

QNB FİNANSBANK ANONİM ŞİRKETİ
INDEPENDENT AUDITOR'S REPORT,
UNCONSOLIDATED FINANCIAL STATEMENTS AND
NOTES FOR THE YEAR ENDED DECEMBER 31, 2022

(Convenience translation of unconsolidated 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 Unconsolidated Financial Statements

1. Qualified Opinion

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

In our opinion, except for the effect of the matter on the unconsolidated financial statements described in the basis for the qualified opinion paragraph below, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2022, and its unconsolidated financial performance and its unconsolidated 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.



2. Basis for Qualified Opinion

As explained in Section Five Part II 9.4 of Explanations and Notes to the Unconsolidated Financial Statements; the accompanying unconsolidated 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 Bank 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 Unconsolidated Financial Statements” section of our report. We hereby declare that we are independent of the Bank 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 unconsolidated 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 unconsolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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.



<i>Key Audit Matters</i>	<i>How the key audit matter was addressed in the audit</i>
<p>Impairment of loans determined within the framework of TFRS 9</p> <p>The Bank has total expected credit losses for loans amounting to TL 16.523.774 thousand in respect to total loans amounting to TL 361.480.972 thousand which represent a significant portion of the Bank’s total assets in its unconsolidated 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 unconsolidated financial statements as at 31 December 2022.</p> <p>The Bank 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.</p>	<p>With respect to stage classification of loans and calculation of expected credit losses in accordance with TFRS 9, we have assessed policy, procedure and management principles of the Bank within the scope of our audit. We tested the design and the operating effectiveness of relevant controls implemented in accordance with these principles.</p> <p>We checked appropriateness of matters considered in methodology applied by the Bank with TFRS 9 for calculation of the provision amount through stage classification of loans. For forward looking assumptions by the Bank’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:</p> <ul style="list-style-type: none"> • 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.



<i>Key Audit Matters</i>	<i>How the key audit matter was addressed in the audit</i>
<p>Impairment of loans determined within the framework of TFRS 9 (Continued)</p> <p>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.</p>	<ul style="list-style-type: none"> • 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. • We checked the calculation of the Loss Given Default (LGD) used by the Bank in the expected credit losses calculations, and tested collaterals, recovery and costs in addition to arithmetical calculations. • For a selected sample, we checked expected credit losses determined based on individual assessment per Bank’s policy by means of supporting data, and evaluated appropriateness via communications with management. • 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. • We checked accuracy of expected credit losses calculations. • To assess appropriateness of the Bank’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. • We have reviewed disclosures made within the TFRS 9 framework in the unconsolidated financial statements of the Bank with respect to loans and related impairment provisions.



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

The Bank management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

5. Auditor's Responsibilities for the Audit of the Unconsolidated 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 unconsolidated 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 unconsolidated 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 unconsolidated 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 unconsolidated financial statements are not intended to present fairly the unconsolidated financial position, results of operations, changes in equity and cash flows of the Bank in accordance with IFRS.

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

Talar Gül, SMMM
Partner

Istanbul, 31 January 2023

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

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

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

The accompanying unconsolidated financial statements and related disclosures and footnotes for the nine-month period are prepared and reviewed in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidances, and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying unconsolidated 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
Members of the Board of
Directors and of the
Audit Committee

Durmuş Ali Kuzu
Members 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 for 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 report 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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**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

**SECTION ONE
GENERAL INFORMATION**

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

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

II. Information About the Bank's Shareholding Structure, Shareholders Who Individually or Jointly Have 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 Bank

A share sales agreement has been concluded between National Bank of Greece S.A. (NBG), principal shareholder of the 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 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 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 Bank has started to be used as "QNB FİNANSBANK" as of October 24, 2016 and the company name started to be used with the registration of the General 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 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 QNB Finansbank A.Ş. 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 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 Bank for the annulment of the certificates. The registration of the General Assembly regarding the share transfer was completed on January 13, 2023.

QNB FINANSBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

GENERAL INFORMATION (Continued)

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

Name	Titles	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 Güzeloglu	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 Credits Monitoring and Follow-up Director at the reporting date, has been appointed as Credits Monitoring and Follow-up Assistant General Manager as of January 18, 2023.

