726,580 | - | 70,487,952 | 71,237,421 |
| **Total Liabalities** | **195,709,749** | **133,899,424** | **52,500,464** | **17,324,803** | **10,162,948** | **211,546,426** | **621,143,814** |
| On Balance Sheet Long Position | - | - | 88,808,246 | 72,771,019 | 15,549,293 | - | 177,128,558 |
| On Balance Sheet Short Position | (33,096,526) | (52,772,029) | - | - | - | (91,260,003) | (177,128,558) |
| Off-Balance Sheet Long Position | 14,883,737 | 27,602,409 | - | - | - | - | 42,486,146 |
| Off-Balance Sheet Short Position | - | - | (3,548,564) | (8,375,774) | (16,493,564) | - | (28,417,902) |
| **Total Position** | **(18,212,789)** | **(25,169,620)** | **85,259,682** | **64,395,245** | **(944,271)** | **(91,260,003)** | **14,068,244** |

(1) Non-Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.

(2) Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TRY 10,615 expected loss provisions.

(3) Banks include balance of expected loss provisions amounting to TRY 6,018.

(4) Financial Assets at Fair Value Through Profit/Loss includes Derivative Financial Assets at Fair Value Through Profit or Loss amounting to TRY 15,743,228.

(5) Financial Assets Measured at Fair Value Through Other Comprehensive Income includes Derivative Financial Assets Through Other Comprehensive Income amounting to TRY 6,868,726.

(6) Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TRY 20,038

(7) Other Liabilities includes Derivative Financial Liabilities amounting to TRY 6,714,988.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### IV. Explanations on Consolidated Interest Rate Risk (Continued)

#### Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (Continued)

*(Based on repricing dates)*

| | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | Non-Interest Bearing (1) | Total |
|---|---|---|---|---|---|---|---|
| **End of Prior Period** | | | | | | | |
| Assets | | | | | | | |
| Cash (Cash in Vault, Foreign Currency, Cash in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank (2) | 27,490,702 | - | - | - | - | 42,796,785 | 70,287,487 |
| Due from Banks (3) | 1,540,786 | - | - | - | - | 14,275,517 | 15,816,303 |
| Financial Assets at Fair Value Through Profit/Loss (4) | 106,385 | 227,137 | 26,675 | 53,814 | 10,637 | 18,796,631 | 19,221,279 |
| Money Market Placements | 159,508 | - | - | - | - | - | 159,508 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI) (5) | 2,980,735 | 2,240,521 | 3,515,720 | 4,197,504 | 7,402,284 | 2,700,446 | 23,037,210 |
| Loans and Receivables | 41,506,389 | 35,119,569 | 78,605,137 | 52,159,933 | 4,842,739 | 121,494 | 212,355,261 |
| Financial Assets Measured at Amortized Cost (6) | 11,955,226 | 349,159 | 1,781,837 | 8,429,624 | 6,240,942 | 1,090,395 | 29,847,183 |
| Other Assets | - | - | - | - | - | 13,124,781 | 13,124,781 |
| **Total Assets** | **85,739,731** | **37,936,386** | **83,929,369** | **64,840,875** | **18,496,602** | **92,906,049** | **383,849,012** |
| Liabilities | | | | | | | |
| Bank Deposits | 11,644,754 | 688,474 | 74,420 | - | - | 569,447 | 12,977,095 |
| Other Deposits | 84,255,631 | 26,809,133 | 6,145,882 | 412,329 | 326 | 95,276,183 | 212,899,484 |
| Money Market Borrowings | 5,124,908 | 9,714,670 | 3,348,627 | - | - | 2,409 | 18,190,614 |
| Miscellaneous Payables | 10,917,333 | - | - | - | - | 7,929,302 | 18,846,635 |
| Securities Issued | 6,345,858 | 2,079,005 | 12,490,639 | 8,428,348 | - | 458,966 | 29,802,816 |
| Funds Borrowed | 4,554,611 | 24,558,690 | 9,772,048 | 4,922,028 | 4,917,521 | 379,933 | 49,104,831 |
| Other Liabilities (7) | 438 | 1,287 | 10,716 | 465,111 | 821 | 41,549,164 | 42,027,537 |
| **Total Liabalities** | **122,843,533** | **63,851,259** | **31,842,332** | **14,227,816** | **4,918,668** | **146,165,404** | **383,849,012** |
| On Balance Sheet Long Position | - | - | 52,087,037 | 50,613,059 | 13,577,934 | - | 116,278,030 |
| On Balance Sheet Short Position | (37,103,802) | (25,914,873) | - | - | - | (53,259,355) | (116,278,030) |
| Off-Balance Sheet Long Position | 8,089,258 | 18,467,702 | - | 435,415 | - | - | 26,992,375 |
| Off-Balance Sheet Short Position | - | - | (2,473,904) | (855,891) | (13,500,760) | - | (16,830,555) |
| **Total Position** | **(29,014,544)** | **(7,447,171)** | **49,613,133** | **50,192,583** | **77,174** | **(53,259,355)** | **10,161,820** |

(1) Non-Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.

(2) Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TRY 7,084 expected loss provisions.

(3) Banks include balance of expected loss provisions amounting to TRY 3,825.

(4) Financial Assets at Fair Value Through Profit/Loss includes Derivative Financial Assets at Fair Value Through Profit or Loss amounting to TRY 18,446,821.

(5) Financial Assets Measured at Fair Value Through Other Comprehensive Income includes Derivative Financial Assets Through Other Comprehensive Income amounting to TRY 3,359,463.

(5) Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TRY 9,793

(7) Other Liabilities includes Derivative Financial Liabilities amounting to TRY 12,783,890.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

## IV. Explanations on Consolidated Interest Rate Risk (Continued)

### Average interest rates applied to monetary financial instruments

| | EUR % | USD % | JPY % | TRY% |
|---|---|---|---|---|
| **End of Current Period** | | | | |
| **Assets** | | | | |
| Cash (Cash in Vault, Foreign Currency Cash in Transit, Cheques Purchased) and Balances with the T,R, Central Bank | - | - | - | - |
| Due from Banks | - | 0.08 | - | 9.73 |
| Financial Assets Measured at Fair Value through Profit/Loss | 5.32 | 7.22 | - | 24.01 |
| Money Market Placements | - | 2.92 | - | - |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | 2.87 | 5.42 | - | 31.34 |
| Loans and Receivables | 5.56 | 6.88 | 4.92 | 23.39 |
| Financial Assets Measured at Amortized Cost | 4.60 | 5.65 | - | 72.82 |
| **Liabilities** | | | | |
| Bank Deposits | 3.79 | 5.65 | - | 25.86 |
| Other Deposits | 1.00 | 3.04 | 0.17 | 17.98 |
| Money Market Borrowings | 1.69 | 4.38 | - | 13.00 |
| Miscellaneous Payables | 1.15 | - | - | - |
| Securities Issued | 4.97 | 6.91 | - | 22.56 |
| Funds Borrowed | 4.00 | 7.36 | - | 17.60 |

### Average interest rates applied to monetary financial instruments

| | EUR % | USD % | JPY % | TRY% |
|---|---|---|---|---|
| **End of Prior Period** | | | | |
| **Assets** | | | | |
| Cash (Cash in Vault, Foreign Currency Cash in Transit, Cheques Purchased) and Balances with the T,R, Central Bank | - | - | - | 8.50 |
| Due from Banks | 0.63 | 6.89 | - | 21.21 |
| Financial Assets Measured at Fair Value through Profit/Loss | 4.97 | 4.58 | - | 21.35 |
| Money Market Placements | - | 0.05 | - | - |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | 2.87 | 5.32 | - | 18.41 |
| Loans and Receivables | 3.61 | 4.52 | 1.49 | 18.03 |
| Financial Assets Measured at Amortized Cost | 4.60 | 5.61 | - | 22.41 |
| **Liabilities** | | | | |
| Bank Deposits | 0.03 | 0.61 | - | 13.96 |
| Other Deposits | 0.22 | 0.81 | 0.27 | 18.22 |
| Money Market Borrowings | (0.71) | 1.17 | - | 13.43 |
| Miscellaneous Payables | (0.39) | - | - | - |
| Securities Issued | - | 5.51 | - | 12.82 |
| Funds Borrowed | 1.43 | 4.31 | - | 14.25 |

### Interest rate risk on banking book

The interest rate risk resulting from banking book comprises of maturity mismatch risk, yield-curve risk, base risk and option risk. Within the scope of the interest rate risk, the Group analyzes all these risks periodically and manages all aspects of interest rate risk on banking book effectively in accordance with the bank strategy by considering market conditions. To ensure these, risks are measured, monitored and limited on a regular basis within the scope of "Asset Liability Management Policy".

In the calculation of the interest rate risk on banking book, income approach and the economic value approach are applied. The analysis of economic value, duration and gap analysis are calculated twice a month, analysis of the standard economic value approach is supported by different scenarios. In addition, the sensitivity of net interest income is monitored and early repayment rates of loans are taken into account in interest rate risk management.

In customer deposits, core deposits analyses are performed regularly on profit center base and the rate of core deposits in demand deposits are considered in economic value, gap and duration analyses. The interest rate risk of uncertain due credits is determined considering the nature of the credit and added to calculations.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

## IV. Explanations on Consolidated Interest Rate Risk (Continued)

All these analyses are reported to Asset and Liability Committee and Risk Committee. By considering market conditions and the bank's strategy, the interest rate risk on banking book is managed within specified limits parallel to the Bank's appetite of risk.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) included in banking book are monitored daily. In this context, the risk level of this portfolio is managed considering the sensitivity of nominal interest rate and limits.

The interest rate risk on banking book is measured legally as per the "Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method" published in the Official Gazette No. 28034 dated August 23, 2011, and the legal limit as per this measurement is monitored and reported monthly to the Assets and Liability Committee, the Risk Committee and the Board of Directors.

| Currency | Shocks Applied (+/- x basis points) | Gains/Losses | Gains/Equity-Losses/Equity |
|---|---|---|---|
| 1. TRY | +500 | (3,714,569) | (5.73)% |
| | -400 | 3,346,266 | 5.16% |
| 2. EURO | +200 | 607,537 | 0.94% |
| | -200 | (464,159) | (0.72)% |
| 3. USD | +200 | (242,588) | (0.37)% |
| | -200 | 369,388 | 0.56% |
| **Total (of negative shocks)** | | **3,251,495** | **5.00%** |
| **Total (of positive shocks)** | | **(3,349,620)** | **(5.16)%** |

## V. Explanations on Consolidated Position Risk of Equity Securities in Banking Book

| | Comparison | | |
|---|---|---|---|
| **Equity Securities (shares)** | **Carrying Value** | **Fair Value** | **Carrying Value** |
| **1. Equity Investments Group A** | **242,194** | **-** | **242,194** |
| Quoted Securities | 242,194 | - | 242,194 |
| **2. Equity Investments Group B** | **-** | **-** | **-** |
| Quoted Securities | - | - | - |
| **3. Equity Investments Group C** | **-** | **-** | **-** |
| Quoted Securities | - | - | - |
| **4. Equity Investments Group Other (*)** | **462,086** | **-** | **-** |

(*) Includes associates, subsidiaries and entities under common control not quoted to BIST and not classified as investment in shares by Capital Market Board.

| | | Revaluation Surpluses | | Unrealized Gains and Losses | | |
|---|---|---|---|---|---|---|
| **Portfolio** | **Gains/Losses in Current Period** | **Total** | **Amount under Supplementary Capital** | **Total** | **Amount under Core Capital** | **Amount under Supplementary Capital** |
| 1. Private Equity Investments | - | - | - | - | - | - |
| 2. Quoted Shares | 92,649 | - | - | 8,217 | - | 8,217 |
| 3. Other Shares | - | - | - | - | - | - |
| **4. Total** | **92,649** | **-** | **-** | **8,217** | **-** | **8,217** |

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

## VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio

Liquidity Risk of the Parent Bank is monitored and managed in accordance with Liquidity Risk Management Policy. According to this policy, Board of Directors is responsible to review and approve risk profile and appetite of the Parent Bank periodically. Senior Management takes necessary measures to monitor aforementioned risk and controls liquidity risk in line with accepted strategies and policies.

Treasury Department is responsible to carry out liquidity strategy determined and approved by Board of Directors. Risk Management Department is responsible to define, measure, monitor and control liquidity risk besides developing internal and external methods and procedures which are in line with context and structure of applicable activities in The Parent Bank in order to monitor related limits. Senior management of The Parent Bank is informed periodically regarding current liquidity risk amount exposed in order to ensure being under the approved limits of the Parent Bank's liquidity risk profile. Assets and Liabilities Committee (ALCO) meetings, which ensure the necessary monitoring for liquidity risk, are held monthly. Risk Committee reviews the liquidity risk of the Parent Bank monthly in addition to aforementioned meetings and informs Board of Directors. The Parent Bank reviews its liquidity position daily. Internal and legal reports related to liquidity positions are examined in ALCO meetings monthly with the participation of senior management. Several decisions are taken related to management of short- and long-term liquidity in this scope. Internal metrics such as reserve liquidity and deposit concentration are monitored daily besides liquidity coverage rate related to measurement of liquidity coverage. Internal limit and warning level are periodically monitored and reported to related parties by the Board of Directors.

The liquidity management of the Parent Bank is decentralized; each partnership controlled by the Parent Bank is carried out independently from the Parent Bank by the authorities in charge of liquidity management. Each subsidiary subject to consolidation manages its own liquidity position separately from the Parent Bank. The amount of funds to be used by the subsidiaries from the Parent Bank is determined within the framework of the limits.

It is essential for the Parent Bank to monitor its liquidity position and funding strategy consistently. Funding management of the Parent Bank is carried out in line with limits and internal warning systems within the framework of ALCO decisions. Funding and placement strategies are developed through evaluating the liquidity of the Parent Bank. While developing this strategy, it is aimed to provide funding from long-term and stable sources as much as possible.

A large part of the Parent Bank's liabilities consists of TRY, USD and EUR. Gap reports issued based on the aforementioned three currencies are presented in ALCO meetings. Maturity mismatches based on currencies are managed through FX swap and FX forward.

The Parent Bank diversifies its funding sources as customer deposits, foreign loans and bond issuance in order to reduce its liquidity risk. Measures are taken through making investments to assets having higher capacity to generate cash against liquidity crisis. The Parent Bank watches over reducing customer deposit concentration and controls concentration level daily in line with warning level approved by the Board of Directors

Liquidity life cycle approach is determined as the liquidity risk stress test methodology. This approach is a stress test to measure the period in which the Parent Bank can meet its cumulative cash outflows without providing a fund from the market. Liquidity life cycle is calculated according to various scenarios and simulated in line with possible scenarios in crisis situation and the results are reported to Risk Committee and Board of Directors.

Emergency Funding Plan (EMP) of the Parent Bank regulates funding activities to be used in liquidity crisis periods specific to the Parent Bank or in liquidity crisis at financial markets. EMP defines components triggering the crisis and early warning indicators which help to evaluate and manage the liquidity crisis and determine primary funding structure. EMP also defines actions of the Parent Bank against cash and guarantee need. In addition to aforementioned issues, EMP determines duties and responsibilities in performing actions in a liquidity crisis included in risk management and emergency funding plan.

Due to the financial uncertainty caused by the coronavirus epidemic, conservative liquidity management has been one of the top priorities of the Parent Bank. The Parent Bank manages LCR over the limit by keeping its high quality liquid assets at a sufficient level. The Parent Bank has created four different stress test scenarios that measure how long it can meet its cumulative cash outflows without providing any new funds from the market or by providing funds at very low levels. A new scenario was created by observing the financial movements during the coronavirus epidemic and it was observed that in all scenarios, the Parent Bank withstands stress over the minimum life expectancy of 30 days.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio (Continued)

### Liquidity Coverage Ratio

| Current Period – December 31, 2022 | Unweighted Amounts (*) | | Weighted Amounts (*) | |
|---|---|---|---|---|
| | TRY+FC | FC | TRY+FC | FC |
| **HIGH QUALITY LIQUID ASSETS** | | | **134,724,292** | **71,736,563** |
| 1 High Quality Liquid Assets | | | 134,724,292 | 71,736,563 |
| **CASH OUTFLOWS** | | | | |
| 2 Retail and Small Business Customers Deposits | 260,608,133 | 127,826,867 | 24,129,643 | 12,782,687 |
| 3 Stable deposits | 38,623,407 | - | 1,931,170 | - |
| 4 Less stable deposits | 221,984,726 | 127,826,867 | 22,198,473 | 12,782,687 |
| 5 Unsecured Funding other than Retail and Small Business Customers Deposits | 110,799,404 | 61,806,911 | 64,350,982 | 35,594,369 |
| 6 Operational deposits | 3,585,378 | 907,137 | 896,345 | 226,784 |
| 7 Non-Operational Deposits | 85,680,017 | 52,454,345 | 46,686,595 | 27,637,566 |
| 8 Other Unsecured Funding | 21,534,009 | 8,445,429 | 16,768,042 | 7,730,019 |
| 9 Secured funding | - | - | - | - |
| 10 Other Cash Outflows | 90,836,397 | 20,535,216 | 90,836,397 | 20,535,216 |
| 11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions | 90,836,397 | 20,535,216 | 90,836,397 | 20,535,216 |
| 12 Debts related to the structured financial products | - | - | - | - |
| 13 Commitment related to debts to financial markets and other off balance sheet liabilities | - | - | - | - |
| 14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments | 117,777,721 | 40,423,002 | 5,888,886 | 2,021,150 |
| 15 Other irrevocable or conditionally revocable commitments | 224,072,756 | 45,451,099 | 16,172,035 | 4,491,184 |
| **16 TOTAL CASH OUTFLOWS** | **-** | **-** | **201,377,943** | **75,424,606** |
| **CASH INFLOWS** | | | | |
| 17 Secured Lending Transactions | 1,408,853 | 420,035 | - | - |
| 18 Unsecured Lending Transactions | 41,167,505 | 18,563,682 | 29,070,600 | 16,275,342 |
| 19 Other contractual cash inflows | 87,994,177 | 74,450,173 | 87,994,177 | 74,450,173 |
| **20 TOTAL CASH INFLOWS** | **130,570,535** | **93,433,890** | **117,064,777** | **90,725,515** |

| | Upper Limit Applied Values | |
|---|---|---|
| **21 TOTAL HIGH QUALITY LIQUID ASSETS** | **134,724,292** | **71,736,563** |
| **22 TOTAL NET CASH OUTFLOWS** | **84,313,166** | **18,856,152** |
| **23 LIQUDITY COVERAGE RATIO (%)** | **159.79** | **380.44** |

(*) Simple arithmetic average calculated for the last three month of values calculated by taking the weekly simple arithmetic average.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio (Continued)

| Prior Period – December 31, 2021 | Unweighted Amounts (*) | | Weighted Amounts (*) | |
|---|---|---|---|---|
| | TRY+FC | FC | TRY+FC | FC |
| **HIGH QUALITY LIQUID ASSETS** | | | **60,105,592** | **41,728,573** |
| 1 High Quality Liquid Assets | | | 60,105,592 | 41,728,573 |
| **CASH OUTFLOWS** | | | | |
| 2 Retail and Small Business Customers Deposits | **141,515,493** | **84,898,033** | **13,012,189** | **8,489,803** |
| 3 Stable deposits | 22,787,215 | - | 1,139,361 | - |
| 4 Less stable deposits | 118,728,278 | 84,898,033 | 11,872,828 | 8,489,803 |
| 5 Unsecured Funding other than Retail and Small Business Customers Deposits | **54,879,746** | **33,633,717** | **29,811,372** | **17,993,501** |
| 6 Operational deposits | 1,822,934 | 722,890 | 455,733 | 180,722 |
| 7 Non-Operational Deposits | 42,113,548 | 28,893,102 | 20,722,509 | 14,249,724 |
| 8 Other Unsecured Funding | 10,943,264 | 4,017,725 | 8,633,130 | 3,563,055 |
| 9 Secured funding | - | - | - | - |
| 10 Other Cash Outflows | **22,265,401** | **5,501,550** | **22,265,401** | **5,501,550** |
| 11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions | 22,265,401 | 5,501,550 | 22,265,401 | 5,501,550 |
| 12 Debts related to the structured financial products | - | - | - | - |
| 13 Commitment related to debts to financial markets and other off balance sheet liabilities | - | - | - | - |
| 14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments | 66,317,841 | 3,640,360 | 3,315,892 | 182,018 |
| 15 Other irrevocable or conditionally revocable commitments | 123,065,092 | 32,994,068 | 9,098,334 | 3,198,915 |
| **16 TOTAL CASH OUTFLOWS** | **-** | **-** | **77,503,188** | **35,365,787** |
| **CASH INFLOWS** | | | | |
| 17 Secured Lending Transactions | 161,211 | 135,512 | - | - |
| 18 Unsecured Lending Transactions | 18,740,027 | 10,456,304 | 13,483,740 | 9,177,360 |
| 19 Other contractual cash inflows | 22,294,557 | 19,746,944 | 22,294,557 | 19,746,944 |
| **20 TOTAL CASH INFLOWS** | **41,195,795** | **30,338,760** | **35,778,297** | **28,924,304** |
| | | | **Upper Limit Applied Values** | |
| **21 TOTAL HIGH QUALITY LIQUID ASSETS** | | | **60,105,592** | **41,728,573** |
| **22 TOTAL NET CASH OUTFLOWS** | | | **41,724,891** | **10,059,529** |
| **23 LIQUDITY COVERAGE RATIO (%)** | | | **144.05** | **414.82** |

(*) Simple arithmetic average calculated for the last three month of values calculated by taking the weekly simple arithmetic average.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

**VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio (Continued)**

Consolidated liquidity coverage ratios related to last three months of 2022 are calculated weekly and explained in the table below according to "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette No. 28948, dated March 21, 2014.

| | Maximum | Date | Minimum | Date | Average |
|---|---|---|---|---|---|
| **TRY+FC** | 182.79 | 4/10/2022 | 135.18 | 28/11/2022 | 160.52 |
| **FC** | 505.16 | 31/12/2022 | 318.81 | 28/11/2022 | 382.44 |

Liquidity coverage ratio is regulated by the BRSA to make sure that the banks sustain high quality liquid asset stock to cover probable cash outflows in the short term.