The top level management listed above possesses immaterial number of shares of the Bank.

IV. Information About the Persons and Institutions That Have Qualified Shares

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 Bank's Services and Activities

The Bank's activities include trade finance and corporate banking, private and retail banking, SME banking, currency, money markets and securities operations and credit card operations. In addition, the Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of December 31, 2022, the Bank operates through 434 domestic (December 31, 2021 - 442), 1 abroad (December 31, 2021 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2021 - 1) branches. As of December 31, 2022, the Bank has 11,427 employees (December 31, 2021 - 10,944 employees).

VI. The Existing Current or Likely Actual or Legal Barriers to Immediate Transfer of Equity or Repayment of Debts Between the Bank and its Subsidiaries

None.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

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QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STAMENET OF BALANCE SHEET–ASSETS FOR THE YEAR ENDED DECEMBER 31, 2022

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

I. 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)		68,402,783	109,337,997	177,740,780	36,875,476	91,014,591	127,890,067
1.1	Cash and Cash Equivalents		20,619,505	93,032,986	113,652,491	7,426,349	78,137,381	85,563,730
1.1.1	Cash and Balances with 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)	2,874,204	7,794,093	10,668,297	822	15,119,582	15,120,404
1.1.3	Money Markets	(4)	8,040,936	427,044	8,467,980	-	159,508	159,508
1.1.4	Expected Credit Losses (-)		15,492	6,085	21,577	10,753	-	10,753
1.2	Financial Assets at Fair Value Through Profit or Loss	(2)	722,557	549,922	1,272,479	181,903	499,454	681,357
1.2.1	Government Debt Securities		429,424	239,920	669,344	101,865	64,122	165,987
1.2.2	Equity Securities		151,484	-	151,484	47,353	-	47,353
1.2.3	Other Financial Assets		141,649	310,002	451,651	32,685	435,332	468,017
1.3	Financial Assets at Fair Value Through Other Comprehensive Income	(5)	29,670,635	10,468,015	40,138,650	9,633,009	10,008,077	19,641,086
1.3.1	Government 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		7,674	-	7,674	7,674	-	7,674
1.3.3	Other Financial Assets		-	-	-	-	-	-
1.4	Derivative Financial Assets	(12)	17,390,086	5,287,074	22,677,160	19,634,215	2,369,679	22,003,894
1.4.1	Derivative Financial Assets at Fair Value Through Profit/Loss		12,559,235	3,249,441	15,808,676	16,419,234	2,225,197	18,644,431
1.4.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		4,830,851	2,037,633	6,868,484	3,214,981	144,482	3,359,463
II.	FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)		280,427,104	126,473,361	406,900,465	132,561,876	97,907,918	230,469,794
2.1	Loans	(6)	251,039,775	110,441,197	361,480,972	129,816,572	82,927,002	212,743,754
2.2	Lease Receivables	(11)	-	-	-	-	-	-
2.3	Factoring Receivables		-	-	-	-	-	-
2.4	Other Financial Assets Measured at Amortized Cost	(7)	41,598,971	20,364,334	61,963,305	14,876,060	14,980,916	29,856,976
2.4.1	Public Sector 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 (-)		12,211,642	4,332,170	16,543,812	12,130,936	-	12,130,936
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(15)	-	-	-	-	-	-
3.1	Held for Sale Purpose		-	-	-	-	-	-
3.2	Related to Discontinued Operations		-	-	-	-	-	-
IV.	EQUITY INVESTMENTS		3,952,289	-	3,952,289	2,400,164	-	2,400,164
4.1	Investments in Associates (Net)	(8)	45,477	-	45,477	14,026	-	14,026
4.1.1	Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2	Unconsolidated Associates		45,477	-	45,477	14,026	-	14,026
4.2	Subsidiaries (Net)	(9)	3,618,249	-	3,618,249	2,167,844	-	2,167,844
4.2.1	Unconsolidated Financial Subsidiaries		3,490,203	-	3,490,203	2,129,798	-	2,129,798
4.2.2	Unconsolidated Non-Financial Subsidiaries		128,046	-	128,046	38,046	-	38,046
4.3	Joint Ventures (Net)	(10)	288,563	-	288,563	218,294	-	218,294
4.3.1	Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated Joint Ventures		288,563	-	288,563	218,294	-	218,294
V.	PROPERTY AND EQUIPMENT (Net)		4,729,373	94	4,729,467	3,660,096	37	3,660,133
VI.	INTANGIBLE ASSETS (Net)		1,028,549	-	1,028,549	628,673	-	628,673
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		1,028,549	-	1,028,549	628,673	-	628,673
VII.	INVESTMENT PROPERTY (Net)	(13)	-	-	-	-	-	-
VIII.	CURRENT TAX ASSET	(14)	-	-	-	2,040	-	2,040
IX.	DEFERRED TAX ASSET	(14)	354,327	-	354,327	133,892	-	133,892
X.	OTHER ASSETS (Net)	(16)	6,702,020	347,279	7,049,299	6,052,142	132,336	6,184,478
TOTAL ASSETS			365,596,445	236,158,731	601,755,176	182,314,359	189,054,882	371,369,241

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

QNB FİNANSBANK ANONİM ŞİRKETİ

**UNCONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

I. 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)	235,567,273	158,716,760	394,284,033	79,660,507	147,262,712	226,923,219
II.	FUNDS BORROWED	(3)	361,183	41,292,134	41,653,317	526,513	26,505,405	27,031,918
III.	MONEY MARKETS	(4)	195,056	21,733,804	21,928,860	2,302,812	15,717,177	18,019,989
IV.	SECURITIES ISSUED (Net)	(5)	4,655,384	23,284,322	27,939,706	4,609,660	23,779,092	28,388,752
4.1	Bills		4,655,384	5,911,335	10,566,719	4,609,660	2,154,632	6,764,292
4.2	Asset Backed Securities		-	-	-	-	-	-
4.3	Bonds		-	17,372,987	17,372,987	-	21,624,460	21,624,460
V.	FUNDS		-	-	-	-	-	-
5.1	Borrower Funds		-	-	-	-	-	-
5.2	Other		-	-	-	-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT & LOSS		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES		3,008,663	3,387,575	6,396,238	9,160,015	3,292,413	12,452,428
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(2)	3,008,663	2,942,187	5,950,850	8,982,699	2,623,496	11,606,195
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)	744,979	339	745,318	491,912	777	492,689
X.	PROVISIONS	(9)	8,624,321	293,936	8,918,257	1,567,815	-	1,567,815
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		2,443,812	18,146	2,461,958	977,114	-	977,114
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		6,180,509	275,790	6,456,299	590,701	-	590,701
XI.	CURRENT TAX LIABILITY	(10)	2,766,075	-	2,766,075	-	-	-
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		18,843,473	16,886,646	35,730,119	10,570,280	11,925,527	22,495,807
XVI.	SHAREHOLDERS' EQUITY		44,937,472	(671,943)	44,265,529	24,785,657	(2,641,597)	22,144,060
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 Reclassified to Profit or Loss		(672,158)	-	(672,158)	(223,943)	-	(223,943)
16.4	Other Comprehensive Income/Expense Items Reclassified to Profit or Loss		4,054,334	(671,943)	3,382,391	678,070	(2,641,597)	(1,963,527)
16.5	Profit Reserves		20,980,816	-	20,980,816	17,052,702	-	17,052,702
16.5.1	Legal Reserves		771,684	-	771,684	757,842	-	757,842
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		20,209,132	-	20,209,132	16,294,860	-	16,294,860
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit/Loss		17,223,766	-	17,223,766	3,928,114	-	3,928,114
16.6.1	Prior Periods' Profit/Loss		-	-	-	-	-	-
16.6.2	Current Period's Net Profit/Loss		17,223,766	-	17,223,766	3,928,114	-	3,928,114
16.7	Minority Interest		-	-	-	-	-	-
TOTAL LIABILITIES			319,703,879	282,051,297	601,755,176	133,675,171	237,694,070	371,369,241