All of the Parent Bank's high quality liquid assets are comprised of first quality liquid assets, most of which are CBRT accounts and securities that are issued by the Turkish Treasury that have not been collateralized. Optional use of reserve levels and fluctuations in repo amount lead up to periodical variations in liquidity coverage ratio. Additionally syndication loans and large amount funds such as foreign bond issuances that have less than 1 month to maturity, lead up to short term fall in liquidity coverage ratios.

Funding sources of the Parent Bank mainly consist of deposits which constitute 63% of total liabilities of the Group (December 31, 2021 – 59%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Parent Bank effectively uses derivative transactions to manage interest and liquidity risk. Impact of derivative cash flows in terms of liquidity coverage ratio is limited. However, FX swaps used in short term foreign currency liquidity management cause liquidity coverage ratio to fluctuate due to changes in volume and one month maturity. In addition, possible cash outflow caused by margin call requirements of derivative transactions is taken into consideration in accordance with the respective regulations.

At The Parent Bank, Secured funding consists of repo and secured loan transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Türkiye and transactions are carried out both in CBRT market and interbank market.

The Parent Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework.

All cash inflow and outflow items related to liquidity profile of the Parent Bank are included in liquidity coverage ratio tables above.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio (Continued)

### Presentation of assets and liabilities according to their remaining maturities

| Current Period | Demand | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | Unallocated[1] | Total |
|---|---|---|---|---|---|---|---|---|
| Assets | | | | | | | | |
| Cash (Cash in Vault, Foreign Currency, Cash in Transit, Cheques Purchased, Precious Metal) and Balances with the T,R, Central Bank [2] | 54,063,392 | 40,474,399 | - | - | - | - | (10,615) | 94,527,176 |
| Due from Banks [3] | 3,686,354 | 7,457,349 | - | - | - | - | (6,018) | 11,137,685 |
| Financial Assets at Fair Value Through Profit/Loss [4] | 942,470 | 1,713,885 | 5,608,356 | 4,340,589 | 1,884,833 | 2,829,439 | 42,671 | 17,362,243 |
| Money Market Placements | - | 4,427,376 | 4,040,604 | - | - | - | (5,082) | 8,462,898 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income [5] | 128,920 | 783,014 | 565,092 | 5,222,179 | 24,491,293 | 15,935,465 | 244 | 47,126,207 |
| Loans and Receivables [6] | - | 77,550,568 | 52,229,600 | 121,086,605 | 87,641,420 | 22,931,257 | 1,665,487 | 363,104,937 |
| Financial Assets Measured at Amortized Cost[7] | - | - | 401,790 | 6,903,067 | 32,103,048 | 22,555,400 | (20,038) | 61,943,267 |
| Other Assets | 149 | 6,607,389 | 35,027 | 170,530 | 851,822 | 741 | 9,813,743 | 17,479,401 |
| **Total Assets** | **58,821,285** | **139,013,980** | **62,880,469** | **137,722,970** | **146,972,416** | **64,252,302** | **11,480,392** | **621,143,814** |
| Liabilities | | | | | | | | |
| Bank Deposits | 692,867 | 3,762,400 | 3,283,443 | 2,487,067 | - | - | - | 10,225,777 |
| Other Deposits | 125,327,885 | 146,572,007 | 96,999,607 | 13,024,560 | 612,778 | 508 | - | 382,537,345 |
| Funds Borrowed | - | 5,147,422 | 8,335,022 | 30,517,966 | 20,739,901 | 7,604,770 | - | 72,345,081 |
| Money Market Borrowings | - | 12,149,215 | 3,073,384 | 3,498,932 | 3,797,042 | 560,064 | - | 23,078,637 |
| Securities Issued | - | 6,221,834 | 8,949,306 | 3,743,688 | 13,102,081 | - | - | 32,016,909 |
| Miscellaneous Payables | - | 29,487,873 | - | - | - | - | 214,771 | 29,702,644 |
| Other Liabilities [8] | - | 7,131,515 | 874,833 | 1,982,158 | 2,146,189 | 1,768,376 | 57,334,350 | 71,237,421 |
| **Total Liabilities** | **126,020,752** | **210,472,266** | **121,515,595** | **55,254,371** | **40,397,991** | **9,933,718** | **57,549,121** | **621,143,814** |
| | | | | | | | | |
| **Liquidity Excess/Gap** | **(67,199,467)** | **(71,458,286)** | **(58,635,126)** | **82,468,599** | **106,574,425** | **54,318,584** | **(46,068,729)** | **-** |
| | | | | | | | | |
| **Net Off- Balance Sheet Position [9]** | **-** | **1,465,745** | **5,992,273** | **4,187,211** | **2,600,912** | **38** | **-** | **14,246,179** |
| Receivables from financial derivative instruments | - | 138,984,434 | 75,431,503 | 40,346,479 | 62,732,529 | 58,800,731 | - | 376,295,676 |
| Liabilities from derivative financial instruments | - | 137,518,689 | 69,439,230 | 36,159,268 | 60,131,617 | 58,800,693 | - | 362,049,497 |
| **Non Cash Loans [10]** | **-** | **3,167,529** | **7,830,151** | **27,428,783** | **9,713,322** | **922,518** | **16,131,397** | **65,193,700** |
| | | | | | | | | |
| **Prior period** | | | | | | | | |
| Total Assets | 39,613,823 | 90,382,468 | 27,629,618 | 74,091,079 | 105,208,043 | 37,781,195 | 9,142,786 | 383,849,012 |
| Total Liabilities | 96,034,015 | 134,141,832 | 38,549,633 | 46,923,306 | 23,269,884 | 13,627,067 | 31,303,275 | 383,849,012 |
| **Liquidity Excess/Gap** | **(56,420,192)** | **(43,759,364)** | **(10,920,015)** | **27,167,773** | **81,938,159** | **24,154,128** | **(22,160,489)** | **-** |
| | | | | | | | | |
| **Net Off- Balance Sheet Position [10]** | **-** | **(1,902,436)** | **1,686,561** | **3,004,161** | **5,354,445** | **37** | **-** | **8,142,768** |
| Receivables from financial derivative instruments | - | 72,196,159 | 33,952,450 | 41,342,421 | 46,772,646 | 49,170,248 | - | 243,433,924 |
| Liabilities from derivative financial instruments | - | 74,098,595 | 32,265,889 | 38,338,260 | 41,418,201 | 49,170,211 | - | 235,291,156 |
| **Non Cash Loans [11]** | **-** | **1,534,846** | **5,201,610** | **10,797,060** | **3,857,735** | **337,993** | **25,738,863** | **47,468,107** |

(1) The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified under ”Unallocated” column. Unallocated other liabilities include equities amounting to TRY 44,276,132, unallocated provisions amounting to TRY 9,097,021 and deferred tax liabilities amounting to TRY 2,843,483.

(2) Cash (Cash in Vault, Foreign Currency Cash, Cash in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include expected loss provisions amounting to TRY 10,615.

(3) Banks include balance of expected loss provisions amounting to TRY 6,018.

(4) Financial assets at fair value through profit/loss include derivative financial assets through profit loss amounting to TRY 15,743,228 (December 31, 2021 – TRY 18,446,821)

(5) Financial assets at fair value through other comprehensive income include derivative financial assets through other comprehensive income amounting to TRY 6,868,726 (December 31, 2021 – TRY 3,359,463)

(6) Loans and receivables include leasing and factoring receivables.

(7) Financial assets measured at amortized cost include TRY 20,038 of expected loss provisions.

(8) Other Liabilities also includes the portion of derivative financial liabilities at fair value through other comprehensive income amounting to TRY 6,714,988.

(9) Liquidity excess/(deficit) related to Derivative Financial Instruments constituting Net Off-Balance positions are included in Liquidity Excess/(deficit) through valuations of related transactions to balance sheet.

(10) Amounts related to letter of guarantees represent contractual maturities and amounts included in aforementioned maturities and they have on demand and optionally withdrawable nature.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

## VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio (Continued)

### Financial Liabilities according to the remaining maturities on the contract

The table below shows the maturity breakdown of the Bank's financial liabilities that are not classified as derivatives. These tables were prepared by taking the closest dates that the Bank will recognize its future cash flows. The interest payable through the said assets and liabilities are included in the tables below.

| Current Period | Demand | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and longer | Total | Balance Sheet Value |
|---|---|---|---|---|---|---|---|---|
| Bank Deposits | 692,867 | 4,280,270 | 2,804,405 | 2,592,936 | - | - | 10,370,478 | 10,225,777 |
| Other Deposits | 125,327,885 | 146,829,287 | 97,166,846 | 13,067,989 | 615,929 | 819 | 383,008,755 | 382,537,345 |
| Payables to Money Market | - | 19,778,772 | 3,292,865 | 3,967,204 | 4,223,210 | 583,569 | 31,845,620 | 23,078,637 |
| Funds from other Financial Institutions | - | 5,150,622 | 8,349,871 | 30,965,612 | 20,761,415 | 7,604,857 | 72,832,377 | 72,345,081 |
| Securities Issued | - | 6,247,478 | 10,022,581 | 4,333,534 | 13,925,187 | - | 34,528,780 | 32,016,909 |
| Noncash Loans (*) | 16,131,397 | 3,167,529 | 7,830,151 | 27,428,783 | 9,713,322 | 922,518 | 65,193,700 | 65,193,700 |

| Prior Period | Demand | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and longer | Total | Balance Sheet Value |
|---|---|---|---|---|---|---|---|---|
| Bank Deposits | 569,447 | 11,665,338 | 689,192 | 74,678 | - | - | 12,998,655 | 12,977,095 |
| Other Deposits | 95,276,184 | 84,444,331 | 26,951,157 | 6,183,110 | 415,350 | 532 | 213,271,664 | 212,899,484 |
| Payables to Money Market | - | 5,153,520 | 5,458,091 | 4,496,346 | 2,444,984 | 840,625 | 18,393,566 | 18,190,614 |
| Funds from other Financial Institutions | - | 3,873,911 | 2,613,665 | 19,406,734 | 6,612,442 | 16,981,665 | 49,488,417 | 49,104,831 |
| Securities Issued | - | 2,825,984 | 1,727,417 | 15,526,763 | 11,561,025 | - | 31,641,189 | 29,802,816 |
| Noncash Loans (*) | 25,738,862 | 1,534,846 | 5,201,610 | 10,797,060 | 3,857,735 | 337,994 | 47,468,107 | 47,468,107 |

(*) Amounts related to letters of guarantee represent maturities based on contract and amounts per these maturities and the amounts have the nature to be withdrawn on demand optionally

The table below shows the remaining maturity breakdown of the Bank's derivative assets and liabilities.

| Current Period | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Longer | Total |
|---|---|---|---|---|---|---|
| Forward contracts buying (**) | 9,936,299 | 5,574,106 | 6,532,312 | 287,757 | - | 22,330,474 |
| Forward contracts selling (**) | (10,930,615) | (5,645,193) | (6,015,957) | (289,825) | - | (22,881,590) |
| Swap contracts buying (*) | 121,552,725 | 29,000,683 | 27,569,084 | 62,333,433 | 57,454,331 | 297,910,256 |
| Swap contracts selling (*) | (119,715,603) | (23,961,846) | (22,809,604) | (59,231,743) | (57,642,380) | (283,361,176) |
| Futures buying | - | 2,577,934 | - | - | - | 2,577,934 |
| Futures selling | - | (2,610,296) | - | - | - | (2,610,296) |
| Options buying | 13,589,634 | 38,879,754 | 6,696,442 | 67,348 | - | 59,233,178 |
| Options selling | (13,526,882) | (38,153,086) | (6,461,515) | (67,348) | - | (58,208,831) |
| Other | - | - | 1,308,762 | 747,864 | - | 2,056,626 |
| **Total** | **905,558** | **5,662,056** | **6,819,524** | **3,847,486** | **(188,049)** | **17,046,575** |

(*) Derivative financial assets held for hedges are included.
(**) Includes the Dated, Asset Value Buying and Selling obligations that are in Obligations.

| Prior Period | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 years and Longer | Total |
|---|---|---|---|---|---|---|
| Forward contracts buying (**) | 5,019,304 | 3,602,030 | 3,968,966 | 662,874 | - | 13,253,174 |
| Forward contracts selling (**) | (5,237,730) | (3,795,385) | (4,477,040) | (632,360) | - | (14,142,515) |
| Swap contracts buying (*) | 68,750,440 | 30,290,853 | 36,925,332 | 47,708,043 | 46,222,873 | 229,897,541 |
| Swap contracts selling (*) | (70,393,221) | (28,105,947) | (33,460,598) | (40,876,290) | (46,578,452) | (219,414,508) |
| Futures buying | - | 361,004 | 18,906 | - | - | 379,910 |
| Futures selling | - | (368,665) | (15,436) | - | - | (384,101) |
| Options buying | 527,020 | 418,336 | 993,552 | 14,708 | - | 1,953,616 |
| Options selling | (595,686) | (426,748) | (888,633) | (14,708) | - | (1,925,775) |
| Other | - | - | - | 1,427,525 | - | 1,427,525 |
| **Total** | **(1,929,873)** | **1,975,478** | **3,065,049** | **8,289,792** | **(355,579)** | **11,044,867** |

(*) Derivative financial assets held for hedges are included.
(**) Includes the Dated, Asset Value Buying and Selling obligations that are in Obligations.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### VII. Explanations on Consolidated Leverage Ratio

#### a) Information in regards to the differences between current period and prior period leverage ratio

The Group's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 5.88% (December 31, 2021: 5.80%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

#### b) Summary comparative table for total asset and total risk amount in consolidated financial statements prepared in accordance with TFRS

| | | Current Period (**) | Prior Period (**) |
|---|---|---|---|
| 1 | Total asset amount in consolidated financial statements prepared in accordance with TFRS (*) | 599,134,667 | 349,460,469 |
| 2 | Difference between total asset amount in consolidated financial statements prepared in accordance with TFRS and total asset amount in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements | 1,382,506 | 685,946 |
| 3 | Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of derivative financial instruments and credit derivatives | 8,369,267 | 2,119,562 |
| 4 | Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of investment securities or financial transaction that are commodity collateralized | 899,050 | 454,669 |
| 5 | Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of off balance transactions | 268,206,049 | 135,914,487 |
| 6 | Other differences between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements | (1,926,409) | (1,420,516) |
| **7** | **Total Risk Amount** | **876,065,130** | **487,214,617** |

(*) Consolidated financial statements prepared in accordance with the 5th clause and 6th subclause of Communique on the Preparation of Consolidated Financial Statements.
(**) Amounts presented above represent the arithmetic average of the last three months.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### VII. Explanations on Consolidated Leverage Ratio (Continued)

#### c) Leverage ratio public disclosure template

The table related to leverage ratio calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" published in Official Gazette No. 28812 and dated November 5, 2013 is below:

| | Book Value | |
|---|---|---|
| | **Current Period (*)** | **Prior Period (*)** |
| **Assets on Balance sheet** | | |
| Assets on Balance sheet (except for derivative financial instruments and credit derivatives, including guarantees) | 577,289,514 | 330,397,308 |
| (Assets deducted from capital stock) | 1,926,409 | 1,420,516 |
| **Total risk amount related to Assets on Balance sheet** | **575,363,105** | **328,976,792** |
| **Derivative financial instruments and credit derivatives** | | |
| Replacement cost of derivative financial instruments and credit derivatives | 23,227,659 | 19,749,107 |
| Potential credit risk amount of derivative financial instruments and credit derivatives | 8,369,267 | 2,119,562 |
| **Total risk amount related to derivative financial instruments and credit derivatives** | **31,596,926** | **21,868,669** |
| **Financial transactions having security or commodity collateral** | | |
| Risk amount of financial transactions having security or commodity collateral | 49,485 | 2,665 |
| Risk amount sourcing from transactions mediated | 849,565 | 452,004 |
| **Total risk amount related to financial transactions having security or commodity collateral** | **899,050** | **454,669** |
| **Off-Balance sheet Transaction** | | |
| Gross nominal amount of off-balance sheet transactions | 365,192,728 | 196,081,218 |
| (Adjustment amount sourcing from multiplying to credit conversion rates) | 96,986,679 | 60,166,731 |
| **Total risk amount related to off-balance sheet transactions** | **268,206,049** | **135,914,487** |
| **Capital and Total Risk** | | |
| Core Capital | 51,554,037 | 28,238,011 |
| Amount of total risk | 876,065,130 | 487,214,617 |
| **Financial leverage ratio** | | |
| Financial leverage ratio | 5.88% | 5.80% |

(*) Amounts stated in table shows the last 3 months' averages of the related period.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

### VIII. Explanations Related to Presentation of Consolidated Financial Assets and Liabilities at Their Fair Value

The fair value of the fixed rate loans is determined based on discounted cash flows using the current market interest rates. Book value of floating rate loans represent their fair value.

The fair value of financial assets measured at amortized cost; market prices or, where such price cannot be determined, interest is determined on the basis of quoted market prices for other securities subject to the same qualified amortization in terms of maturity and other similar conditions.

The estimated fair value of the demand deposit represents the amount payable at the time of demand. The fair value of floating rate placements and overnight deposits represents the book value. The estimated fair value of fixed rate deposits is calculated by finding the discounted cash flows using market interest rates applied to similar loans and other liabilities.

The estimated fair value of funds from banks, other financial institutions, is determined based on discounted cash flows using the current market interest rates.

In the table below; the fair values and the carrying values of some of the financial assets and liabilities are presented. Book value represents the total of cost of subject asset and liabilities and accrued interest.

| Current Period | Book value | Fair value |
|---|---|---|
| **Financial Assets** | **484,937,406** | **487,905,177** |
| Receivables from Money Market | 8,467,980 | 8,462,898 |
| Banks | 11,143,703 | 11,137,824 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | 40,257,481 | 40,257,481 |
| Financial Assets Measured at Amortized Cost | 61,963,305 | 71,112,732 |
| Credits Given | 363,104,937 | 356,934,242 |
| **Financial Liabilities** | **549,906,393** | **552,237,831** |
| Bank Deposits | 10,225,775 | 10,228,398 |
| Other Deposits | 382,537,347 | 382,650,384 |
| Funds from Other Financial Institutions | 72,345,081 | 74,560,859 |
| Payable to Money Market | 23,078,637 | 23,078,637 |
| Securities Issued | 32,016,909 | 32,016,909 |
| Other Debts | 29,702,644 | 29,702,644 |

| Prior Period | Book value | Fair value |
|---|---|---|
| **Financial Assets** | **277,869,620** | **273,033,853** |
| Receivables from Money Market | 159,508 | 159,508 |
| Banks | 15,820,128 | 15,816,458 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | 19,677,747 | 19,677,747 |
| Financial Assets Measured at Amortized Cost | 29,856,976 | 30,900,013 |
| Credits Given | 212,355,261 | 206,480,127 |
| **Financial Liabilities** | **341,821,475** | **341,915,997** |
| Bank Deposits | 12,977,093 | 12,982,717 |
| Other Deposits | 212,899,486 | 212,819,660 |
| Funds from Other Financial Institutions | 49,104,831 | 49,273,555 |
| Payable to Money Market | 18,190,614 | 18,190,614 |
| Securities Issued | 29,802,816 | 29,802,816 |
| Other Debts | 18,846,635 | 18,846,635 |

In accordance with "TFRS 13, Fair Value Measurement" accounts represented at fair value in the face of financial statements are required to be leveled according to the observability of the data used for the calculation of fair value.

The classification of fair value calculation is as follows.

a) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (market value);

b) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

c) Level 3: Inputs that are not observable for the asset and liability (Fair value calculations which are not observable).

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**

## VIII. Explanations Related to Presentation of Consolidated Financial Assets and Liabilities at Their Fair Value (Continued)

In the table below, the fair value classification of the financial instruments that are recorded at fair value at the financial statements is presented:

| Current Period | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial Assets** | **41,397,280** | **22,949,521** | **141,649** | **64,488,450** |
| Financial Assets at Fair Value through Profit/Loss | 1,311,780 | 165,586 | 141,649 | 1,619,015 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) (*) | 40,085,500 | 171,981 | - | 40,257,481 |
| Derivative Financial Assets | - | 22,611,954 | - | 22,611,954 |
| **Financial Liabilities** | **30,387** | **6,684,601** | **-** | **6,714,988** |
| Derivative Financial Liabilities | 30,387 | 6,684,601 | - | 6,714,988 |

(*) The fair value difference does not include balance of shares amounting to TRY 7,674 which is included in Financial Assets at Fair Value through Other Comprehensive Income.

| Prior Period | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial Assets** | **19,925,817** | **22,090,317** | **242,355** | **42,258,489** |
| Financial Assets at Fair Value through Profit/Loss (*) | 306,441 | 225,662 | 242,355 | 774,458 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) (**) | 19,619,376 | 58,371 | - | 19,677,747 |
| Derivative Financial Assets | - | 21,806,284 | - | 21,806,284 |
| **Financial Liabilities** | **2,159** | **12,781,731** | **-** | **12,783,890** |
| Derivative Financial Liabilities | 2,159 | 12,781,731 | - | 12,783,890 |

(*) Including the balance amounting to TRY 209,670 under Financial Assets at Fair Value Through Profit and Loss, which is disclosed in Note 6.b.2 of Section Five.

(**) The fair value difference does not include balance of shares amounting to TRY 7,674 which is included in Financial Assets at Fair Value through Other Comprehensive Income.

Confirmation for fair value of financial assets under Level 3 is as below:

| | Current Period | Prior Period |
|---|---|---|
| **Opening Balance** | **242,355** | **126,806** |
| Change in total gain/loss | 99,896 | 92,368 |
| *Accounted in the statement of profit or loss and other comprehensive income* | *99,896* | *92,368* |
| *Accounted in other comprehensive income* | - | - |
| Purchases | 9,068 | 23,181 |
| Disposals | (209,670) | - |
| Matured Loans | - | - |
| Sales from Level 3 | - | - |
| **Closing Balance** | **141,649** | **242,355** |

## IX. Information on the Services in the Name and Account of Third Parties

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

# SECTION FIVE

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

## I. Explanations and Disclosures Related To Consolidated Assets

### 1. a) Information on cash equivalents and the account of the CBRT

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TRY** | **FC** | **TRY** | **FC** |
| Cash in TRY/Foreign Currency | 1,621,492 | 6,809,684 | 678,315 | 6,245,263 |
| T.R. Central Bank | 7,929,515 | 74,677,290 | 6,654,230 | 56,333,197 |
| Others | 168,850 | 3,330,960 | 103,735 | 279,831 |
| **Total** | **9,719,857** | **84,817,934** | **7,436,280** | **62,858,291** |

### b) Information related to the account of the CBRT

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TRY** | **FC** | **TRY** | **FC** |
| Unrestricted Demand Deposits | 7,929,515 | 34,202,891 | 6,654,230 | 18,465,910 |
| Restricted Time Deposits | - | 40,474,399 | - | 37,867,287 |
| **Total** | **7,929,515** | **74,677,290** | **6,654,230** | **56,333,197** |

As of December 31, 2022, a provision amounting to TRY 10,615 (December 31, 2021 – TRY 7,083) has been provided to the Central Bank account.

As of December 31, 2022, our bank has been appointed to CBRT depending on the maturity structure, the required reserve rates for TRY liabilities vary between 3% and 8% for TRY deposits and other liabilities according to their maturities. The reserve rates for foreign currency liabilities vary between 5% and 25% for deposit and other foreign currency liabilities, Gold deposit liabilities vary between 22% and 26% for gold liabilities according to their maturities.

### 2. Further information on financial assets at fair value through profit/loss (net amounts are expressed)

### a) Information on financial assets at fair value through profit or loss that are subject to repurchase agreements and given as collateral/blocked

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TRY** | **FC** | **TRY** | **FC** |
| Given as Collateral/blocked | 56,131 | - | - | 19,850 |
| Subject to repurchase agreement | - | - | 1,373 | - |
| **Total** | **56,131** | **-** | **1,373** | **19,850** |

### b) Positive differences related to derivative financial assets held-for-trading

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TRY** | **FC** | **TRY** | **FC** |
| Forward Transactions | 457,631 | - | 373,516 | - |
| Swap Transactions | 4,600,327 | 2,273,153 | 7,457,376 | 1,722,657 |
| Futures | - | 514 | - | - |
| Options | - | 758,724 | - | 289,303 |
| **Total** | **5,057,958** | **3,032,391** | **7,830,892** | **2,011,960** |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### I. Explanations and Disclosures Related to Consolidated Assets (Continued)

### 3. a) Information on banks

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TRY** | **FC** | **TRY** | **FC** |
| **Banks** | **3,127,925** | **8,015,778** | **94,349** | **15,725,779** |
| Domestic | 3,127,920 | 230,110 | 94,336 | 1,781,296 |
| Foreign | 5 | 7,785,668 | 13 | 13,944,483 |
| Foreign Head Offices and Branches | - | - | - | - |
| **Total** | **3,127,925** | **8,015,778** | **94,349** | **15,725,779** |

Amount of TRY 11,100 provision is provided for banks account as of December 31, 2022 (December 31, 2021 – TRY 3,826).

### b) Information on foreign bank accounts

| | Unrestricted Amount | | Restricted Amount (**) | |
|---|---|---|---|---|
| | **Current Period** | **Prior Period** | **Current Period** | **Prior Period** |
| EU Countries | 1,601,789 | 1,267,901 | 135,032 | 7,479,468 |
| USA and Canada | 892,625 | 5,046,277 | - | 3,244 |
| OECD Countries (*) | 644,395 | 8,567 | 4,383,255 | - |
| Off-shore Banking Regions | - | - | - | - |
| Other | 128,577 | 139,039 | - | - |
| **Total** | **3,267,386** | **6,461,784** | **4,518,287** | **7,482,712** |

(*) Include OECD countries other than the EU countries, USA and Canada.
(**) Includes the guarantees in foreign banks for the borrowings from foreign markets.

### 4. Information on receivables from reverse repurchase agreements

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TRY** | **FC** | **TRY** | **FC** |
| **Domestic Transactions** | **3,613,560** | **-** | **-** | **-** |
| T.R. Central Bank | - | - | - | - |
| Banks | 3,613,560 | - | - | - |
| Intermediary Institutions | - | - | - | - |
| Other Financial Institutions | - | - | - | - |
| Other Institutions | - | - | - | - |
| Real Persons | - | - | - | - |
| **Foreign Transactions** | **-** | **427,044** | **-** | **159,508** |
| Central Banks | - | - | - | - |
| Banks | - | 427,044 | - | 159,508 |
| Intermediary Institutions | - | - | - | - |
| Other Financial Institutions | - | - | - | - |
| Other Institutions | - | - | - | - |
| Real Persons | - | - | - | - |
| **Total** | **3,613,560** | **427,044** | **-** | **159,508** |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### I. Explanations and Disclosures Related to Consolidated Assets (Continued)

### 5. Information on financial assets measured at fair value through other comprehensive income

#### a) Information on financial assets measured at fair value through other comprehensive income subject to repurchase agreements and provided as collateral/blocked

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TRY** | **FC** | **TRY** | **FC** |
| Given as Collateral/Blocked | 12,462,239 | - | 3,204,419 | 2,244,960 |
| Subject to repurchase agreements | 9,095 | 10,279,690 | 500,257 | 7,553,683 |
| **Total** | **12,471,334** | **10,279,690** | **3,704,676** | **9,798,643** |

#### b) Information on financial assets at fair value through other comprehensive income

| | Current Period | Prior Period |
|---|---|---|
| **Debt Securties** | **41,939,469** | **20,978,048** |
| Quoted on a stock exchange (*) | 41,939,469 | 20,978,048 |
| Unquoted on a stock exchange | - | - |
| **Stocks** | **126,612** | **44,443** |
| Quoted on a stock exchange | 118,831 | 36,662 |
| Unquoted on a stock exchange | 7,781 | 7,781 |
| **Provision for Impairment (-) (**)** | **(1,808,600)** | **(1,344,744)** |
| **Total** | **40,257,481** | **19,677,747** |

(*) The Eurobond Portfolio amounting to TRY 5,436,447 (December 31, 2021 – TRY 4,561,219) which is accounted for as financial assets measured at fair value through other comprehensive income were hedged under fair value hedge accounting starting from March and April, 2009.
(**) As of December 31, 2022 amount of TRY 5,094 (December 31, 2021 – TRY 2,815) provision provided for financial assets measured at fair value through other comprehensive income account.

### 6. Information related to loans

#### a) Information on all types of loans and advances given to shareholders and employees of the Parent Bank

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **Cash** | **Non-Cash** | **Cash** | **Non-Cash** |
| **Direct Loans Granted to Shareholders** | - | **116,854** | - | **55,271** |
| Corporate Shareholders | - | 116,854 | - | 55,271 |
| Individual Shareholders | - | - | - | - |
| Indirect Loans Granted to Shareholders | - | - | - | - |
| Loans Granted to Employees (*) | 333,147 | - | 170,379 | - |
| **Total** | **333,147** | **116,854** | **170,379** | **55,271** |

(*) Includes advances given to the bank personnel.

#### b) Information on first and second group loans, other receivables, restructured or rescheduled loans and other receivables

#### b.1) Financial assets measured at amortized cost

| Cash Loans | Standard Loans and Other Receivables | Loans Under Close Monitoring (*) | | |
|---|---|---|---|---|
| | | | Restructured Loans and Receivables | |
| | | Loans and Receivables Not Subject to Restructuring | Loans and Receivables with Revised Contract Terms | Refinance |
| **Non Specialized Loans** | **310,763,513** | **25,704,921** | **283,676** | **10,362,820** |
| Enterprise Loans | 21,781,739 | 225,055 | - | - |
| Export Loans | 30,084,021 | 570,691 | - | - |
| Import Loans | - | - | - | - |
| Financial Sector Loans | 3,626,013 | 660 | - | - |
| Consumer Loans | 63,178,577 | 6,119,881 | 148,238 | 1,113,156 |
| Credit Cards | 56,905,371 | 7,364,784 | - | 519,526 |
| Other | 135,187,792 | 11,423,850 | 135,438 | 8,730,138 |
| **Specialized Loans** | - | - | - | - |
| **Other Receivables** | - | - | - | - |
| **Total** | **310,763,513** | **25,704,921** | **283,676** | **10,362,820** |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### I. Explanations and Disclosures Related to Consolidated Assets (Continued)

### 6. Information related to loans (Continued)

| | Standard Loans | Loans Under Close Monitoring |
|---|---|---|
| **Current Period** | | |
| 12 Month Expected Credit Losses | 3,604,877 | - |
| Significant Increase in Credit Risk | - | 5,801,712 |
| **Prior Period** | | |
| 12 Month Expected Credit Losses | 2,136,918 | - |
| Significant Increase in Credit Risk | - | 3,416,721 |

**b.2) Loans at fair value through profit or loss**

In the current period, the Parent Bank has no loans followed under financial assets at fair value through profit or loss in accordance with TFRS 9 (December 31, 2021 – TRY 209,670). As of March 31, 2022, Türk Telekomünikasyon A.Ş., owned by LYY Telekomünikasyon A.Ş. 192,500,000,000 Group A registered shares representing 55% of its capital were sold to the Turkish Wealth Fund, and as a result of the collection made from the sale amount, the portion of the related loan corresponding to the Parent Bank's share was closed. LYY's Türk Telekom Telekomünikasyon A.Ş. Since it is no longer possible to make principal and interest payments to the Parent Bank after the transfer of its shares to the Türkiye Wealth Fund, the loan (TRY 353 million) was classified under loans with loss nature and subsequently, the receivable, which was fully provisioned, was written off from the asset.

**c) Loans with amortized cost and other receivables according to their maturity structure**

| | | Loans Under CloseMonitoring | |
|---|---|---|---|
| **Cash Loans** | **Standard Loans** | **Loans Not Subject to Restructuring** | **Restructured Loans** |
| Short-term Loans | 157,356,754 | 7,364,784 | 519,526 |
| Medium and Long-term Loans | 153,406,759 | 18,340,137 | 10,126,970 |
| **Total** | **310,763,513** | **25,704,921** | **10,646,496** |

**d) Information on consumer loans, individual credit cards, personnel loans and personnel credit cards**

| | Short Term | Medium and Long Term | Total |
|---|---|---|---|
| **Consumer Loans-TRY** | **9,251,454** | **55,709,347** | **64,960,801** |
| Housing Loans | 1,917 | 3,332,029 | 3,333,946 |
| Automobile Loans | 546 | 24,835 | 25,381 |
| Personal Need Loans | 9,248,991 | 52,352,483 | 61,601,474 |
| Other | - | - | - |
| **Consumer Loans-FC Indexed** | - | **924** | **924** |
| Housing Loans | - | 913 | 913 |
| Automobile Loans | - | - | - |
| Personal Need Loans | - | 11 | 11 |
| Other | - | - | - |
| **Consumer Loans-FC** | - | - | - |
| Housing Loans | - | - | - |
| Automobile Loans | - | - | - |
| Personal Need Loans | - | - | - |
| Other | - | - | - |
| **Individual Credit Cards-TRY** | **47,503,879** | **666,279** | **48,170,158** |
| Installment | 20,043,764 | 490,905 | 20,534,669 |
| Non- Installment | 27,460,115 | 175,374 | 27,635,489 |
| **Individual Credit Cards-FC** | **127,183** | **109** | **127,292** |
| Installment | - | - | - |
| Non- Installment | 127,183 | 109 | 127,292 |
| **Personnel Loans-TRY** | **51,565** | **152,092** | **203,657** |
| Housing Loans | - | 36 | 36 |
| Automobile Loans | - | - | - |
| Personal Need Loans | 51,565 | 152,056 | 203,621 |
| Other | - | - | - |
| **Personnel Loans-FC Indexed** | - | - | - |
| Housing Loans | - | - | - |
| Automobile Loans | - | - | - |
| Personal Need Loans | - | - | - |
| Other | - | - | - |
| **Personnel Loans-FC** | - | - | - |
| Housing Loans | - | - | - |
| Automobile Loans | - | - | - |
| Personal Need Loans | - | - | - |
| Other | - | - | - |
| **Personnel Credit Cards-TRY** | **125,742** | **804** | **126,546** |
| Installment | 55,195 | 353 | 55,548 |
| Non-Installment | 70,547 | 451 | 70,998 |
| **Personnel Credit Cards-FC** | **479** | - | **479** |
| Installment | - | - | - |
| Non-Installment | 479 | - | 479 |
| **Overdraft Accounts-TRY (Real Persons)** | **5,250,121** | **144,349** | **5,394,470** |
| **Overdraft Accounts-FC (Real Persons)** | - | - | - |
| **Total** | **62,310,423** | **56,673,904** | **118,984,327** |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### I. Explanations and Disclosures Related to Consolidated Assets (Continued)

### 6. Information related to loans (Continued)

#### e) Information on commercial installment loans and corporate credit cards

| | Short Term | Medium and Long Term | Total |
|---|---|---|---|
| **Commercial Loans with Installment Facility – TRY** | **2,243,716** | **29,863,053** | **32,106,769** |
| Real Estate Loans | - | 306,071 | 306,071 |
| Automobile Loans | 111,175 | 2,164,483 | 2,275,658 |
| Personal Need Loans | 2,132,541 | 27,392,499 | 29,525,040 |
| Other | - | - | - |
| **Commercial Loans with Installment Facility - FC Indexed** | - | **220,362** | **220,362** |
| Real Estate Loans | - | 1,251 | 1,251 |
| Automobile Loans | - | - | - |
| Personal Need Loans | - | 219,111 | 219,111 |
| Other | - | - | - |
| **Commercial Loans with Installment Facility - FC** | - | - | - |
| Real Estate Loans | - | - | - |
| Automobile Loans | - | - | - |
| Personal Need Loans | - | - | - |
| Other | - | - | - |
| **Corporate Credit Cards –TRY** | **16,214,117** | **138,999** | **16,353,116** |
| Installment | 7,089,394 | 80,724 | 7,170,118 |
| Non-Installment | 9,124,723 | 58,275 | 9,182,998 |
| **Corporate Credit Cards –FC** | **12,080** | **10** | **12,090** |
| Installment | - | - | - |
| Non-Installment | 12,080 | 10 | 12,090 |
| **Overdraft Accounts-TRY (Legal Entities)** | **1,979,324** | **6,555** | **1,985,879** |
| **Overdraft Accounts-FC (Legal Entities)** | - | - | - |
| **Total** | **20,449,237** | **30,228,979** | **50,678,216** |

#### f) Allocation of loans by customers (*)

| | Current Period | Prior Period |
|---|---|---|
| Public | 4,285,525 | 127,577 |
| Private | 342,829,405 | 201,444,168 |
| **Total** | **347,114,930** | **201,571,745** |

(*) It does not include the non-performing loan amount.

#### g) Allocation of domestic and foreign loans (*)

| | Current Period | Prior Period |
|---|---|---|
| Public | 345,259,369 | 199,914,126 |
| Private | 1,855,561 | 1,657,619 |
| **Total** | **347,114,930** | **201,571,745** |

(*) It does not include the non-performing loan amount.