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

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES
FOR THE YEAR ENDED DECEMBER 31, 2022

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

II. STATEMENT OF OFF-BALANCE COMMITMENTS AND CONTINGENCIES

	Section 5 8Part III	Current Period 31.12.2022			Prior Period 31.12.2021		
		TRY	FC	TOTAL	TRY	FC	TOTAL
		A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		477,282,216	597,878,783	1,075,160,999	250,865,291
I. GUARANTEES (1), (2), (3), (4)		29,691,070	35,538,119	65,229,189	13,161,207	34,332,017	47,493,224
1.1. Letters of guarantee		25,624,515	20,031,380	45,655,895	13,025,750	17,491,611	30,517,361
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		12,326,738	19,842,997	32,169,735	7,285,611	17,358,170	24,643,781
1.1.3. Other letters of guarantee		12,413,022	-	12,413,022	5,186,762	-	5,186,762
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 (1)		251,402,245	23,241,741	274,643,986	150,120,272	5,965,872	156,086,144
2.1. Irrevocable commitments		172,054,958	23,241,741	195,296,699	81,745,417	5,965,872	87,711,289
2.1.1. Forward asset purchase commitments		4,018,129	10,831,566	14,849,695	1,107,989	2,858,065	3,966,054
2.1.2. Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting 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		79,347,287	-	79,347,287	68,374,855	-	68,374,855
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		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS (5), (6)		196,188,901	539,098,923	735,287,824	87,583,812	392,181,211	479,765,023
3.1. Derivative financial instruments for hedging purposes		20,638,338	127,538,657	148,176,995	12,146,306	102,778,047	114,924,353
3.1.1. Fair value hedge		4,808,155	36,409,473	41,217,628	5,829,388	42,107,334	47,936,722
3.1.2. Cash flow hedge		15,830,183	91,129,184	106,959,367	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		175,550,563	411,560,266	587,110,829	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		105,471,315	326,590,280	432,061,595	66,545,184	268,882,455	335,427,639
3.2.2.1. Foreign currency swap-buy		6,408,566	132,828,947	139,237,513	2,126,829	98,404,122	100,530,951
3.2.2.2. Foreign currency swap-sell		60,927,351	75,675,597	136,602,948	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)		1,761,989,623	700,599,629	2,462,589,252	1,168,863,151	489,419,290	1,658,282,441
IV. ITEMS HELD IN CUSTODY		41,319,622	17,448,913	58,768,535	22,219,062	16,495,503	38,714,565
4.1. Customer Fund and Portfolio Assets		10,712,892	-	10,712,892	7,427,814	-	7,427,814
4.2. Investment securities held in custody		241,029	12,787,625	13,028,654	1,633,011	11,510,543	13,143,554
4.3. Checks received for collection		26,852,980	2,065,638	28,918,618	10,923,733	3,061,613	13,985,346
4.4. Commercial notes received for collection		3,512,596	1,187,016	4,699,612	2,233,879	920,079	3,153,958
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		125	1,408,634	1,408,759	625	1,003,268	1,003,893
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)		2,239,271,839	1,298,478,412	3,537,750,251	1,419,728,442	921,898,390	2,341,626,832