#### h) Loans to associates and subsidiaries

| | Current Period | Prior Period |
|---|---|---|
| Direct Loans Granted to Subsidiaries and Associates | 5,341,116 | 2,202,964 |
| Indirect Loans Granted to Subsidiaries and Associates | - | - |
| **Total** | **5,341,116** | **2,202,964** |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### I. Explanations and Disclosures Related to Consolidated Assets (Continued)

### 6. Information related to loans (Continued)

#### i) Specific provisions for loans (Third Stage)

| | Current Period | Prior Period |
|---|---|---|
| **Provisions** | | |
| Loans and Receivables with Limited Collectability | 631,552 | 675,951 |
| Loans and Receivables with Doubtful Collectability | 462,383 | 486,017 |
| Uncollectible Loans and Receivables | 6,735,101 | 5,970,188 |
| **Total** | **7,829,036** | **7,132,156** |

#### j) Non-performing loans (NPLs) (Net)

#### j.1) Non-performing loans restructured or rescheduled and other receivables

| | III. Group | IV. Group | V. Group |
|---|---|---|---|
| | Loans and Other Receivables with Limited Collectibility | Loans and Other Receivables with Doubtful Collectibility | Uncollectible Loans and Other Receivables |
| **Current Period** | | | |
| Gross Amounts Before the Provisions | 46 | 16,863 | 599,291 |
| Restructured Loans | 46 | 16,863 | 599,291 |
| **Prior Period** | | | |
| Gross Amounts Before the Provisions | 79,801 | 35,301 | 270,005 |
| Restructured Loans | 79,801 | 35,301 | 270,005 |

#### j.2) Movement of non-performing loans

| | III. Group | IV. Group | V. Group |
|---|---|---|---|
| | Loans and Other Receivables with Limited Collectibility | Loans and Other Receivables with Doubtful Collectibility | Uncollectible Loans and Other Receivables |
| **Prior Period End Balance** | **1,266,578** | **767,949** | **7,481,620** |
| Additions (+) | 2,152,876 | 46,900 | 578,038 |
| Transfers from Other Categories of Non-Performing Loans (+) | - | 2,078,620 | 1,898,535 |
| Transfers to Other Categories of Non-Performing Loans (-) | 2,198,418 | 1,778,737 | - |
| Collections (-) | 345,913 | 472,121 | 1,587,244 |
| Non-registered(-) | - | - | 361,940 |
| **Write-offs (-)** | **-** | **-** | **32,223** |
| Corporate and Commercial Loans | - | - | 32,223 |
| Consumer Loans | - | - | - |
| Credit Cards | - | - | - |
| Others | - | - | - |
| **Current Period End Balance** | **875,123** | **642,611** | **7,976,786** |
| Specific Provision (-) | 631,552 | 462,383 | 6,735,101 |
| **Prior Period End Balance** | **243,571** | **180,228** | **1,241,685** |

#### j.3) Information on non-performing loans granted as foreign currency loans

None (December 31, 2021 – None).

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and Disclosures Related to Consolidated Assets (Continued)**

**6. Information related to loans (Continued)**

**j.4) Breakdown of non-performing loans according to their gross and net values**

| | III. Group | IV. Group | V. Group |
|---|---|---|---|
| | Loans and Other Receivables with Limited Collectibility | Loans and Other Receivables with Doubtful Collectibility | Uncollectible Loans and Other Receivables |
| **Current Period (Net)** | **243,571** | **180,228** | **1,241,685** |
| Loans to Real Persons and Legal Entities (Gross) | 875,123 | 642,611 | 7,785,799 |
| Provision (-) | 631,552 | 462,383 | 6,544,114 |
| Loans to Real Persons and Legal Entities (Net) | 243,571 | 180,228 | 1,241,685 |
| Banks (Gross) | - | - | - |
| Provision (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | - | - | 190,987 |
| Provision (-) | - | - | 190,987 |
| Other Loans and Receivables (Net) | - | - | - |
| **Prior Period (Net)** | **590,627** | **281,932** | **1,511,432** |
| Loans to Real Persons and Legal Entities (Gross) | 1,266,578 | 767,949 | 7,337,381 |
| Provision (-) | 675,951 | 486,017 | 5,825,949 |
| Loans to Real Persons and Legal Entities (Net) | 590,627 | 281,932 | 1,511,432 |
| Banks (Gross) | - | - | - |
| Provision (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | - | - | 144,239 |
| Provision (-) | - | - | 144,239 |
| Other Loans and Receivables (Net) | - | - | - |

| | III. Group | IV. Group | V. Group |
|---|---|---|---|
| | Loans and Other Receivables with Limited Collectibility | Loans and Other Receivables with Doubtful Collectibility | Uncollectible Loans and Other Receivables |
| **Current Year (Net)** | | | |
| Interest accruals and valuation differences | 120,514 | 56,981 | 1,264,638 |
| Provision Amount (-) | 86,994 | 40,884 | 1,068,121 |
| **Prior Period (Net)** | | | |
| Interest Accruals and Rediscounts and Valuation Differences | 199,479 | 88,104 | 1,196,682 |
| Provision Amount (-) | 110,303 | 41,738 | 792,353 |

**k) Explanation on liquidation policy for uncollectible loans and other receivables**

For the unrecoverable non-performing loans under legal follow up, the loan quality, collateral quality, bona fide of the debtor and assessment of the emergency of legal follow up are considered, before applying the best practice for unrecoverable non-performing loans under legal follow up. The Parent Bank prefers to liquidate the risk through negotiations with the debtors as well as The Parent Bank starts the legal procedures for the liquidation of the risk. Ongoing legal follow up procedures do not prevent negotiations with the debtors. An agreement is made with the debtor at all stage of the negotiations for the liquidation of the risk.

**l) Explanations regarding the write-off policy**

The Parent Bank's general policy regarding the write-off of NPLs is explained in the section three under the footnote VIII.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. Explanations and Disclosures Related to Consolidated Assets (Continued)

### 7. Information on factoring receivables

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TRY** | **FC** | **TRY** | **FC** |
| Short Term | 9,129,082 | 464,403 | 2,882,199 | 921,323 |
| Medium and Long Term | - | - | 6,996 | - |
| **Total** | **9,129,082** | **464,403** | **2,889,195** | **921,323** |

Changes in provision for non-performing factoring receivables are as follows

| | Current Period | Prior Period |
|---|---|---|
| Prior Period End Balance | 82,565 | 82,530 |
| Provided Provision/(reversal), Net | 77,765 | 53,781 |
| Collections | (35,578) | (16,511) |
| Write-offs | - | (37,235) |
| **Provision at the End of Period** | **124,752** | **82,565** |

### 8. Information on financial assets measured at amortized cost

#### a) Information on financial assets measured at amortized cost which are subject to repurchase agreements and given as Collateral/Blocked

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TRY** | **FC** | **TRY** | **FC** |
| Given as Collateral/Blocked | 7,436,978 | - | 1,261,325 | 635,643 |
| Subject to repurchase agreements | 234,667 | 19,644,899 | 1,506,303 | 13,431,793 |
| **Total** | **7,671,645** | **19,644,899** | **2,767,628** | **14,067,436** |

#### b) Information on government debt securities measured at amortized cost

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TRY** | **FC** | **TRY** | **FC** |
| Government Bond | 41,598,971 | 19,504,773 | 14,876,060 | 14,162,999 |
| Treasury Bill | - | - | - | - |
| Other Public Sector Debt Securities | - | 367,824 | - | 254,975 |
| **Total** | **41,598,971** | **19,872,597** | **14,876,060** | **14,417,974** |

#### c) Information on investments securities measured at amortized cost

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TRY** | **FC** | **TRY** | **FC** |
| **Debt Securities** | **41,598,971** | **20,364,334** | **14,876,060** | **14,980,916** |
| Publicly-traded | 41,598,971 | 20,364,334 | 14,876,060 | 14,980,916 |
| Non-publicly traded | - | - | - | - |
| **Provision for losses (-)** | - | - | - | - |
| **Total** | **41,598,971** | **20,364,334** | **14,876,060** | **14,980,916** |

#### d) Movement of investment measured at amortized cost within the period

| | Current Period | Prior Period |
|---|---|---|
| **Balance at the beginning of the period** | **29,856,976** | **18,743,356** |
| Exchange differences on monetary assets | 6,288,072 | 6,418,170 |
| Acquisitions during the year | 12,898,683 | 5,543,887 |
| Disposals through sales and redemptions | (10,005,623) | (2,609,710) |
| Impairment provision (-) | - | - |
| Valuation Effect | 22,925,197 | 1,761,273 |
| **Total** | **61,963,305** | **29,856,976** |

As of December 31, 2022, a provision amounting to TRY 20,038 (December 31, 2021 – TRY 9,793) is provided for the financial assets measured at amortized cost.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. Explanations and Disclosures Related to Consolidated Assets (Continued)

### 9. Information on investments in associates (Net)

### 9.1. Information on unconsolidated associates

| Description | Address (City/ Country) | Bank's Share-If Different, Voting Rights (%) | Bank's Risk Group Share (%) |
|---|---|---|---|
| Bankalararası Kart Merkezi (BKM) (*) | Istanbul/Türkiye | 4.52 | 4.52 |
| Ulusal Derecelendirme A.Ş. (**) | Istanbul/Türkiye | 2.86 | 2.86 |
| İhracaatı Geliştirme A,Ş, (İGE) (***) | Istanbul/Türkiye | 0.82 | 0.82 |

| Total Assets | Shareholder's Equity | Total Fixed Assets | Interest Income | Income on Securit Portfo | Current Period Profit/Loss | Prior Period Profit/Loss | Company's Fair Value |
|---|---|---|---|---|---|---|---|
| 679,563 | 579,361 | 124,627 | 53,568 | - | 207,418 | 93,651 | - |
| 104,324 | 86,888 | 31,509 | 4,629 | - | 58,825 | 2,467 | - |

(*) Current period information is based on September 30, 2022 financials. Prior period profit and loss amounts are based on September 30, 2021 financials.
(**) Current period information is based on December 31, 2021 financials. Prior period profit and loss amounts are based on December 31, 2020 financials.
(***) İhracaatı Geliştirme A.Ş. (İGE) period information has not been disclosed to the public yet, so no information can be given.
(****)Total fixed assets consist of non-current assets

### 9.2. Movements of investments in associates

| | Current Period | Prior Period |
|---|---|---|
| **Balance at the Beginning of Period** | **14,026** | **14,026** |
| **Movements During the Period** | **31,451** | **-** |
| Acquisitions | - | - |
| Bonus Shares Received | 31,451 | - |
| Dividends From Current Year Profit | - | - |
| Sales | - | - |
| Reclassifications | - | - |
| Increase/Decrease in Market Values | - | - |
| Currency Differences on Foreign Associates | - | - |
| Impairment Losses (-) | - | - |
| **Balance at the End of the Period** | **45,477** | **14,026** |
| **Capital Commitments** | **-** | **-** |
| **Share Percentage at the end of the Period (%)** | **-** | **-** |

(*) In the item of Bonus Shares, İhracaatı Geliştirme A.Ş. (İGE) capital participation fee.

### 9.3. Sectoral information on investment and associates, and the related carrying amounts

| | Current Period | Prior Period |
|---|---|---|
| Factoring Companies | - | - |
| Leasing Companies | - | - |
| Finance Companies | - | - |
| Other Associates | 45,477 | 14,026 |
| **Total** | **45,477** | **14,026** |

### 9.4. Quoted Associates

None (December 31, 2021 - None).

### 9.5. Valuation methods of investments in associates

| | Current Period | Prior Period |
|---|---|---|
| Valued at Cost | 45,477 | 14,026 |
| Valued at Fair Value | - | - |
| Valued at Equity Method | - | - |
| **Total** | **45,477** | **14,026** |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and Disclosures Related to Consolidated Assets (Continued)**

**9. Information on investments in associates (Net) (Continued)**

**9.6. Investments in associates sold during the current period**

None (December 31, 2021 - None).

**9.7. Information on subsidiaries (Net)**

**a) Information on the Parent Bank's unconsolidated subsidiaries**

Subsidiaries below have not been consolidated since they are Non-financial investments, they are instead valued by cost method.

| | Title | Address (City/Country) | Bank's Share – If Different, Voting Rights (%) | Bank's Risk Group Share (%) |
|---|---|---|---|---|
| 1. | Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş. | Istanbul/Türkiye | 99.91 | 99.99 |
| 2. | EFINANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. | Istanbul/Türkiye | 100.00 | 100.00 |

| | Total Assets | Shareholders' Equity | Total Fixed Assets | Interest Income | Income on Securities Portfolio | Current Period Profit/Loss | Prior Period Profit/Loss | Company's Fair Value |
|---|---|---|---|---|---|---|---|---|
| 1. | 151,778 | (8,665) | 53,381 | - | - | 7,406 | 11,873 | - |
| 2. | 186,555 | 138,040 | 12,147 | 9,819 | - | 26,364 | 6,775 | - |

**b) Information on the Parent Bank's consolidated subsidiaries**

**b.1) Information on the consolidated subsidiaries**

| | Subsidiary | Address (City/Country) | Bank's Share – If Different, Voting Rights (%) | Bank's Risk Group Share (%) |
|---|---|---|---|---|
| 1. | QNB Finans Yatırım Menkul Değerler A.Ş. | Istanbul/Türkiye | 99.80 | 100.00 |
| 2. | QNB Finans Finansal Kiralama A.Ş. | Istanbul/Türkiye | 99.40 | 99.40 |
| 3. | QNB Finans Portföy Yönetimi A.Ş. | Istanbul/Türkiye | 88.89 | 100.00 |
| 4. | QNB Finans Faktoring A.Ş. | Istanbul/Türkiye | 99.99 | 100.00 |
| 5. | QNB Finans Varlık Kiralama Şirketi A.Ş. | Istanbul/Türkiye | - | 100.00 |

Information on subsidiaries in the order as presented in the table above

| | Total Assets | Shareholders' Equity | Total Fixed Assets | Interest Income | Income on Securities Portfolio | Current Period Profit/Loss | Prior Period Profit/Loss | Company's Fair Value (*) |
|---|---|---|---|---|---|---|---|---|
| 1. | 3,426,190 | 1,118,751 | 43,213 | 379,601 | 11,674 | 464,752 | 183,054 | - |
| 2. | 16,857,633 | 1,636,292 | 32,254 | 1,460,350 | - | 401,552 | 201,536 | 1,622,787 |
| 3. | 354,717 | 228,954 | 1,677 | 3,230 | - | 59,332 | 23,383 | - |
| 4. | 9,712,380 | 551,597 | 25,209 | 1,558,221 | - | 295,365 | 59,826 | - |
| 5. | 3,426,190 | 1,118,751 | 43,213 | 379,601 | 11,674 | 464,752 | - | - |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### I. Explanations and Disclosures Related to Consolidated Assets (Continued)

### 9. Information on investments in associates (Net) (Continued)

### 9.7. Information on subsidiaries (Net) (Continued)

#### b.2) Movement schedule for consolidated subsidiaries

| | Current Period | Prior Period |
|---|---|---|
| **Balance at the Beginning of the Period** | **2,129,798** | **1,645,370** |
| **Movements during the Period** | **1,360,405** | **484,428** |
| Bonus Shares Received | - | - |
| Purchases | - | - |
| Dividends from Current Year Profit | - | - |
| Disposals (*) | - | (25,651) |
| Revaluation Difference (**) | 1,360,405 | 510,079 |
| Provisions for Impairment | - | - |
| **Balance at the End of the Period** | **3,490,203** | **2,129,798** |
| **Capital Commitments** | - | - |
| **Share Percentage at the end of the Period (%)** | - | - |

(*) The sale amount of the Hemenal Finansman A.Ş pursuant to the decision of the Board of Directors dated October 19, 2020. As of the balance sheet date, the said sale transaction was completed on May 31, 2021.

(**) Includes equity method accounting differences.

#### b.3) Sectoral information on consolidated financial subsidiaries and the related carrying amounts

| | Current Period | Prior Period |
|---|---|---|
| Factoring Companies | 551,597 | 260,648 |
| Leasing Companies | 1,622,787 | 1,230,205 |
| Finance Companies | - | - |
| Other Subsidiaries | 1,315,819 | 638,945 |
| **Total** | **3,490,203** | **2,129,798** |

The balances of the subsidiaries have been eliminated as part of the consolidation principles.

#### b.4) Subsidiaries quoted to a stock exchange

| | Current Period | Prior Period |
|---|---|---|
| Quoted on Domestic Stock Exchanges | 1,622,787 | 1,230,205 |
| Quoted on International Stock Exchanges | - | - |
| **Total** | **1,622,787** | **1,230,205** |

#### b.5) Information on shareholders' equity of the significant subsidiaries

None.

### 10. Information on joint ventures

| | Title | Address (City/Country) | Bank's Share-If different, Voting Rights (%) | Bank' Risk Group Share (%) |
|---|---|---|---|---|
| 1. | Cigna Sağlık, Hayat ve Emeklilik A.Ş. | Istanbul/Türkiye | 49.00 | 49.00 |
| 2. | Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. | Istanbul/Türkiye | 33.33 | 33.33 |

| | Total Assets | Shareholders' Equity | Total Fixed Asset | Interest Income | Securities Income | Current Period Profit/Loss | Prior Period Profit/Loss | Company's Fair Value |
|---|---|---|---|---|---|---|---|---|
| 1. | 4,365,673 | 503,401 | 64,497 | - | - | 426,965 | 259,843 | - |
| 2. | 272,878 | 161,713 | 74,425 | - | - | 56,460 | 47,210 | - |

(*) Cigna Sağlık, Hayat ve Emeklilik A.Ş., which is among the joint ventures of the Parent Bank, is accounted by the fair value method in the unconsolidated financial statements in accordance with the Turkish Financial Reporting Standards.

(**) Current period information is stated as of November 30, 2022, prior period profit and loss amounts are based on the financial statements prepared as of December 31, 2021.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### I. Explanations and Disclosures Related to Consolidated Assets (Continued)

### 11. Information on lease receivables (Net)

### 11.1 Maturity analysis of financial lease receivables

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **Gross** | **Net** | **Gross** | **Net** |
| Less than 1 year | 7,140,530 | 5,674,402 | 4,865,238 | 4,074,767 |
| Between 1-4 years | 9,762,187 | 8,126,818 | 6,665,208 | 5,861,829 |
| Over 4 years | 882,557 | 806,001 | 872,077 | 753,152 |
| **Total** | **17,785,274** | **14,607,221** | **12,402,523** | **10,689,748** |

Finance lease receivables include non-performing finance lease receivables amounting to TRY 387,943 (December 31, 2021 – TRY 444,536 ) and expected credit loss amounting to TRY 318,272 (December 31, 2021 – TRY 298,510).

Changes in non-performing finance lease receivables provisions are as follows

| | Current Period | Prior Period |
|---|---|---|
| End of the prior period | 298,510 | 175,025 |
| Provided provision/(reversal), Net | 76,852 | 181,665 |
| Collections | (24,867) | (16,563) |
| Written-off | (32,223) | (41,617) |
| **Provision at the end of the period** | **318,272** | **298,510** |

### 11.2. Information on net investments in finance leases

| | Current Period | Prior Period |
|---|---|---|
| Gross Finance Lease Investments | 17,779,015 | 12,393,269 |
| Unearned Finance Income (-) | 3,171,794 | 1,703,521 |
| Cancelled Leasing Agreements (-) | - | - |
| **Net Investment on Leases** | **14,607,221** | **10,689,748** |

### 11.3. Information of finance lease contracts of the Parent Bank

The leasing balances between the Parent Bank and the subsidiaries have been eliminated as part of the consolidation principles.

### 12. Information on the hedging derivative financial assets

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TRY** | **FC** | **TRY** | **FC** |
| Fair Value Hedge (*) | 7,409,685 | 243,194 | 8,396,620 | 207,349 |
| Cash Flow Hedge (**) | 4,830,851 | 2,037,875 | 3,214,981 | 144,482 |
| Net Investment Hedge | - | - | - | - |
| **Total** | **12,240,536** | **2,281,069** | **11,611,601** | **351,831** |

(*) Derivative Financial Instruments for fair value hedging purposes consist of swap transactions. As of December 31, 2022, TRY 7,409,685 (December 31, 2021 – TRY 8,396,620) from loans, TRY 243,194 (December 31, 2021 - None) of securities represents the fair value of derivatives which are designated as hedging instruments. In the current period derivative financial instruments used in the fair value hedging of the securities issued have no fair value (December 31, 2021 - TRY 207,349).

(**) Represents the fair value of derivative financial instruments for cash flow hedge of deposits and floating interest borrowings.

### 13. Explanations on investment properties

None. (December 31, 2021 - None).