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

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2022

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

III. STATEMENT OF PROFIT OR LOSS

	Secion 5 Part IV	Curren Period 01.01 - 31.12.2022	Prior Period 01.01 - 31.12.2021
I. INTEREST INCOME	(1)	64,131,081	25,556,086
1.1 Interest income on loans		40,947,844	20,268,563
1.2 Interest income on reserve deposits		130,135	447,034
1.3 Interest income on banks		296,661	45,966
1.4 Interest income on money market transactions		137,714	13,518
1.5 Interest income on securities portfolio		22,577,620	4,748,068
1.5.1 Financial assets measured at FVTPL		80,517	22,072
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		-	-
1.7 Other interest income		41,107	32,937
II. INTEREST EXPENSE (-)	(2)	26,734,823	13,203,377
2.1 Interest on deposits		18,772,159	8,904,130
2.2 Interest on funds borrowed		2,903,250	1,420,560
2.3 Interest on money market transactions		2,305,838	1,250,409
2.4 Interest on securities issued		2,314,161	1,523,672
2.5 Interests on leasings		100,886	62,259
2.6 Other interest expenses		338,529	42,347
III. NET INTEREST INCOME (I - II)		37,396,258	12,352,709
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		6,128,001	3,391,172
4.1 Fees and commissions received		8,290,784	4,424,035
4.1.1 Non-cash loans		429,239	268,558
4.1.2 Others		7,861,545	4,155,477
4.2 Fees and commissions paid (-)		2,162,783	1,032,863
4.2.1 Non-cash loans		2,123	2,602
4.2.2 Others		2,160,660	1,030,261
V. DIVIDEND INCOME	(3)	14,948	518
VI. NET TRADING INCOME/LOSS (Net)	(4)	516,384	(3,572,838)
6.1 Trading account gain/losses		1,477,770	150,375
6.2 Gain/losses from derivative transactions		(7,119,963)	(6,635,822)
6.3 Foreign exchange gain/losses		6,158,577	2,912,609
VII. OTHER OPERATING INCOME	(5)	309,762	469,343
VIII. TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII)		44,365,353	12,640,904
IX. EXPECTED CREDIT LOSSES (-)	(6)	4,916,850	3,063,770
X. OTHER PROVISION LOSSES (-)		5,933,517	177,687
XI. PERSONNEL EXPENSES (-)		4,473,419	2,185,729
XII. OTHER OPERATING EXPENSES (-)	(7)	6,192,609	2,816,932
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		22,848,958	4,396,786
XIV. INCOME RESULTED FROM MERGERS		-	-
XV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		1,433,856	593,155
XVI. GAIN/LOSS ON NET MONETARY POSITION		-	-
XVII. OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)	(8)	24,282,814	4,989,941
XVIII. PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)	(9)	7,059,048	1,061,827
18.1 Current tax charge		8,720,618	8,528
18.3 Deferred tax credit (-)		(3,359,562)	(982,217)
XIX. NET OPERATING PROFIT/LOSS (XVII±XVIII)	(10)	17,223,766	3,928,114
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 (XX+XXI)		-	-
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 (XXII±XXIII)		-	-
XXV. NET PROFIT/LOSS (XIX+XXIV)	(11)	17,223,766	3,928,114
25.1 Group's profit/loss		17,223,766	3,928,114
Earnings Per Share		0.5141	0.1173

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

QNB FİNANSBANK ANONİM ŞİRKETİ

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2022

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

IV. 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	17,223,766	3,928,114
II. OTHER COMPREHENSIVE INCOME	4,897,703	(996,822)
2.1 Not Reclassified to Profit or Loss	(448,215)	(112,320)
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	(578,606)	(133,776)
2.1.4 Other Income/Expense Items not Reclassified to Profit or Loss	(26,018)	(6,905)
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	156,409	28,361
2.2 Other Income/Expense Items to Reclassified to Profit or Loss	5,345,918	(884,502)
2.2.1 Foreign Currency Translation Differences	-	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	4,479,271	(1,415,913)
2.2.3 Gains/losses from Cash Flow Hedges	2,407,949	280,269
2.2.4 Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5 Other Income/Expense Items to Reclassified to Profit or Loss	56,242	24,012
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(1,597,544)	227,130
III. TOTAL COMPREHENSIVE INCOME (I+II)	22,121,469	2,931,292

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

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED
DECEMBER 31, 2022

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Other Comprehensive Income/Expense Items not Reclassified to Profit or Loss							Other Comprehensive Income/Expense Items Reclassified to Profit or Loss							Current Period's Net Profit/Loss	Total Equity
	Section 5 Part V	Paid in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Other ^(*)	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others ^(**)	Profit Reserves	Prior Periods' Profit/Loss	Profit/Loss		
Prior Period - 01.01 – 31.12.2021																
I. Prior Period End Balance	3,350,000		714	-	-	-	(106,814)	(4,809)	-	(475,450)	(603,575)	14,204,536	2,848,166	-	19,212,768	
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	-	-	-	(106,814)	(4,809)	-	(475,450)	(603,575)	14,204,536	2,848,166	-	19,212,768	
IV. Total Comprehensive Income	-	-	-	-	-	-	(107,021)	(5,299)	-	(1,132,732)	248,230	-	-	3,928,114	2,931,292	
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 Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increase/Decrease by Others Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	2,848,166	(2,848,166)	-	-	
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	2,848,166	(2,848,166)	-	-	
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at end of the period (III+IV...+X+XI)	3,350,000		714	-	-	-	(213,835)	(10,108)	-	(1,608,182)	(355,345)	17,052,702	-	3,928,114	22,144,060	

	Other Comprehensive Income/Expense Items not Reclassified to Profit or Loss							Other Comprehensive Income/Expense Items Reclassified to Profit or Loss							Current Period's Net Profit/Loss	Total Equity
	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Other ^(*)	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others ^(**)	Profit Reserves	Prior Periods' Profit/Loss	Profit/Loss		
Current Period - 01.01 – 31.12.2022																
I. Prior Period End Balance	3,350,000		714	-	-	-	(213,835)	(10,108)	-	(1,608,182)	(355,345)	17,052,702	3,928,114	-	22,144,060	
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	-	-	-	(213,835)	(10,108)	-	(1,608,182)	(355,345)	17,052,702	3,928,114	-	22,144,060	
IV. Total Comprehensive Income	-	-	-	-	-	-	(420,591)	(27,624)	-	3,459,965	1,885,953	-	-	17,223,766	22,121,469	
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 Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increase/Decrease by Others Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	3,928,114	(3,928,114)	-	-	
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	3,928,114	(3,928,114)	-	-	
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at end of the period (III+IV...+X+XI)	3,350,000		714	-	-	-	(634,426)	(37,732)	-	1,851,783	1,530,608	20,980,816	-	17,223,766	44,265,529	

(*) Accumulated amounts of share of investments accounted for by the equity method that cannot 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 Bank for profit or loss from other comprehensive income and other comprehensive income to be reclassified to other profit or loss.

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

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2022

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

VI. STATEMENT OF CASH FLOWS

	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	9,417,796	9,603,341
1.1.1 Interest Received	28,020,863	22,978,517
1.1.2 Interest Paid	(30,871,012)	(14,963,414)
1.1.3 Dividend Received	14,948	191,284
1.1.4 Fees and Commissions Received	8,381,713	4,425,447
1.1.5 Other Income	309,762	469,343
1.1.6 Collections From Previously Written Off Loans	2,246,618	2,057,663
1.1.7 Payments To Personnel and Service Suppliers	(3,669,832)	(1,983,241)
1.1.8 Taxes Paid	(7,434,364)	(1,286,776)
1.1.9 Others	12,419,100	(2,285,482)
1.2 Changes in Operating Assets and Liabilities	21,225,104	6,485,559
1.2.1 Net (Increase) Decrease in Financial Assets Measured at Fair Value Through Profit/Loss	(580,021)	(108,418)
1.2.2 Net (Increase) Decrease in Due From Banks	(2,298,732)	(24,803,552)
1.2.3 Net (Increase) Decrease in Loans	(112,297,581)	(31,699,550)
1.2.4 Net (Increase) Decrease in Other Assets	(4,951,535)	4,289,681
1.2.5 Net Increase (Decrease) in Bank Deposits	(1,890,347)	12,179,425
1.2.6 Net Increase (Decrease) in Other Deposits	124,410,817	40,544,887
1.2.7 Net increase (Decrease) in Financial Liabilities at Fair Value Through Profit or Loss	-	-
1.2.8 Net Increase (Decrease) in Funds Borrowed	3,065,727	(5,681,113)
1.2.9 Net Increase (Decrease) in Matured Payables	-	-
1.2.10 Net Increase (Decrease) in Other Liabilities	15,766,776	11,764,199
I. Net Cash Provided From/(Used in) Banking Operations	30,642,900	16,088,900
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided From/(Used in) Investing Activities	(6,864,317)	(3,755,838)
2.1 Purchase Of Entities Under Common Control, Associates and Subsidiaries	-	-
2.2 Sale of Entities Under Common Control, Associates and Subsidiaries	-	25,651
2.3 Fixed Assets Purchases	(2,197,987)	(734,630)
2.4 Fixed Assets Sales	572,573	114,380
2.5 Purchase of Financial Assets Measured at Fair Value Through Other Comprehensive Income	(27,886,210)	(10,420,664)
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)	(5,543,888)
2.8 Sale of Financial Assets Measured at Amortized Cost	10,005,623	2,609,710
2.9 Others	(399,876)	(123,973)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided From/(Used in) Financing Activities	448,366	14,995,591
3.1 Cash obtained from funds borrowed and securities issued	21,389,523	27,388,485
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	(4,455)	(12,797)
3.6 Other	155,660	(3,288)
IV. Effect of change in foreign exchange rate on cash and cash equivalents	1,454,238	4,346,096
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	25,681,187	31,674,749
VI. Cash and cash equivalents at beginning of the period	47,100,231	15,425,482
VII. Cash and cash equivalents at end of the period (V+VI)	72,781,418	47,100,231