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and Disclosures Related to Consolidated Assets (Continued)**

**14. Explanations on tangible assets**

| | Land and Buildings | Fixed Assets from Finance Lease | Vehicles | Other Fixed Assets | Total |
|---|---|---|---|---|---|
| **Prior Period End** | | | | | |
| Cost | 3,251,642 | 296,773 | 200,808 | 2,345,698 | 6,094,921 |
| Accumulated Depreciation(-) | 545,386 | 256,419 | 50,978 | 1,547,623 | 2,400,406 |
| **Net Book Value** | **2,706,256** | **40,354** | **149,830** | **798,075** | **3,694,515** |
| **Current Period End** | **3,251,642** | **296,773** | **200,808** | **2,345,698** | **6,094,921** |
| **Cost at the Beginning of the Period** | 3,251,642 | 296,773 | 200,808 | 2,345,698 | 6,094,921 |
| Costs regarding Subsidiaries | - | - | - | - | - |
| Additions (*) | 875,497 | - | 221,870 | 1,033,459 | 2,130,826 |
| Disposals (-) | 497,310 | 6,830 | 40,822 | 46,699 | 591,661 |
| Impairment (-)/(increase) | - | - | - | - | - |
| **Current Period Cost** | **3,629,829** | **289,943** | **381,856** | **3,332,458** | **7,634,086** |
| **Accumulated Depreciation at the Beginning of the Period** | **545,386** | **256,419** | **50,978** | **1,547,623** | **2,400,406** |
| Accumulated Depreciation regarding Subsidiaries | - | - | - | - | - |
| Disposals (-) | 97,377 | 2,312 | 26,067 | 41,182 | 166,938 |
| Transfer (-) | - | - | - | - | - |
| Depreciation amount | 279,121 | 2,634 | 47,492 | 280,424 | 609,671 |
| **Accumulated Depreciation at the End of the Period (-)** | **727,130** | **256,741** | **72,403** | **1,786,865** | **2,843,139** |
| **Net Book Value at the End of the Period** | **2,902,699** | **33,202** | **309,453** | **1,545,593** | **4,790,947** |

(*) As mentioned in Section 3 footnote IV, the fair value currency difference income amounting to TRY 27,685 (the amortized) that belongs to the real estate, which is subjected to fair value hedge accounting by the Parent Bank, is shown in the "Additions" line of the Financial Fixed Assets movement table.

**a) If impairment on individual asset recorded or reversed in the current period is material for the overall financial statements**

**Events and conditions for recording or reversing impairment and amount of recorded or reversed impairment in the financial statements**

There is no provision for impairment in the current period as a result of the changes in the fair values of the real estates determined by the licensed real estate valuation companies. (December 31, 2021 – TRY 6,821).

**b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially effecting the overall financial statements, and the reason and conditions for this**

None (December 31, 2021- None).

**c) Pledges, mortgages and other restrictions (if any) on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets**

None (December 31, 2021- None).

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### I. Explanations and Disclosures Related To Consolidated Assets (Continued)

### 15. Explanations on Intangible Assets

| | Rights | Goodwill | Total |
|---|---|---|---|
| **Prior Period End** | | | |
| Cost | 1,904,034 | - | 1,904,034 |
| Accumulated Amortization (-) | 1,255,449 | - | 1,255,449 |
| **Net Book Value** | **648,585** | **-** | **648,585** |
| **Current Period End** | | | |
| **Cost at the Beginning of the Period** | **1,904,034** | **-** | **1,904,034** |
| Costs related to acquisition of subsidiary | - | | - |
| Additions | 643,584 | - | 643,584 |
| Disposals (-) | 350 | - | 350 |
| Value Decrease (-)/(increase) | - | - | - |
| **Current Period Cost** | **2,547,268** | **-** | **2,547,268** |
| **Acc, Amort, At the Beginning of the Period** | **1,255,449** | **-** | **1,255,449** |
| Accrued amortization related to acquisition of subsidiary | - | | - |
| Disposals(-) | - | - | - |
| Amortization charge | 237,285 | - | 237,285 |
| **Current Period Accumulated Amortization (-)** | **1,492,734** | **-** | **1,492,734** |
| **Net Book Value-End of the Period** | **1,054,534** | **-** | **1,054,534** |

**a) Disclosures for book value, description and remaining life to be amortized for a specific intangible fixed asset that is material to the financial statements**

None (December 31, 2021 - None).

**b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition**

None (December 31, 2021 - None).

**c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition**

None (December 31, 2021 - None.)

**d) The book value of intangible fixed assets that are pledged or restricted for use**

None (December 31, 2021 - None.)

**e) Amount of purchase commitments for intangible fixed assets**

None (December 31, 2021 - None).

**f) Information on revalued intangible assets according to their types**

None (December 31, 2021 - None)

**g) Amount of total research and development expenses recorded within the period if any**

Amount of total research expenses recorded in the statement of profit or loss and other comprehensive income within the period is TRY 41,354 (December 31, 2021 – TRY 15,734).

**h) Positive or negative consolidation goodwill on entity basis**

None (December 31, 2021 - None)

**i) Goodwill’s book value at beginning, during and end of period**

Explanation about balance sheet’s debit accounts and footnotes section specified in number 15 footnote.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and Disclosures Related to Consolidated Assets (Continued)**

**16. Information on deferred tax asset**

As of December 31, 2022, the Parent Bank has deferred tax asset amounting to TRY 563,762 under the related regulations.

According to TAS 12, deferred tax assets and liabilities are netted off in the financial statements. As of December 31, 2022, the carrying amount of the assets and liabilities in the balance sheet and the tax basis determined in accordance with the tax legislation and deferred tax asset amounting to TRY 5,333,206 calculated over the amounts to be taken into consideration in the calculation of financial profit/loss in the following periods and deferred tax liability amounting to TRY 4,769,444 which are calculated over the amounts to be taken into consideration in the calculation of financial profit/loss in the following periods.

In cases whereby deferred tax differences arising from the differences between the carrying amounts and the taxable amounts of the assets subjected to deferred tax that are related with certain items under the shareholders' equity accounts, the deferred tax benefits/charges are netted under these accounts. The deferred tax liability amounting to TRY 1,436,588 is netted under equity. (December 31, 2021 – TRY 256,390 deferred tax assets).

| | Temporary Differences | | Deferred Tax Assets/(Liabilities) | |
|---|---|---|---|---|
| | **31.12.2022** | **31.12.2021** | **31.12.2022** | **31.12.2021** |
| Provision for Employee Rights | 2,596,772 | 1,032,218 | 649,192 | 206,707 |
| Difference Between the Book Value of Financial Assets and Tax Base | 7,021,079 | 5,097,757 | 1,704,569 | 1,019,551 |
| Other (*) | 11,917,779 | 8,085,958 | 2,979,445 | 1,617,192 |
| **Deferred Tax Assets** | | | **5,333,206** | **2,843,450** |
| Differences Between Carrying Value and Tax Value of Tangible Fixed Assets | (750,417) | (450,917) | (187,204) | (90,183) |
| Differences Between Carrying Value and Tax Basis of Financial Assets | (17,498,210) | (10,879,235) | (4,366,998) | (2,175,847) |
| Other | (860,966) | (483,321) | (215,241) | (235,730) |
| **Deferred Tax Liabilities** | | | **(4,769,443)** | **(2,501,760)** |
| **Deferred Tax Asset/(Debt), Net** | | | **563,762** | **341,690** |

(*) Includes accumulated temporary differences regarding expected loss provisions and other provisions.

| | Current Period 01.01-31.12.2022 | Prior Period 01.01-31.12.2021 |
|---|---|---|
| Deferred Tax as of January 1 Asset/(Liability)- Net | 341,690 | 1,034,082 |
| Deferred Tax (Loss)/Gain | 1,658,660 | (948,782) |
| Deferred Tax that is Realized Under Shareholder's Equity | (1,436,588) | 256,390 |
| **Deferred Tax Asset/(Liability) – Net** | **563,762** | **341,690** |

**17. Information on assets held for sale and discontinued operations**

| | Current Period | Prior Period |
|---|---|---|
| **Opening Balance Net Book Value** | - | - |
| Additions (*) | - | - |
| Impairment (-) | - | - |
| **Closing Net Book Value** | - | - |

(*) In prior period, within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192,500,000,000 A group shares owned by OTAŞ, representing 55% of its issued share capital corresponding to A group shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. As per the agreed structure, it is agreed on the corresponding agreements, completed all required corporate and administrative permissions and the transaction is concluded by a transfer of the aforementioned shares to the special purpose entity incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. In this context, the Bank owned 1.19% of the founded special purpose entity and the related investment is considered within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operation. Impairment has been calculated for the entire share amount of LYY A.Ş. which was acquired in 2020. As of March 31, 2022, sale of 192,500,000,000 Group A registered shares representing 55% of Türk Telekomünikasyon A.Ş., owned by LYY A.Ş., to the Turkey Wealth Fund has been made.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### I. Explanations and Disclosures Related to Consolidated Assets (Continued)

### 18. Information on other assets

Other assets of the balance sheet do not exceed 10% of the balance sheet total, excluding off-balance sheet commitments.

As of December 31, 2022, the bank provisions for other assets to TRY 13,215 (December 31, 2021 – TRY 8,503).

### 19. Information on accrued interest and income

The details of interest and income accruals and rediscounts distributed on the related accounts and the details of the unrealized fair value increases (decreases) are presented in the table below.

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | TRY | FC | TRY | FC |
| Derivative Financial Assets | 17,298,494 | 5,313,460 | 19,442,493 | 2,363,791 |
| Loans | 6,424,904 | 1,969,786 | 4,113,202 | 1,172,015 |
| Securities Measured at Amortized Cost | 6,876,724 | 224,043 | 858,545 | 241,641 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | 6,055,460 | (1,750,115) | 282,288 | (984,469) |
| Central Bank | - | - | 143,453 | - |
| Leasing Receivables | - | - | - | - |
| Banks | 23,357 | 2 | 87 | 11 |
| Financial Assets Measured at Fair Value through Profit/Loss | 18,612 | 3,697 | 3,139 | 81 |
| Other Accruals | 38,319 | 18,593 | 37,658 | 1,835 |
| **Total** | **36,735,870** | **5,779,466** | **24,880,865** | **2,794,905** |

### II. Explanations and Disclosures Related to Consolidated Liabilities

### 1. Information on maturity structure of deposits

#### Current Period

| Current Period | Demand | 7 Days Notice | Up to 1 Month | 1-3 Months | 3-6 Months | 6-12 Months | 1 Year and Over | Accumulated Deposit Accounts | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Saving Deposits (*)** | **17,850,909** | **-** | **28,462,849** | **30,209,586** | **76,800,432** | **2,528,154** | **2,095,541** | **1,273** | **157,948,744** |
| **Foreign Currency Deposits** | **71,128,746** | **-** | **12,944,578** | **22,158,132** | **14,478,140** | **2,823,557** | **2,297,663** | **4,903** | **125,835,719** |
| Residents in Türkiye | 66,321,443 | - | 12,474,253 | 21,291,812 | 13,872,696 | 2,277,577 | 1,395,762 | 4,903 | 117,638,446 |
| Residents Abroad | 4,807,303 | - | 470,325 | 866,320 | 605,444 | 545,980 | 901,901 | - | 8,197,273 |
| **Public Sector Deposits** | **578,667** | **-** | **44,150** | **1,347** | **-** | **51** | **-** | **-** | **624,215** |
| **Commercial Deposits** | **14,207,720** | **-** | **20,269,122** | **14,992,744** | **15,036,159** | **5,678,716** | **3,316,340** | **-** | **73,500,801** |
| **Other Ins. Deposits** | **141,156** | **-** | **359,955** | **1,380,266** | **347,147** | **239,893** | **43** | **-** | **2,468,460** |
| **Precious Metal Deposits** | **21,420,687** | **-** | **-** | **22,269** | **14,806** | **25,226** | **676,418** | **-** | **22,159,406** |
| **Bank Deposits** | **692,867** | **-** | **3,762,400** | **3,163,722** | **810,537** | **1,796,251** | **-** | **-** | **10,225,777** |
| T.R. Central Bank | - | - | - | - | - | - | - | - | - |
| Domestic Banks | 10,889 | - | 433,923 | - | - | - | - | - | 444,812 |
| Foreign Banks | 678,633 | - | 3,328,477 | 3,163,722 | 810,537 | 1,796,251 | - | - | 9,777,620 |
| Participation Banks | 3,345 | - | - | - | - | - | - | - | 3,345 |
| Other | - | - | - | - | - | - | - | - | - |
| **Total** | **126,020,752** | **-** | **65,843,054** | **71,928,066** | **107,487,221** | **13,091,848** | **8,386,005** | **6,176** | **392,763,122** |

(*) As of December 31, 2022, the balance of saving deposits includes TRY 15,313,257 "Treasury Currency Protected Deposits" and TRY 82,014,820 "CBRT Currency Protected Deposits".

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### II. Explanations and Disclosures Related to Consolidated Liabilities (Continiued)

### 1. Information on maturity structure of deposits (Continued)

**Prior Period**

| Prior Period | Demand | 7 Days Notice | Up to 1 Month | 1-3 Months | 3-6 Months | 6-12 Months | 1 Year and Over | Accumulated Deposit Accounts | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Saving Deposits (*)** | **8,461,102** | **-** | **14,099,359** | **22,054,036** | **2,852,082** | **412,060** | **1,057,209** | **1,030** | **48,936,878** |
| **Foreign Currency Deposits** | **61,052,728** | **-** | **10,821,111** | **35,233,390** | **9,175,765** | **2,243,798** | **2,530,106** | **5,290** | **121,062,188** |
| Residents in Türkiye | 58,567,314 | - | 10,586,533 | 34,389,977 | 8,755,156 | 2,140,704 | 1,566,486 | 5,290 | 116,011,460 |
| Residents Abroad | 2,485,414 | - | 234,578 | 843,413 | 420,609 | 103,094 | 963,620 | - | 5,050,728 |
| **Public Sector Deposits** | **523,066** | **-** | **22,699** | **1,886** | **859** | **719** | **-** | **-** | **549,229** |
| **Commercial Deposits** | **4,968,742** | **-** | **7,699,926** | **7,118,381** | **51,125** | **12,203** | **15,122** | **-** | **19,865,499** |
| **Other Ins. Deposits** | **76,498** | **-** | **39,437** | **735,107** | **1,234** | **33,650** | **245** | **-** | **886,171** |
| **Precious Metal Deposits** | **20,194,048** | **-** | **-** | **129,327** | **48,272** | **29,318** | **1,198,554** | **-** | **21,599,519** |
| **Bank Deposits** | **569,447** | **-** | **11,644,754** | **688,474** | **74,420** | **-** | **-** | **-** | **12,977,095** |
| T.R. Central Bank | - | - | 8,629,829 | - | - | - | - | - | 8,629,829 |
| Domestic Banks | 3,857 | - | 210,075 | - | - | - | - | - | 213,932 |
| Foreign Banks | 561,120 | - | 2,804,850 | 688,474 | 74,420 | - | - | - | 4,128,864 |
| Participation Banks | 4,470 | - | - | - | - | - | - | - | 4,470 |
| Other | - | - | - | - | - | - | - | - | - |
| **Total** | **95,845,631** | **-** | **44,327,286** | **65,960,601** | **12,203,757** | **2,731,748** | **4,801,236** | **6,320** | **225,876,579** |

(*) As of December 31, 2021, the balance of saving deposits includes the amounts related to TRY 2,442,291 "Treasury Currency Protected Deposits" and TRY 14,112 "CBRT Currency Protected Deposits".

### 1.1. Information on savings deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund (*)

| | Covered by Deposit Insurance Fund | | Exceeding the Deposit Insurance Limit | |
|---|---|---|---|---|
| | **Current Period** | **Prior Period** | **Current Period** | **Prior Period** |
| Saving Deposits | 55,175,424 | 23,295,509 | 179,366,796 | 25,641,369 |
| Foreign Currency Savings Deposits | 29,307,602 | 23,322,540 | 118,687,523 | 74,161,488 |
| Other Saving Deposits | - | - | - | - |
| Foreign Branches' Deposits Under Foreign Insurance Coverage | - | - | - | - |
| Off-Shore Deposits Under Foreign Insurance Coverage | - | - | - | - |
| **Total** | **84,483,026** | **46,618,049** | **298,054,319** | **99,802,857** |

(*) With the amendment of the Regulaiton on Deposits and Participation Funds Subject to Insurance and Premiums Collected by The Savings Deposit Insurance Fund published in the Official Gazette dated August 27, 2022 and No. 31936, all deposits and participation funds in credit institutions, other than those belonging to official institutions, credit institutions and financial institutions, started to be insured. In this context, commercial deposits covered by insurance amount to TRY 9,717,740 is included in the footnote.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)**

**1. Information on maturity structure of deposits (Continued)**

**1.2. Savings deposits in Türkiye are not covered under insurance in another country since headquarter of the Group is not located abroad.**

**1.3. Savings deposits which are not under the guarantee of saving deposit insurance fund**

| | Current Period | Prior Period |
|---|---|---|
| Deposits and accounts in branches abroad | 9,181 | 3,014 |
| Deposits of ultimate shareholders and their close family members | - | - |
| Deposits of chairman and members of the Board of Directors and their close family members | 515,786 | 410,147 |
| Deposits obtained through illegal acts defined in the 282nd Article of the Turkish Criminal Code No. 5237 dated September 26, 2004. | - | - |
| Saving deposits in banks established in Türkiye exclusively for off-shore banking activities | - | - |
| **Total** | **524,967** | **413,161** |

**2. Information on trading derivative financial liabilities**

**a) Negative differences table for derivative financial liabilities held for trading**

| | | Current Period | | Prior Period |
|---|---|---|---|---|
| | TRY | FC | TRY | FC |
| Forwards | 421,525 | 11,658 | 1,622,423 | - |
| Swaps | 2,556,751 | 2,087,711 | 7,358,117 | 1,735,074 |
| Futures | - | - | - | - |
| Options | 30,387 | 483,367 | 2,159 | 67,196 |
| Other | - | - | - | - |
| **Total** | **3,008,663** | **2,582,736** | **8,982,699** | **1,802,270** |

**3. Information on borrowings**

**a) Negative differences table for derivative financial liabilities held for trading**

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | TRY | FC | TRY | FC |
| T.R. Central Bank Loans | - | - | - | - |
| Domestic Banks and Institutions | 5,775,489 | 1,963,023 | 3,826,595 | 2,332,481 |
| Foreign Banks, Institutions and Funds | 420,765 | 47,058,080 | 77,991 | 31,015,200 |
| **Total** | **6,196,254** | **49,021,103** | **3,904,586** | **33,347,681** |

**b) Information on maturity structure of borrowings**

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | TRY | FC | TRY | FC |
| Short-Term | 5,519,452 | 15,617,892 | 3,112,462 | 3,208,836 |
| Medium and Long-Term | 676,802 | 33,403,211 | 792,124 | 30,138,845 |
| **Total** | **6,196,254** | **49,021,103** | **3,904,586** | **33,347,681** |

The Parent Bank's fund sources include deposits, funds borrowed, securities issued and money market borrowings. Deposit is the most significant fund source of the Parent Bank and does not present any risk concentration with its consistent structure extended to a wide base. Funds borrowed mainly consist of funds provided by foreign financial institutions which have different characteristics and maturity-interest structure such as syndication, securitization, and post-financing. There isn't risk concentration on the fund sources of the Parent Bank.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)**

**3. Information on borrowings (Continued)**

**c) Additional information on concentrations of the Group's liabilities**

As of December 31, 2022, the Group's liabilities comprise; 63% deposits (December 31, 2022 – 59%), 9% funds borrowed (December 31, 2021– 10%), 5% funds provided from money market borrowings (December 31, 2021 – 5%) and 4% issued bonds (December 31, 2021 – 8%).

**4. Information on funds provided under repurchase agreements**

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TRY** | **FC** | **TRY** | **FC** |
| **From domestic transactions** | **1,165,878** | **-** | **1,892,535** | **-** |
| Financial institutions and organizations | 1,149,893 | - | 1,878,568 | - |
| Other institutions and organizations | 8,772 | - | 5,798 | - |
| Real persons | 7,213 | - | 8,169 | - |
| **From foreign transactions** | **178,955** | **21,733,804** | **411,619** | **15,717,177** |
| Financial institutions and organizations | 169,856 | 13,970,191 | 407,467 | 15,717,177 |
| Other institutions and organizations | 9,099 | 181,991 | 4,152 | - |
| Real persons | - | 7,581,622 | - | - |
| **Total** | **1,344,833** | **21,733,804** | **2,304,154** | **15,717,177** |

**5. Information on marketable securities issued (Net)**

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TRY** | **FC** | **TRY** | **FC** |
| Bank Bonds | 8,401,709 | 5,911,335 | 6,023,724 | 2,154,632 |
| Asset backed securities | 330,878 | - | - | - |
| Bills | - | 17,372,987 | - | 21,624,460 |
| **Total** | **8,732,587** | **23,284,322** | **6,023,724** | **23,779,092** |

The Parent Bank has USD 4 Billion bond issuance program (Global Medium Term Note Program) and USD 1 Billion green and/or sustainable debt instrument issuance limit.