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

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF PROFIT APPROPRIATION FOR THE YEAR ENDED DECEMBER 31, 2022

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

VII. UNCONSOLIDATED 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 Owners 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 Owners 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 (%)	-	-

(*) Decision regarding the profit distribution for the 2022 will be taken at the General Meeting.

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

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

**SECTION THREE
ACCOUNTING POLICIES**

I. Basis of Presentation

1. Preparation of the 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 unconsolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Law 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 Reporting Standards ("TFRS") published by the Public Oversight Accounting for the format and detail of the publicly announced unconsolidated 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.

Explanation for convenience translation to English:

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these unconsolidated financial statements. Accordingly, these unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

2. Accounting policies and valuation principles used in the preparation of the 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 BRSA and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2021, excluding re-arrangements mentioned in Note VIII. The accounting policies and valuation principles related with current period are explained in Notes II to XXVI below.

Financial statements are prepared on the historical cost basis, excluding financial assets and liabilities at fair value through profit or loss, financial assets and liabilities at fair value through other comprehensive income and subsidiaries and joint ventures accounted for using the equity method.

In preparing the unconsolidated 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 unconsolidated financial statements, the 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 Dec 14, 2019 and numbered 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. In this context; As of January 1, 2022, the necessary changes/transitions regarding the reference interest rates have been completed.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

ACCOUNTING POLICIES (Continued)

I. Basis of Presentation (Continued)

2. Accounting policies and valuation principles used in the preparation of the financial statements (Continued)

2.1. Changes in accounting policies and disclosures (Continued)

Within the scope of the said reform; The Bank has transactions in the field of loans, securities, debt and derivative products and 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.

Considering the published standards and the Bank'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	31,878,547
Hedge Accounting Instruments	89,029,911	
Total	252,461,085	31,878,547

Prior Period	Derivative	Non-Derivative Financial Instruments
USD LIBOR	119,086,162	29,436,219
Hedge Accounting Instruments	64,743,012	
Total	183,829,174	29,436,219

2.2. Other

In TAS 29 Financial Reporting Standard in Hyperinflationary Economies, It includes 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 it is explained how to adjust the financial statements of the companies whose functional currency is the currency of a hyperinflationary economy, according to inflation. On the date of January 20, 2022, POA, Financial Reporting Standards, made a statement on whether to apply the Financial Reporting in Hyperinflationary Economies ("TAS 29") Standard within the scope of Turkish Financial Reporting Standards 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. 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 numbered 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 not 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.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

ACCOUNTING POLICIES (Continued)

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 Bank are customer deposits, bond issues and funds borrowed from international markets. The customer deposits bear 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 Bank diverts its placements to assets with high return and sufficient collaterals. The 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 higher return on long-term placements is aimed.

Besides customer deposits, the 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 Bank converts the foreign currency liquidity obtained from customer deposit accounts and the international markets to TRY liquidity using long term swap transactions (fixed TRY interest rate and floating FC interest rate). Thus, the Bank generates TRY denominated resources for funding long term loans with fixed interest rates.