**6. Information on the subaccounts of other liabilities account that exceeds 20% of the individual other liabilities account exceeding 10% of the total liabilities excluding the off-balance sheet items**

Other liabilities does not exceed 10% of total liabilities excluding the off-balance sheet items.

**7. Criteria used in the determination of lease installments in the financial lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts**

Interest rate and cash flows of the Group are the main criteria which are taken into consideration for the determination of payment plans in the leasing contracts.

**7.1. Explanations of changes in agreements and further commitments arising**

No changes have been made to the leasing agreements in the current period (December 31, 2021 – None).

**7.2. Financial lease payables**

The leasing balances between the Parent Bank and the subsidiaries have been eliminated as part of the consolidation principles.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)**

**7. Criteria used in the determination of lease installments in the financial lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts (Continued)**

**7.3. Liabilities arising from operational lease**

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **Gross** | **Net** | **Gross** | **Net** |
| Less than 1 year | 39,077 | 13,515 | 32,586 | 12,066 |
| Between 1-4 years | 868,095 | 728,013 | 592,466 | 475,089 |
| More than 4 years | 174 | 94 | 202 | 107 |
| **Total** | **907,346** | **741,622** | **625,254** | **487,262** |

**7.4. Explanations and notes on operating lease**

The Parent bank makes operating lease agreements for some branches and ATM machines. The lease agreements are amortized during the lease period by measuring the lease obligation based on the present value of the lease payments (lease obligation) that has not been paid at that time (the lease obligation) as well as the relevant usage right as of the same date. Lease payments are discounted using this rate if the implicit interest rate in the lease can be easily determined. If the tenant cannot easily determine this rate, he uses the alternative borrowing interest rate. The tenant separately records the interest expense on the rental obligation and the depreciation expense of the right to use asset.

**7.5. Information on "Sale-and-lease back" agreements**

The Parent Bank does non sale-and-lease back transactions in the current period (December 31, 2021 None).

**8. Information on the hedging derivative financial liabilities**

| | Current Period (***) | | Prior Period | |
|---|---|---|---|---|
| | **TRY** | **FC** | **TRY** | **FC** |
| Fair Value Hedge (*) | - | 678,201 | - | 1,152,688 |
| Cash Flow Hedge (**) | - | 445,388 | 177,316 | 668,917 |
| Net Investment Hedge | - | - | - | - |
| **Total** | - | **1,123,589** | **177,316** | **1,821,605** |

(*) Derivative financial instruments for fair value hedging consist of swaps. As of December 31, 2022, TRY 136,028 (December 31, 2021 – TRY 821,225) of securities, TRY 227,293 (December 31, 2021 – 331,463) of securities issued, TRY 314,881 of loans received (December 31, 2021 – None) It represents the fair value of derivative financial instruments for fair value hedging purposes.

(**) It represents the fair value of deposits, floating rate loans extended as FX and derivative financial instruments for cash flow hedging of floating rate borrowings

(***) Derivative financial liabilities for Fair Value Hedge are shown in line 7.1 in the financial statements, and derivative financial liabilities for Cash Flow Hedges are shown in line 7.2 of financial statements.

**9. Information on provisions**

**9.1 Information on provision related with foreign currency difference of foreign indexed loans**

| | Current Period | Prior Period |
|---|---|---|
| Foreign Exchange Provision for Foreign Currency Indexed Loans (*) | - | - |

(*) The foreign exchange provision for foreign currency indexed loans netted against "Loans and Receivables" in asset.

**9.2. Specific provisions for non-cash loans that are not indemnified and converted into cash or expected loss provisions for non-cash loans**

| | Current Period | Prior Period |
|---|---|---|
| Stage I | 544,980 | 185,947 |
| Stage II | 24,102 | 13,332 |
| Stage III | 55,641 | 54,581 |
| **Total** | **624,723** | **253,860** |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)**

**9. Information on provisions (Continued)**

**9.3. Information on reserve for employee rights**

The Group calculated the provision for employee benefits using the actuarial valuation method specified in the TAS 19 and reflected it in its financial statements.

As of December 31, 2022, the Group presented the provision for severance pay of TRY 1,200,277 (December 31, 2021 – TRY 489,567) under the "Reserves for Employee Benefits " item in its financial statements.

As of December 31, 2022, the Group has shown a total vacation liability of TRY 145,545 (December 31, 2021 – TRY 68,115) under the "Reserves for Employee Benefits" in its financial statements.

As of December 31, 2022, TRY 1,250,950 December 31, 2021 – TRY 474,536) provision for salaries, bonuses and premiums to be paid to the personnel has been presented under the "Reserves for Employee Benefits" in its financial statements.

**9.3.1 Movement of employee termination benefits**

| | Current Period 01.01-31.12.2022 | Prior Period 01.01-31.12.2021 |
|---|---|---|
| As of January 1 | 489,568 | 295,458 |
| Service cost | 57,487 | 35,625 |
| Interest cost | 88,226 | 37,723 |
| Settlement/curtailment/termination loss | 22,933 | 19,564 |
| Actuarial differences | 607,631 | 140,736 |
| Paid during the period | (65,568) | (39,539) |
| **Total** | **1,200,277** | **489,567** |

**9.4. Information on other provisions**

Except for those mentioned in note 9.3 above, there is a provision for lawsuits against the Group and tax lawsuits in the amount of TRY 475,524 (December 31, 2021 – TRY 362,323) in other provisions. The Parent Bank has benefited from the relevant articles of the Law No. 7326 regarding various ongoing tax lawsuits.

In the consolidated financial statements prepared as of December 31, 2022, other provisions include free provisions amounting to TRY 5,400,000, which is not among the requirements of the BRSA Accounting and Financial Reporting Legislation, are recorded as expense in the current period by the Parent Bank.

**10. Explanations on tax liabilities**

**10.1 Information on current tax liability**

**10.1.1 Information on tax provision**

The current tax liability and the prepaid taxes of the consolidated subsidiaries have been offset separately in their financial statements. As of December 31, 2022, the Group's tax liability is amounting to TRY 3,167,083 (December 31, 2021 – TRY 363,799). As of December 31, 2022, in the attached financial statements, The Group has current tax receivables to TRY 101,935 (December 31, 2021 – TRY 2,040). The Group have a pre-paid tax amounting to TRY 323,601 (December 31, 2021 – TRY 196,077).

**10.1.2. Information on taxes payable**

| | Current Period | Prior Period |
|---|---|---|
| Corporate Taxes Payable | 2,843,483 | 167,723 |
| Banking and Insurance Transaction Tax (BITT) | 386,347 | 219,877 |
| Taxation on Securities Income | 97,627 | 75,403 |
| Taxation on Real Estates Income | 5,444 | 3,466 |
| VAT Payable | 152,076 | 54 |
| Other | 544 | 61,502 |
| **Total** | **3,485,521** | **528,025** |

The Group presents The "Corporate Taxes Payable" balance in the "Current Tax Liability" account and other taxes are presented in the "Other Liabilities" account in the accompanying consolidated financial statements.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)

### 10. Explanations on tax liabilities (Continued)

#### 10.1.3. Information on premium payables

| | Current Period | Prior Period |
|---|---|---|
| Social Security Premiums - Employee Share | 49,995 | 15,417 |
| Social Security Premiums - Employer Share | 57,705 | 17,807 |
| Pension Fund Fee and Provisions – Employee Share | 68 | 31 |
| Pension Fund Fee and Provisions – Employer Share | 223 | 103 |
| Unemployment Insurance - Employee Share | 3,514 | 1,085 |
| Unemployment Insurance - Employer Share | 7,031 | 2,170 |
| Other | 61 | 81 |
| **Total** | **118,597** | **36,694** |

### 11. Information on payables related to assets held for sale

None (December 31, 2021 - None).

### 12. Information on subordinated loans

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | TRY | FC | TRY | FC |
| **Debt Instruments subject to common equity** | - | **9,826,193** | - | **6,816,673** |
| Subordinated Loans | - | 9,826,193 | - | 6,816,673 |
| Subordinated Debt Instruments | - | - | - | - |
| **Debt Insturments subject to tier 2 common equity** | - | **7,301,531** | - | **5,035,891** |
| Subordinated Loans | - | 7,301,531 | - | 5,035,891 |
| Subordinated Debt Instruments | - | - | - | - |
| **Total** | - | **17,127,724** | - | **11,852,564** |

### 13. Information on shareholder's equity

#### 13.1. Presentation of paid-in capital

| | Current Period | Prior Period |
|---|---|---|
| Common Stock | 3,350,000 | 3,350,000 |
| Preferred Stock | - | - |

#### 13.2. Amount of paid-in capital, explanations as to whether the registered share capital system is applied, if so the amount of registered share capital ceiling

| Capital System | Paid-in Capital | Ceiling |
|---|---|---|
| Registered Capital System | 3,350,000 | 20,000,000 |

#### 13.3. Capital increases and sources in the current period and other information based on increased capital shares

None (December 31, 2021 – None).

#### 13.4. Information on share capital increases from revaluation fund during the current period

None (December 31, 2021 – None)

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)**

**13. Information on shareholder's equity (Continued)**

**13.5. Information on capital commitments, the purpose and the sources until the end of the fiscal year and the subsequent interim period**

The Group does not have any capital commitments, all of the capital is fully paid-in.

**13.6. Information on prior period's indicators on the Bank's income, profitability and liquidity, and possible effects of these future assumptions on the Bank's equity due to uncertainties of these indicators**

None (December 31, 2021 – None).

**13.7. Information on the privileges given to stocks representing the capital**

None (December 31, 2021 – None).

**14. Common stock issue premiums, shares and equity instruments**

| | Current Period | Prior Period |
|---|---|---|
| Number of Stocks (Thousands) | 33,500,000 | 33,500,000 |
| Preferred Capital Stock | - | - |
| Common Stock Issue Premiums (*) | 714 | 714 |
| Common Stock Withdrawal Profits | - | - |

(*) Due to the Parent Bank's capital increase at the prior periods, common stock issue premium accounted amounting to TRY 714.

**15. Information on marketable securities value increase fund**

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | TRY | FC | TRY | FC |
| **Associates, Subsidiaries and Entities under Common Control** | **81,784** | **-** | **23,479** | **-** |
| Valuation Differences | 41,812 | - | 6,990 | - |
| Foreign Exchange Rate Differences | 39,972 | - | 16,489 | - |
| **Securities Measured at FV Through Other Comprehensive Income** | **3,616,031** | **(1,846,032)** | **348,334** | **(1,955,341)** |
| Valuation Differences | 3,616,031 | (1,846,032) | 348,334 | (1,955,341) |
| Foreign Exchange Rate Differences | - | - | - | - |
| **Total** | **3,697,815** | **(1,846,032)** | **371,813** | **(1,955,341)** |

**16. Information on accrued interest and expenses**

The details of interest and expense accruals and rediscounts distributed on the related accounts and the details of the unrealized fair value increases (decreases) are presented in the table below.

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | TRY | FC | TRY | FC |
| Derivative Financial Liabilities | 3,008,663 | 3,706,325 | 9,160,015 | 3,623,875 |
| Deposits | 2,984,266 | 250,152 | 347,690 | 61,807 |
| Funds Borrowed | 93,425 | 505,155 | 92,621 | 198,742 |
| Money Market Borrowings | 2,767 | 139,542 | 10,311 | 52,057 |
| Issued Securities | 24,714 | 400,290 | 19,163 | 436,439 |
| Other Accruals | 1,307,501 | 368,615 | 421,052 | 291,202 |
| **Total** | **7,421,336** | **5,370,079** | **10,050,852** | **4,664,122** |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## III. Explanations and Disclosures Related to Consolidated Off-Balance Sheet Items

### 1. Explanations on off-balance-sheet-commitments

### 1.1. Type and amount of irrevocable commitments

| | Current Period | Prior Period |
|---|---|---|
| Credit Cards Limit Commitments | 111,928,372 | 49,733,289 |
| Commitment For Use Guaranteed Credit Allocation | 47,345,675 | 27,844,210 |
| Payment Commitments for Cheques | 14,849,695 | 4,053,584 |
| Forward Asset Purchase Commitments | 17,048,935 | 3,181,145 |
| Other Irrevocable Commitments | 3,895,823 | 2,885,779 |
| Commitments for Promotions Related with Credit Cards and Banking Activities | 109,533 | 71,498 |
| Tax and Fund Liabilities due to Export Commitments | 118,666 | 29,314 |
| **Total** | **195,296,699** | **87,798,819** |

### 1.2. Type and amount of probable losses and obligations arising from off-balance sheet items

A provision of TRY 624,723 (December 31, 2021 – TRY 253,860) has been made for non-compensated and non-cash loans or expected loan losses on off-balance sheet loans.

### 1.3. Non-cash loans including guarantees, bank acceptance loans, collaterals that are accepted as financial guarantees and other letter of credits

| | Current Period | Prior Period |
|---|---|---|
| Bank Loans | 13,724,618 | 8,707,676 |
| Other Letters of Guarantee | 5,848,676 | 8,268,187 |
| **Total** | **19,573,294** | **16,975,863** |

### 1.4. Guarantees, suretyships and other similar transactions

| | Current Period | Prior Period |
|---|---|---|
| Provisional Letters of Guarantee | 17,059,240 | 11,143,617 |
| Final Letters of Guarantee | 7,239,998 | 4,679,152 |
| Advance Letters of Guarantee | 1,327,806 | 989,132 |
| Letters of Guarantee Given to Customs Offices | 1,073,138 | 686,818 |
| Other Letters of Guarantee | 18,920,224 | 12,993,525 |
| **Total** | **45,620,406** | **30,492,244** |

### 2. Total amount of non-cash loans

| | Current Period | Prior Period |
|---|---|---|
| **Non-Cash Loans granted for Obtaining Cash Loans** | **7,483,761** | **5,839,204** |
| Less Than or Equal to One Year with Original Maturity | 578,172 | 1,088,390 |
| More Than One Year with Original Maturity | 6,905,589 | 4,750,814 |
| **Other Non-Cash Loans** | **57,709,939** | **41,628,903** |
| **Total** | **65,193,700** | **47,468,107** |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### III. Explanations and Disclosures Related to Consolidated Off-Balance Sheet Items (Continued)

### 3. Information on risk concentration in sector terms in non-cash loans

| | Current Period | | | | Prior Period | | | |
|---|---|---|---|---|---|---|---|---|
| | TRY | % | TRY | % | TRY | % | TRY | % |
| **Agricultural** | **165,630** | **0.56** | **596** | **-** | **64,146** | **0.49** | **187,880** | **0.55** |
| Farming and Raising Livestock | 79,656 | 0.27 | 596 | - | 48,540 | 0.37 | 3,788 | 0.01 |
| Forestry | 45,255 | 0.15 | - | - | 13,982 | 0.11 | - | - |
| Fishing | 40,719 | 0.14 | - | - | 1,624 | 0.01 | 184,092 | 0.54 |
| **Manufacturing** | **10,058,694** | **33.92** | **18,219,721** | **51.27** | **2,694,667** | **20.52** | **16,869,155** | **49.13** |
| Mining and Quarrying | 161,862 | 0.55 | 33,296 | 0.09 | 60,835 | 0.46 | 54,775 | 0.16 |
| Production | 9,498,871 | 32.03 | 17,910,743 | 50.40 | 2,419,032 | 18.42 | 16,439,294 | 47.88 |
| Electricity, gas and water | 397,961 | 1.34 | 275,682 | 0.78 | 214,800 | 1.64 | 375,086 | 1.09 |
| **Construction** | **6,222,108** | **20.98** | **6,167,027** | **17.35** | **3,711,216** | **28.25** | **5,393,318** | **15.71** |
| **Services** | **12,797,899** | **43.16** | **10,669,011** | **30.01** | **6,341,918** | **48.28** | **11,592,111** | **33.78** |
| Wholesale and Retail Trade | 8,726,222 | 29.43 | 4,304,979 | 12.11 | 4,009,451 | 30.52 | 3,844,435 | 11.20 |
| Hotel, Food and Beverage Services | 609,706 | 2.06 | 1,135,063 | 3.19 | 149,130 | 1.14 | 1,224,499 | 3.57 |
| Transportation&Communication | 713,008 | 2.40 | 842,222 | 2.37 | 560,897 | 4.27 | 332,004 | 0.97 |
| Financial Institutions | 1,614,311 | 5.44 | 3,808,729 | 10.72 | 988,705 | 7.53 | 5,811,220 | 16.93 |
| Real Estate and Renting Services | 89,435 | 0.30 | 20,669 | 0.06 | 27,266 | 0.21 | 16,753 | 0.05 |
| Self Employment Services | 583,415 | 1.97 | 417,290 | 1.17 | 296,136 | 2.25 | 262,665 | 0.77 |
| Educational Services | 31,168 | 0.11 | - | - | 17,433 | 0.13 | - | - |
| Health and Social Services | 430,634 | 1.45 | 140,059 | 0.39 | 292,900 | 2.23 | 100,535 | 0.29 |
| **Other** | **411,250** | **1.38** | **481,764** | **1.37** | **324,143** | **2.46** | **289,553** | **0.83** |
| **Total** | **29,655,581** | **100.00** | **35,538,119** | **100.00** | **13,136,090** | **100.00** | **34,332,017** | **100.00** |

### 4. Information on non-cash loans classified under group I and II

| Current Period (*) | I. Group | | II. Group | |
|---|---|---|---|---|
| | TP | YP | TP | YP |
| Letters of Guarantee | 25,165,547 | 19,889,615 | 367,838 | 141,765 |
| Bill of Exchange and Acceptances | 3,970,331 | 9,694,144 | 58,000 | 2,143 |
| Letters of Credit | 38,039 | 5,809,183 | 185 | 1,269 |
| Endorsements | - | - | - | - |
| Purchase Guarantees for Securities Issued | - | - | - | - |
| Factoring Related Guarantees | - | - | - | - |
| Other Collaterals and Sureties | - | - | - | - |
| **Non-cash Loans** | **29,173,917** | **35,392,942** | **426,023** | **145,177** |

(*) The amount of TRY 55,641 excluded for non-cash loans and ECL provision of non-cash loans which are under off-balance accounts and not indemnified and unliquidated but provisioned.

| Prior Period (*) | I. Group | | II. Group | |
|---|---|---|---|---|
| | TRY | FC | TRY | FC |
| Letters of Guarantee | 12,787,373 | 17,387,175 | 158,679 | 104,436 |
| Bill of Exchange and Acceptances | 71,783 | 8,627,682 | - | 8,211 |
| Letters of Credit | 63,674 | 8,197,343 | - | 7,170 |
| Endorsements | - | - | - | - |
| Purchase Guarantees for Securities Issued | - | - | - | - |
| Factoring Related Guarantees | - | - | - | - |
| Other Collaterals and Sureties | - | - | - | - |
| **Non-cash Loans** | **12,922,830** | **34,212,200** | **158,679** | **119,817** |

(*) The amount of TRY 54,581 excluded for non-cash loans and ECL provision of non-cash loans which are under off-balance accounts and not indemnified and unliquidated but provisioned.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## III. Explanations and Disclosures Related to Consolidated Off-Balance Sheet Items (Continued)

### 5. Information on derivative financial instruments

| | Current Period | Prior Period |
|---|---|---|
| **Types of trading transactions** | | |
| **Foreign Currency Related Derivative Transactions (I)** | **440,539,601** | **232,956,491** |
| Forward transactions (*) | 45,212,064 | 27,395,688 |
| Swap transactions | 276,267,320 | 200,917,401 |
| Futures transactions | 1,618,208 | 764,011 |
| Option transactions | 117,442,009 | 3,879,391 |
| **Interest Related Derivative Transactions (II)** | **159,791,156** | **134,510,238** |
| Forward rate transactions | - | - |
| Interest rate swap transactions | 156,221,134 | 134,510,238 |
| Interest option transactions | - | - |
| Futures interest transactions | 3,570,022 | - |
| Security option transactions | - | - |
| **Other trading derivative transactions (III)** | **2,056,626** | **1,427,525** |
| **A, Total Trading Derivative Transactions (I+II+III)** | **602,387,383** | **368,894,254** |
| **Types of hedging transactions** | | |
| Fair value hedges | 42,894,666 | 46,896,779 |
| Cash flow hedges | 107,912,819 | 66,987,631 |
| Net investment hedges | - | - |
| **B, Total Hedging Related Derivatives** | **150,807,485** | **113,884,410** |
| **Total Derivative Transactions (A+B)** | **753,194,868** | **482,778,664** |

(*) This line also includes Forward Asset Purchase Commitments accounted for under Commitments.

Breakdown of the Parent Bank's foreign currency forward and swap and interest rate swap transactions based on currencies are disclosed below in their TRY equivalents:

| | Forward Buy (**) | Forward Sell (**) | Swap Buy (*) | Swap Sell (*) | Option Buy | Option Sell | Futures Buy | Futures Sell | Other |
|---|---|---|---|---|---|---|---|---|---|
| **Current Period** | | | | | | | | | |
| TRY | 13,715,428 | 846,945 | 32,777,465 | 94,975,499 | 45,910,391 | 12,799,328 | - | 825,285 | - |
| USD | 3,300,933 | 17,975,259 | 211,798,828 | 116,675,752 | 11,634,673 | 36,843,573 | 2,577,934 | 1,785,011 | 2,056,626 |
| Euro | 4,944,415 | 2,287,495 | 26,313,609 | 72,342,218 | 1,684,385 | 7,378,288 | - | - | - |
| Other | 369,698 | 1,771,891 | 28,032,608 | 379,960 | 3,729 | 1,187,642 | - | - | - |
| **Total** | **22,330,474** | **22,881,590** | **298,922,510** | **284,373,429** | **59,233,178** | **58,208,831** | **2,577,934** | **2,610,296** | **2,056,626** |

(*) This column also includes hedging purpose derivatives.
(**) This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

| | Forward Buy (**) | Forward Sell (**) | Swap Buy (*) | Swap Sell (*) | Option Buy | Option Sell | Futures Buy | Futures Sell | Other |
|---|---|---|---|---|---|---|---|---|---|
| **Prior Period** | | | | | | | | | |
| TRY | 6,892,543 | 1,540,982 | 18,472,655 | 60,562,264 | 821,817 | 405,775 | 361,015 | 15,423 | - |
| USD | 2,509,104 | 9,930,727 | 161,573,393 | 93,188,138 | 572,131 | 1,192,399 | 18,895 | 368,678 | 1,427,525 |
| Euro | 3,728,663 | 2,371,517 | 26,773,771 | 65,549,375 | 511,472 | 279,616 | - | - | - |
| Other | 122,863 | 299,289 | 23,077,722 | 114,731 | 48,196 | 47,985 | - | - | - |
| **Total** | **13,253,173** | **14,142,515** | **229,897,541** | **219,414,508** | **1,953,616** | **1,925,775** | **379,910** | **384,101** | **1,427,525** |

(*) This column also includes hedging purpose derivatives
(**) This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**III. Explanations and Disclosures Related to Consolidated Off-Balance Sheet Items (Continued)**

**5. Information on derivative financial instruments (Continued)**

**5.1. Fair value hedge accounting**

**a) Loans**

The Parent Bank applies fair value hedge accounting within the framework of TAS 39 by performing swap transactions in order to protect itself against changes that may occur in the fair value of a certain part of its long term fixed interest loans resulting from changes in market interest rates. As of balance sheet date; the mortgage loans amounting to TRY 2,113,014 (December 31, 2021 – TRY 7,277,481) were subject to hedge accounting by swaps with a nominal of TRY 4,808,155 (December 31, 2021 – TRY 5,829,388). On December 31, 2022, the net market valuation difference loss of TRY 105,060 arising from TRY 196,115 gain from the aforementioned loans (December 31, 2021 – TRY 750,813 loss) and TRY 301,175 loss from swaps (December 31, 2021 – TRY 689,193 gain), is shown under "Gains/Losses From Derivative Transactions" account in the financial statements.

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies fair value hedge accounting through interest rate swaps in order to protect itself from interest rate changes in relation to its fixed rate foreign currency lease transactions. As of the balance sheet date, swaps amounting to TRY 46,060 have been subject to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, in the current period, the net market valuation difference expense amounting to TRY 354 before tax was recognized in the financial statements as "Profit/Loss from Derivative Financial Transactions".

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through statement of profit or loss and other comprehensive income until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TRY 67,268 (December 31, 2021 TRY 62,140 gain) related to the loans that are ineffective for hedge accounting under "gain/(loss) from financial derivatives transactions" as gain during the current period.

Similarly; Subsidiary QNB Finans Finansal Kiralama A.Ş. charges the valuation effect of TRY 35 regarding the financial leasing transactions whose effectiveness from hedge accounting has deteriorated, in the current period (December 31, 2021 – None) as expense in the "Gains/Losses From Financial Derivatives Transactions" as loss during the current period.

**b) Financial assets at fair value through other comprehensive income**

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term foreign currency Eurobonds with fixed coupon held by the Parent Bank using swaps as hedging instruments. As at the balance sheet date; Eurobonds with a nominal of USD 259,315 million and EUR 44 million (December 31, 2021 – USD 299,952 million and EUR 44 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On December 31, 2022, the net market valuation difference loss amounting to TRY 5,635 due to loss from Eurobonds amounting to TRY 844,795 (December 31, 2021 – TRY 131,060 gain) and gain from swaps amounting to TRY 839,160 (December 31, 2021 – TRY 130,504 loss) is accounted for under "gain/(loss) from financial derivatives transactions" line in the accompanying financial statements.

The Parent Bank does not apply fair value hedge on TRY government bonds in the current period (December 31, 2021 – None).

**c) Marketable securities issued**

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the foreign currency bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of USD 330 million (December 31, 2021 – USD 730 million) have been subject to hedge accounting with the same nominal amount of swaps. As of December 31, 2022, TRY 2,585 net fair valuation difference gain, due to net of TRY 417,088 (December 31, 2021 – TRY 76,228 gain) gain from issued bonds and TRY 414,503 (December 31, 2021 – TRY 75,193 loss) loss from swaps, has been recorded under "Gain/(loss) from financial derivatives transactions" on accompanying financial statements.

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies fair value hedge accounting through swaps for the purpose of hedging the changes in interest rates regarding the fixed interest TRY securities it has issued. As of the balance sheet date, swaps amounting to TRY 882,717 are subject to hedge accounting. As of December 31, 2022, net market valuation loss of TRY 206, consisting of TRY 8,127 loss from the securities issued and TRY 7,921 gain from swaps accounted for in the "Gains/Losses From Financial Derivatives Transactions" account item in the tables.

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**III. Explanations and Disclosures Related to Consolidated Off-Balance Sheet Items (Continued)**

**5. Information on derivative financial instruments (Continued)**

**5.1. Fair value hedge accounting (Continued)**

**d) Borrowings**

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies fair value hedge accounting through interest and currency swaps in order to protect itself from changes in interest rates in relation to fixed interest rate TRY loans. As of the balance sheet date, swaps amounting to TRY 543,241 were subject to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, in the current period, the net market valuation difference loss amounting to TRY 115 before tax was recognized in the financial statements as “Profit/Loss from Derivative Financial Transactions”.

The Company applies effectiveness tests for hedge accounting at each balance sheet date, the effective parts are accounted for in the “Hedging Funds” account item under equity in the financial statements as defined in TAS 39, and the amount related to the ineffective part is associated with the statement of profit or loss and other comprehensive income. As of the balance sheet date, swaps amounting to TRY 398,698 are subject to hedge accounting. As a result of the aforementioned hedge accounting, net market valuation difference gain before tax amounting to TRY 2,147 in the current period has been accounted for in the “Hedging Funds” account item under equity in the consolidated financial statements. (December 31, 2021 - None)

As of December 31, 2022, it is determined that the above mentioned cash flow hedging transactions are effective in the measurement.

**5.2. Cash flow hedge accounting**

**a) Floating Rate Loans**

The Parent Bank is subject to cash flow hedge accounting through interest swaps in order to protect a certain part of its long term floating interest rate loans from changes in market interest rates. The Bank conducts effectiveness tests for hedge accounting on every balance sheet date, the active segments are accounted in the “Hedge Funds” account item in the financial statements as defined in TAS 39, and the amount related to the inactive part is associated with the statement of profit or loss and other comprehensive income.

As of balance sheet date, swaps of nominal amount of USD 525 Million (December 31, 2021 - USD 675 Million) have been subject to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, in the current period, fair value loss amounting to TRY 572,313 (December 31, 2021 – TRY 91,416 loss) before tax was recognized under equity. The loss amounting to TRY 4 related to the ineffective portion is associated with the profit or loss statement (December 31, 2021 - None).

As of the balance sheet date, swaps with a nominal amount of TRY 5,472 million (December 31, 2021 - TRY 1,850 million.) have been subject to hedging accounting as hedging instruments. As a result of the mentioned hedging accounting, fair value gain before tax of TRY 330,708 (December 31, 2021 – TRY 165,120.) was accounted under equity in the current period. The revenue amounting to TRY 75 related to the ineffective portion is associated with the profit or loss statement (December 31, 2021 - None).

**b) Deposit**

The Parent Bank applies cash flow hedge accounting using interest rate swaps in order to hedge itself from the interest rate changes of deposits that have an average maturity of 3 months, the Bank implements cash flow hedge accounting with interest rate swaps. The Parent Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity “Hedging Funds”, whereas the ineffective portions are accounted for at statement of profit or loss and other comprehensive income as defined in TAS 39. As at the balance sheet date, swaps amounting to TRY 50,000 are subject to hedge accounting as hedging instruments (December 31, 2021 – TRY 150,000). As a result of the mentioned hedge accounting, fair value loss before taxes amounting to TRY 2,192 are accounted for under equity during the current period (December 31, 2021 – TRY 16,723 gain). There is no ineffective portion in the mentioned hedge accounting transaction (December 31, 2021- None).

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**III. Explanations and Disclosures Related to Consolidated Off-Balance Sheet Items (Continued)**

**5. Information on derivative financial instruments (Continued)**

**5.2. Cash flow hedge accounting (Continued)**

**b) Deposit (Continued)**

As of the balance sheet date, swaps with a nominal amount of USD 1,621 Million (December 31, 2021 – USD 1,328 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 114 Million (December 31, 2021 – EUR 74 Million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value gain before taxes amounting to TRY 2,123,518 are accounted under equity during the current period (December 31, 2021 – TRY 526,927 gain). The gain amounting to TRY 13,216 (December 31, 2021 – TRY 3,875 loss) relating to the ineffective portion is accounted under at the statement of profit or loss and other comprehensive income.

**c) Floating Rate Liabilities**

The Parent Bank applies cash flow hedge accounting through interest rate swaps in order to protect its subordinated loans with variable interest payments from changes in interest rates. The Bank conducts effectiveness tests for hedge accounting on every balance sheet date, the active segments are accounted in the “Hedge Funds” account item in the financial statements as defined in TAS 39, and the amount related to the inactive part is associated with the statement of profit or loss and other comprehensive income. As of the balance sheet date, the nominal amount of USD 423 Million (December 31, 2021 - USD 454 Million) was subject to hedge accounting as hedging instrument. As a result of the mentioned hedge accounting, the fair value gain amounting to TRY 423,088 (December 31, 2021 - TRY 48,015 gain) before tax was recognized under equity. The gain amounting to TRY 8 related to the ineffective portion of the relevant transaction is associated with the statement of profit or loss.

On the other hand; accounting application is terminated when cash flow hedge accounting is not effectively maintained as defined in TAS 39. According to that the effective amounts classified under equity due to hedge accounting are reclassified into profit or loss as the reclassification adjustments during periods or periods when the estimated cash flows subject to hedging in case of deterioration of the event affect profit or loss (such as the periods when interest income or expense is accounted for). Due to hedge accounting practices terminated in the current year, a loss amounting to TRY 39,964 (December 31, 2021 - TRY 39,561 loss) was transferred from the “Gain/losses from derivative transactions” to the statement of profit or loss and other comprehensive income.

When the cash flow hedge accounting cannot be maintained effectively as defined in TAS 39, the accounting practice is terminated. According to this; The valuation effects classified under equity due to hedge accounting are reflected in the profit or loss statement over the life of the hedged item. In this context; In the current period, a loss amounting to TRY 12,357 (December 31, 2021 - TRY 28,640 loss) has been transferred from shareholders' equity to the statement of profit or loss in relation to the hedge accounting practices that the Bank has terminated.

In the measurements made as of December 31, 2022, it has been determined that the above-mentioned cash flow hedging transactions are effective.

**6. Credit derivatives and risk exposures on credit derivatives**

As of December 31, 2022, the Bank has no commitments “Credit Linked Notes” (As of December 31, 2021 - None).

As of December 31, 2022, “Other Derivative Financial Instruments” with nominal amount of USD 110,000,000 (December 31, 2021: USD 110,000,000) are included in Bank’s “Credit Default Swap”. In aforementioned transaction, The Bank is the seller of the protection for USD 110,000,000.

**7. Information on contingent liabilities and assets**

The Parent Bank has recorded a provision of TRY 280,929 (December 31, 2021 – TRY 222,837) for the lawsuits filed against the Bank with a high probability of occurrence, in accordance with Principle of Prudence. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**III. Explanations and Disclosures Related to Consolidated Off-Balance Sheet Items (Continued)**

**8. Information on the services in the name and account of third parties**

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

**9. Information on the Parent Bank's rating by international rating institutions**

| MOODY'S August 2022 | | FITCH July 2022 | |
|---|---|---|---|
| Long-Term Deposit Rating (FC) | B3 | Long -Term Foreign Curr. | B- (Negative) |
| Long-Term Deposit Rating (TRY) | B1 | Short-Term Foreign Curr. | B |
| Short-Term Deposit Rating (FC) | NP | Long-Term TRY | B (Negative) |
| Short-Term Deposit Rating (TRY) | NP | Short-Term TRY | B |
| Main Credit Evaluation | b3 | Long-Term National | AA(tur) (Stable) |
| Adjusted Main Credit Evaluation | b1 | Support | b- |
| Appearance | Stable | Financial Capacity Rating | b- |
| Long-Term Foreign Currency Denominated Debt (FC) | B3 | | |

**IV. Explanations and Disclosures Related to Consolidated Statement of Profit or Loss and Other Comprehensive Income**

**1. a) Information on interest income on loans**

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TRY** | **FC** | **TRY** | **FC** |
| Short-Term Loans | 17,556,264 | 1,625,933 | 8,122,776 | 625,051 |
| Medium and Long-Term Loans | 16,185,212 | 4,445,863 | 8,424,462 | 2,482,183 |
| Non-Performing Loans | 636,433 | - | 454,420 | - |
| Resource Utilization Support Fund Premiums | - | - | - | - |
| **Total (*)** | **34,377,909** | **6,071,796** | **17,001,658** | **3,107,234** |

(*) Includes fees and commissions income from cash loans

**b) Information on interest income from banks**

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TRY** | **FC** | **TRY** | **FC** |
| T,R, Central Bank (*) | - | - | - | - |
| Domestic Banks | 18,089 | 1,010 | 34,190 | 927 |
| Foreign Banks | 1,170 | 282,581 | 2,964 | 15,252 |
| Foreign Headquarters and Branches | - | - | - | - |
| **Total** | **19,259** | **283,591** | **37,154** | **16,179** |

(*) The interest income on Required Reserve amounting TRY 130,135 excluded from interest income on Banks. (December 31, 2021: TRY 447,034).

**c) Information on interest income on marketable securities**

| | Current Period | |
|---|---|---|
| | **TRY** | **FC** |
| Financial Assets Measured at Fair Value through Profit/Loss | 79,904 | 7,521 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | 4,941,239 | 708,897 |
| Financial Assets Measured at Amortized Cost | 15,751,314 | 1,095,653 |
| **Total** | **20,772,457** | **1,812,071** |

| | Prior Period | |
|---|---|---|
| | **TRY** | **FC** |
| Financial Assets Measured at Fair Value through Profit/Loss | 23,431 | 3,102 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | 1,360,494 | 538,984 |
| Financial Assets Measured at Amortized Cost | 2,194,177 | 632,341 |
| **Total** | **3,578,102** | **1,174,427** |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and Disclosures Related to Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)**

**c) Information on interest income on marketable securities (Continued)**

As stated in Section Three disclosure VII, the Bank has inflation indexed (CPI) government bonds in its financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before

**d) Information on interest income received from associates and subsidiaries**

| | Current Period | Prior Period |
|---|---|---|
| Interest income received from associates and subsidiaries | - | - |

**2. a) Information on interest expense on borrowings (*)**

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TRY** | **FC** | **TRY** | **FC** |
| **Banks** | **797,994** | **3,129,506** | **458,075** | **1,508,113** |
| T.R. Central Bank | - | - | - | - |
| Domestic Banks | 749,649 | 152,173 | 406,149 | 93,509 |
| Foreign Banks | 48,345 | 2,977,333 | 51,926 | 1,414,604 |
| Foreign Headquarters and Branches | - | - | - | - |
| **Other Institutions** | - | - | - | - |
| **Total** | **797,994** | **3,129,506** | **458,075** | **1,508,113** |

(*) Includes fees and commissions expenses related to the cash loans.

**b) Information on interest expense paid to associates and subsidiaries**

| | Current Period | Prior Period |
|---|---|---|
| Interest Paid to Associates and Subsidiaries | 7,913 | 4,374 |

**c) Information on interest expense paid to securities issued**

As of December 31, 2022 the amount paid to securities issued is TRY 2,763,449 (December 31, 2021– TRY 1,790,883).

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## IV. Explanations and Disclosures Related to Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

### d) Information on maturity structure of interest expenses on deposits

| Current Period | | Time Deposits | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Account Name | Demand Deposits | Up to 1 Month | Up to 3 Months | Up to 6 Months | Up to 1 Year | Over 1 Year | Accumulated Deposit Account | Total |
| **Turkish Lira** | | | | | | | | |
| Bank Deposits | - | 52,247 | 16,800 | - | - | - | - | 69,047 |
| Saving Deposits | 31 | 2,730,331 | 2,489,527 | 5,654,397 | 299,312 | 212,360 | - | 11,385,958 |
| Public Sector Deposits | - | 3,760 | 1,412 | 30 | 98 | - | - | 5,300 |
| Commercial Deposits | 2 | 1,673,229 | 1,048,983 | 806,080 | 1,291,954 | 240,053 | - | 5,060,301 |
| Other Deposits | - | 22,835 | 115,670 | 3,989 | 17,015 | 7 | - | 159,516 |
| 7 Days Call Accounts | - | - | - | - | - | - | - | - |
| **Total** | **33** | **4,482,402** | **3,672,392** | **6,464,496** | **1,608,379** | **452,420** | **-** | **16,680,122** |
| **Foreign Currency** | | | | | | | | |
| Deposits | 5 | 189,248 | 943,422 | 496,604 | 53,189 | 55,374 | - | 1,737,842 |
| Bank Deposits | 118 | 134,170 | 90,790 | 23,429 | 60,999 | - | - | 309,506 |
| 7 Days Call Accounts | - | - | - | - | - | - | - | - |
| Precious Metal Deposits | - | 11,939 | - | - | - | - | - | 11,939 |
| **Total** | **123** | **335,357** | **1,034,212** | **520,033** | **114,188** | **55,374** | **-** | **2,059,287** |
| **Grand Total** | **156** | **4,817,759** | **4,706,604** | **6,984,529** | **1,722,567** | **507,794** | **-** | **18,739,409** |

| Prior Period | | Time Deposits | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Account Name | Demand Deposits | Up to 1 Month | Up to 3 Months | Up to 6 Months | Up to 1 Year | Over 1 Year | Accumulated Deposit Account | Total |
| **Turkish Lira** | | | | | | | | |
| Bank Deposits | - | 110,875 | 35 | - | - | - | - | 110,910 |
| Saving Deposits | 43 | 1,652,477 | 4,024,068 | 315,809 | 120,525 | 171,976 | - | 6,284,898 |
| Public Sector Deposits | - | 1,936 | 129 | 165 | 22 | - | - | 2,252 |
| Commercial Deposits | 10 | 820,542 | 1,112,130 | 53,834 | 31,986 | 1,984 | - | 2,020,486 |
| Other Deposits | - | 7,569 | 89,965 | 10,341 | 22,903 | 30 | - | 130,808 |
| 7 Days Call Accounts | - | - | - | - | - | - | - | - |
| **Total** | **53** | **2,593,399** | **5,226,327** | **380,149** | **175,436** | **173,990** | **-** | **8,549,354** |
| **Foreign Currency** | - | - | - | - | - | - | - | - |
| Deposits | 6 | 15,158 | 190,579 | 50,512 | 12,055 | 42,226 | - | 310,536 |
| Bank Deposits | 121 | 22,717 | 5,845 | 634 | - | - | - | 29,317 |
| 7 Days Call Accounts | - | - | - | - | - | - | - | - |
| Precious Metal Deposits | - | 5,837 | - | - | - | - | - | 5,837 |
| **Total** | **127** | **43,712** | **196,424** | **51,146** | **12,055** | **42,226** | **-** | **345,690** |
| **Grand Total** | **180** | **2,637,111** | **5,422,751** | **431,295** | **187,491** | **216,216** | **-** | **8,895,044** |

### e) Information on interest expenses on repurchase agreements

| | Current Period | | Prior Period | |
|---|---|---|---|---|
| | **TRY** | **FC** | **TRY** | **FC** |
| Interest Expenses on Repurchase Agreements (*) | 1,906,016 | 404,695 | 1,141,299 | 149,522 |

(*) Disclosed in "Interest on Money Market Transactions".

### f) Information on financial lease expenses

| | Current Period | Prior Period |
|---|---|---|
| Lease expenses | 100,667 | 61,052 |

### g) Information on interest expenses on factoring payables

None (December 31, 2021– None)

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and Disclosures Related to Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)**

**3. Information on dividend income**

| | Current Period | Prior Period |
|---|---|---|
| Financial Assets at Fair Value Through Profit or Loss | 3,539 | 624 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | - | - |
| Other | 13,437 | 681 |
| **Total** | **16,976** | **1,305** |

**4. Information on trading income/loss**

| | Current Period | Prior Period |
|---|---|---|
| **Trading Gain** | **35,045,190** | **22,021,051** |
| Gain on Capital Market Transactions | 2,389,128 | 350,003 |
| From Derivative Transactions | 13,687,257 | 7,524,146 |
| Foreign Exchange Gains | 18,968,805 | 14,146,902 |
| **Trading Loss (-)** | **33,973,496** | **25,229,997** |
| Losses on Capital Market Operations | 825,979 | 169,134 |
| From Derivative Transactions | 20,522,408 | 14,025,051 |
| Foreign Exchange Losses | 12,625,109 | 11,035,812 |
| **Net Trading Income/Loss** | **1,071,694** | **(3,208,946)** |

**5. Information on other operating income**

The Group recorded the current year collections from loans written off in the previous periods, portfolio management fees and expense accruals cancelations in “Other Operating Income” account.

**6. Provision for losses and other provision expenses**

| | Current Period | Prior Period |
|---|---|---|
| **Expected Credit Losses Provisions** | **5,093,975** | **3,310,641** |
| 12 Month Expected Credit Loss (Stage I) | 1,493,919 | 1,113,375 |
| Significant Increase in Credit Risk (Stage 2) | 2,112,726 | 635,663 |
| Lifetime ECL Impaired Credits (Stage 3) | 1,487,330 | 1,561,603 |
| **Marketable Securities Impairment Provision** | **2,279** | **731** |
| Financial Assets Measured at Fair Value Through Profit/Loss | - | - |
| Financial Assets Measured at Other Comprehensive Income | 2,279 | 731 |
| **Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease** | - | - |
| Investment in Associates | - | - |
| Subsidiaires | - | - |
| Joint Ventures | - | - |
| **Other** (*) | **5,939,858** | **175,967** |
| **Total** | **11,036,112** | **3,487,339** |

(*) Includes free provision expense for possible risks amounting to TRY 5,400,000 allocated in the current period.

**7. Information on other operating expenses**

| | Current Period | Prior Period |
|---|---|---|
| Reserve for employee termination benefits (*) | 103,078 | 53,373 |
| Impairment expenses on tangible fixed asset | 609,671 | 483,057 |
| Goodwill impairment expenses | 237,285 | 178,175 |
| Other Operating Expenses | 4,384,497 | 1,593,849 |
| *Leasing Expenses Related to TFRS 16 Exceptions* | *4,308* | *2,934* |
| *Maintenance expenses* | *1,267,165* | *477,703* |
| *Advertiesment expenses* | *332,946* | *98,310* |
| *Other expenses* | *2,780,078* | *1,014,902* |
| Loss on sales of assets | 61 | 838 |
| Other | 1,176,107 | 681,493 |
| **Total** | **6,510,699** | **2,990,785** |

(*) “Reserve for employee termination benefits” is included in the “Personnel Expenses” account item in the financial statement.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations and Disclosures Related to Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)**

**8. Fees for Services Obtained from an Independent Auditor/Independent Audit Firm**

| | Current Period (*) (**) | Prior Period (*) (**) |
|---|---|---|
| Independent audit fee for the reporting period | 6,168 | 3,302 |
| Fees for tax advisory services | - | - |
| Fee for other assurance services | 649 | 603 |
| Fees for services other than independent auditing | - | - |
| **Total** | **6,817** | **3,905** |

(*) Consolidated amounts are reported.
(**) VAT excluded.

**9. Explanation on profit/loss before tax from continuing and discontinued operations**

As of December 31, 2022, net interest income amounting to TRY 38,567,134 (December 31, 2021- TRY 12,834,346), net fee and commission income amounting to TRY 6,688,561 December 31, 2021 – TRY 3,681,746) and other operating revenues amounting to TRY 333,926 (December 31, 2021 – TRY 483,880) have important place among income items related to continuing operations.

**10. Explanation on tax provision for continuing and discontinued operations**

**10.1. Calculated current tax income or expense and deferred tax income or expense**

As of December 31, 2022, the Group recorded current deferred tax income of TRY 1,658,660 (December 31, 2021 – TRY 948,782 deferred tax expense) and current tax expense of TRY 9,086,568 (December 31, 2021 – TRY 278,506 current tax income) reflected.

**10.2. Explanations on operating profit/loss after tax**

None (December 31, 2021- None).

**11. Explanation on net profit/loss for the period from continuing and discontinued operations**

The profit generated by the Group from continuing operations is TRY 17,226,220 (December 31, 2021 – TRY 3,907,861), and the discontinued operation loss is none. (December 31, 2021, None).

**12. Explanations on net profit and loss for the period**

**12.1. If disclosure of the nature, amount and recurrence rate of income and expense items arising from ordinary banking transactions is necessary for an understanding of the Group's performance during the period, the nature and amount of these items**

None (December 31, 2021 - None).

**12.2. The effect of the change in the estimates made by the Group regarding the financial statement items on profit/loss**

None (December 31, 2021 - None).

**12.3. Profit or loss attributable to minority shares**

| | Current Period | Prior Period |
|---|---|---|
| Profit/Loss Attributable to Minority Shares | 2,421 | 1,214 |

**12.4. There is no change in the accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods**

**13. Information on the components of other items in the statement of profit or loss and other comprehensive income exceeding 10% of the total, or items that comprise at least 20% of the statement of profit or loss and other comprehensive income**

Fees and commissions from credit cards, transfers and insurance intermediaries are recorded in the “Others” line under “Fees and Commissions Received” account, while fees and commissions given to credit cards are recorded in the “Others” line under “Fees and Commissions Paid” account by the Parent Bank.

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### V. Explanations and Disclosures Related to Consolidated Statement of Changes in Shareholders' Equity

### 1. Changes arising from the revaluation of financial assets at fair value through other comprehensive income

Net decrease of TRY 3,377,006 (December 31, 2021 – TRY 1,108,826 net decrease) after tax effect resulting from fair value through profit or loss in "Securities Value Increase Fund" account under shareholders equity.

### 2. Explanations on foreign exchange differences

None.

### 3. Explanations on dividends

### 3.1. Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements

There is no dividend notified before the promulgation of financial statements. It was decided to distribute the profit of 2021 as stated below at the Ordinary General Assembly held on March 30, 2022:

**2021 profit distribution table**

| **Current Year Profit** | **3,928,114** |
|---|---|
| A - I. Legal Reserve (TCC 466/1) 5% | - |
| B - The First Dividend for Shareholders | - |
| C - To Owners of Founding Shares | - |
| D - II. Legal Reserves | - |
| E - Profit from Disposal of Associates Fund | - |
| F - Extraordinary Reserves | (3,928,114) |

### 3.2. Dividends per share proposed subsequent to the balance sheet date

No decision is taken concerning the profit distribution by the General Assembly as of the balance sheet date (December 31, 2021- None).

### 3.3. Transfers to legal reserves

| | **Current Period** | **Prior Period** |
|---|---|---|
| Amount Transferred to Reserved from Retained | - | - |

### 4. Information on issuance of share certificates

### 4.1. The rights, priorities and restrictions regarding the share capital including distribution of income and repayment of the capital

None (December 31, 2021 - None).

### 5. Information on the other capital increase items in the statement of changes in shareholders' equity

There was no capital increase in 2022 (December 31, 2021 - None).

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## VI. Explanations and Disclosures Related to Consolidated Statement of Cash Flows

### 1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents

"Other items" amounting to TRY 12,519,245 (December 31, 2021 – TRY 2,113,659) in "Operating profit before changes in operating assets and liabilities" consist of fees and commissions paid amounting to TRY 2,361,312 (December 31, 2021 – TRY 1,085,960), net trading income amounting to TRY 21,259,438 (December 31, 2021 – TRY 880,492 net trading income) and other operating expenses amounting to TRY 6,378,881 (December 31, 2021 – TRY 1,908,191).

"Other" item in the "Change in other assets of the field of banking" amounting to TRY 6,554,484 (December 31, 2021 – TRY 3,560,662), guarantees given to TRY 2,898,805 (December 31, 2021 – TRY 1,257,284), rental receivables from transactions amounting to TRY 3,917,473 (December 31, 2021 – TRY 3,516,950), factoring receivables amounting to TRY 5,782,967 (December 31, 2021 – TRY 1,600,071) and other assets of TRY 247,151 (December 31, 2021 – TRY 7,220,399).

The "Other" item amounting to TRY 17,976,184 (December 31, 2021 – TRY 12,765,909) included in the "change in other debts subject to banking activity", TRY 4,808,082 (December 31, 2021 – TRY 3,224,389) to money markets and TRY 13,168,102 (December 31, 2021 – TRY 9,541,520) includes other liabilities.

"Other" item amounting to TRY 643,234 (December 31, 2021 – TRY 306,044) included in "Net cash flow from investment activities" includes TRY 237,285 intangible assets (December 31, 2021 – TRY 178,715).

The effect of change in foreign exchange rate on cash and cash equivalents is the sum of the foreign exchange differences arising from the conversion of the average balances of cash and cash equivalents in foreign currency to TRY at the beginning of the period and at the end of the period. As of December 31, 2022, TRY 1,454,238 (December 31, 2021 – TRY 4,346,096).

### 2. Information regarding the balances of cash and cash equivalents at the beginning of the period

| | December 31, 2021 |
|---|---|
| **Cash** | **7,307,144** |
| Cash in TRY | 678,315 |
| Cash in Foreign Currencies | 6,245,263 |
| Other | 383,566 |
| **Cash Equivalents** | **40,491,690** |
| Balances with the T.R. Central Bank | 25,120,140 |
| Banks and Other Financial Institutions | 15,355,593 |
| Money Market Placements | 159,508 |
| Less: Accruals | (143,551) |
| **Cash and Cash Equivalents** | **47,798,834** |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VI. Explanations and Disclosures Related to Consolidated Statement of Cash Flows (Continued)**

**3. Information regarding the balances of cash and cash equivalents at the end of the period**

| | December 31, 2022 |
|---|---|
| **Cash** | **11,930,986** |
| Cash in TRY | 1,621,492 |
| Cash in Foreign Currencies | 6,809,684 |
| Other | 3,499,810 |
| **Cash Equivalents** | **61,324,727** |
| Balances with the T.R. Central Bank | 42,132,406 |
| Banks and Other Financial Institutions | 10,747,700 |
| Money Market Placements | 8,467,980 |
| Less: Accruals | (23,359) |
| **Cash and Cash Equivalents** | **73,255,713** |

**4. Restricted cash and cash equivalents due to legal requirements or other reasons**

A portion of foreign bank accounts amounting to TRY 396,003 (December 31, 2021 – TRY 464,536) includes blocked cash for foreign money and capital market transactions and for borrowings from foreign markets.

**5. Additional information**

**5.1. Restrictions on the potential borrowings that can be used for banking operations or capital commitment**

None (December 31, 2021 – None).

**5.2. The sum of cash flows that show the increases in banking activity capacity, apart from the cash flows needed to maintain current banking activity capacity**

None (December 31, 2021 – None).

**VII. Explanations and Disclosures Related to the Parent Bank's Risk Group**

**1. The volume of transactions relating to the Bank's risk group, outstanding loan and deposit transactions and profit and loss of the period1**

**1.1.** As of December 31, 2022, the Parent Bank's risk group has deposits amounting to TRY 724,884 (December 31, 2021 – TRY 586,647), cash loans amounting to TRY 4,102 (December 31, 2021 – TRY 1,773) and non-cash loans amounting to TRY 118,429 (December 31, 2021 – TRY 60,889).

**Current Period**

| Parent Bank's Risk Group (*) | Associates and Subsidiaries (Partnerships) | | Bank's Direct and Indirect Shareholders | | Other Legal and Real Persons in Risk Group | |
|---|---|---|---|---|---|---|
| | Cash | Non- Cash | Cash | Non- Cash | Cash | Non- Cash |
| **Loans and Other Receivables** | | | | | | |
| Balance at the Beginning of the Period | - | 730 | - | 55,271 | 1,773 | 4,888 |
| Balance at the End of the Period | - | 226 | - | 116,854 | 4,102 | 1,349 |
| Interest and Commission Income | - | - | - | 1,734 | 923 | - |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## VII. Explanations and Disclosures Related to the Parent Bank's Risk Group (Continued)

### 1. The volume of transactions relating to the Bank's risk group, outstanding loan and deposit transactions and profit and loss of the period (Continued)

**Prior Period**

| Parent Bank's Risk Group (*) | Associates and Subsidiaries | | Bank's Direct and Indirect Shareholders | | Other Legal and Real Persons in Risk Group | |
|---|---|---|---|---|---|---|
| | Cash | Non-Cash | Cash | Non-Cash | Cash | Non-Cash |
| **Loans and Other Receivables** | | | | | | |
| Balance at the Beginning of the Period | - | 55 | 2,500 | 45,878 | 631 | 5,212 |
| Balance at the End of the Period | - | 730 | - | 55,271 | 1,773 | 4,888 |
| Interest and Commission Income (**) | - | - | - | 267 | 872 | - |

(*) As described in the Article 49 of Banking Law No 5411.

(**) Represents the balances of December 31, 2022.

### 1.2. Information on deposits of the Parent Bank's risk group

| Parent Bank's Risk Group (*) | Associates and Subsidiaries | | Bank's Direct and Indirect Shareholders | | Other Legal and Real Persons in Risk Group | |
|---|---|---|---|---|---|---|
| | Current Period | Prior Period | Current Period | Prior Period | Current Period | Prior Period |
| **Deposits** | | | | | | |
| Balance at the Beginning of the Period | 60,887 | 19,218 | - | - | 525,760 | 293,470 |
| Balance at the End of the Period | 152,259 | 60,887 | - | - | 572,625 | 525,760 |
| Interest on deposits (**) | 7,913 | 4,374 | - | - | 22,015 | 23,218 |

(*) As described in the Article 49 of Banking Law No 5411.
(**) Previous period's balances represent December 31, 2021 balances.

### 1.3. Information on forward and option agreements and similar agreements made with the Parent Bank's risk group

| Parent Bank's Risk Group (*) | Associates and Subsidiaries | | Bank's Direct and Indirect Shareholders | | Other Legal and Real Persons in Risk Group | |
|---|---|---|---|---|---|---|
| | Current Period | Prior Period | Current Period | Prior Period | Current Period | Prior Period |
| **Transactions for Trading Purposes** | | | | | | |
| Beginning of the Period | - | - | - | - | - | - |
| End of the Period | - | - | - | - | - | - |
| Total Income/Loss (**) | - | - | - | (56) | 384 | (20) |
| **Transactions for Hedging Purposes** | | | | | | |
| Beginning of the Period | - | - | - | - | - | - |
| End of the Period | - | - | - | - | - | - |
| Total Income/Loss (**) | - | - | - | - | - | - |

(*) As described in the Article 49 of Banking Law No 5411.
(**) Prior Period represents December 31, 2021 balance.

### 1.4. Information regarding benefits provided to the Top Management

As of December 31, 2022, the total amount of remuneration and bonuses paid to key management of the Group is TRY 304,876 (December 31, 2021 – TRY 224,768).

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VII. Explanations and Disclosures Related to the Parent Bank's Risk Group (Continued)**

**2. Disclosures of transactions with the Parent Bank's risk group**

**2.1. Relations with entities in the risk group of/or controlled by the Parent Bank regardless of the nature of relationship among the parties**

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

**2.2. In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other matters**

As of December 31, 2022, the rate of cash loans of the risk group divided by to total loans is 0%; (December 31, 2021 – 0%); the deposits represented 0.2% (December 31, 2021 – 0.3%), the ratio of total derivative transactions with derivatives risk is 0% (December 31, 2021 – 0%).

**2.3. Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agent contracts, financial lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts**

The Parent Bank enters into finance lease agreements with QNB Finans Finansal Kiralama A.Ş.

The Parent Bank has signed an agreement with Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. regarding research, development, advisory and improvement services.

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., in which the Parent Bank participated with 33.33% shareholding, provides cash transfer services to the Parent Bank.

Information in regard to subordinate loans the Parent Bank received from Parent's Bank is explained in Section 5 Note II. 12.

The Parent Bank offers agency services to Cigna Sağlık, Hayat ve Emeklilik A.Ş. that is 49.00% jointly controlled for its insurance services.

**VIII. Explanations on the Parent Bank's Domestic, Foreign and Off-Shore Banking Branches and Foreign Representatives of the Group**

**1. Information relating to the Parent Bank's domestic and foreign branch and representatives**

| | Number | Employees | Country | Total Assets | Capital |
|---|---|---|---|---|---|
| Domestic Branch | 435 | 11,419 | | | |
| Foreign Representation | - | - | - | | |
| Foreign Branch | 1 | 8 | 1- Bahreyn | 59,952,157 | - |
| | | | - | - | - |

(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

## SECTION SIX

## OTHER EXPLANATIONS

### I. Other Explanations Related to the Parent Bank's Operations

### 1. Disclosure related to subsequent events and transactions that have not been finalized yet, and their impact on the financial statements

The issuance of The Bank after the balance sheet date are as follows:

| Issue Date | Currency | Nominal Amount | Maturity |
|---|---|---|---|
| 13/01/2023 | EUR | 20,000,000 | 90 |
| 23/01/2023 | GBP | 11,340,000 | 93 |
| 24/01/2023 | EUR | 10,000,000 | 90 |
| 25/01/2023 | GBP | 20,000,000 | 91 |
| 25/01/2023 | EUR | 21,770,000 | 91 |
| 31/01/2023 | USD | 34,453,000 | 91 |

### 2. Information on the effects of significant changes in foreign exchange rates after balance sheet date on the items denominated in foreign currency and financial statements and the Group's operations abroad that would affect decision making process of users and foreign operations of the Bank

There are no significant fluctuations in the currency exchange rates after the balance sheet date that would affect the analysis and decision making process of the readers of the financial statements.

### 3. Other matters

With the General Communiqué on Tax Procedure Law No. 547 published in the Official Gazette dated January 14, 2023 and No. 32073, the uncertainties regarding the revaluation of economic assets subject to depreciation and their accumulated depreciation have been eliminated within the scope of the Tax Procedure Law, and the Bank will benefit from the revaluation application.

# SECTION SEVEN

## INDEPENDENT AUDITOR'S REPORT

### I. Explanations on Independent Auditor's Report

The consolidated financial statements for the period ended December 31, 2022 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The auditor's report dated January 31, 2022 is presented preceding the consolidated financial statements.

### II. Explanations and Notes Prepared by Independent Auditor

None (December 31, 2021 – None).

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