The 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 the 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 Bank'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.

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 Bank 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 Bank for the period end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency non-monetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement.

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ACCOUNTING POLICIES (Continued)

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

2. Foreign currency transactions (Continued)

2.2. Net profit or loss is included in the total foreign exchange differences for the period

The foreign currency position of the Bank and the profit/loss from the foreign exchange transactions realized are included in the statement of profit or loss and other comprehensive income of foreign exchange gains/losses and income/losses from derivative Financial instruments in the statement of profit or loss and other comprehensive income. 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 7,119,963 (December 31, 2021 – TRY 6,635,822 derivative financial transactions loss) and foreign exchange gain amounting to TRY 6,158,577 (December 31, 2021 – TRY 2,912,609 net foreign exchange gain), excluding net interest expense amounting to TRY 4,731,113 (December 31, 2021 – TRY 4,684,038 net interest expense) arising from derivative transactions, the net profit on foreign currency transactions is TRY 3,769,727 (December 31, 2021 – TRY 960,825 net profit on foreign currency transactions).

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

The Communiqué Amending the “Communiqué on the Turkish Accounting Standard 27 (TAS 27) Concerning Individual Financial Statements” published in the Official Gazette dated April 9, 2015 and numbered 29321 came into effect for the accounting periods after January 1, 2016. While it is stated that a business that prepared its individual financial statements before the amendment can account for investments in its subsidiaries, joint ventures and associates at cost or in accordance with TFRS 9 Financial Instruments standard, with the amendment, while the business prepares its individual financial statements, its investments in subsidiaries, joint ventures and affiliates are accounted for using the equity method. also has the opportunity to be accounted for.

The Bank decided to account according to the equity method within the scope of TAS 27, as the Bank considers that the equity method is a more reliable and accurate value representation of its financial subsidiaries in the unconsolidated financial statements than the fair value method, which is affected by the fluctuations in market conditions and for which it is not possible to make a sound calculation in terms of future projections.

IV. Explanations on Derivative Financial Assets and Liabilities

The Bank 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 Bank also carries out currency and interest options, credit default swap and futures agreements.

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

The 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.

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ACCOUNTING POLICIES (Continued)

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

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 or Loss”, “Derivative Financial Assets at Fair Value Through Other Comprehensive Income” or “Derivative Financial Liabilities at Fair Value Through Profit or Loss” 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 forward 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 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 Bank’s credit derivatives portfolio included in the off-balance sheet accounts composes of credit default swaps resulted from protection buying or sell.

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.

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 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 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 creditor loans which have floating interest payment. The 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 Accumulated Comprehensive Income/Expense Items Reclassified to Profit or Loss” whereas the amount concerning ineffective parts is associated with the statement of profit or loss and other comprehensive income.

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 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 Bank applies fair value hedge accounting using interest rate swap transactions to hedge long term, fixed rate, foreign currency Eurobonds in financial assets which is classified as fair value through Other Comprehensive Income portfolio against interest rate fluctuations.

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ACCOUNTING POLICIES (Continued)

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

The 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 which is classified as fair value through Other Comprehensive Income portfolio using swap transactions as hedging instruments.

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

The Bank applies fair value hedge accounting through interest rate swaps to hedge itself against the changes in the interest rates related to the foreign currency borrowings.

At each balance sheet date the Bank applies 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 tangible 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 or financial assets and 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 method 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 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 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 calculated amount.

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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 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 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 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 Bank tested all financial assets 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 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 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.

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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. 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 in case 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 and derivative financial assets 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
- 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 aimed 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 in case of 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 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 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 Bank's business model. In accordance with TFRS 9, the 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 the statement of profit or loss and other comprehensive income.

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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 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 they are accounted under the “Other Accumulated Comprehensive Income or Expenses Reclassified to Profit or Loss” under shareholders’ equity. When the aforementioned securities are collected or disposed, accumulated fair value differences which were reflected under equity, are reflected in the the statement of profit or loss and other comprehensive income. 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.

The 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 Republic of Türkiye Ministry of Treasury and Finance . As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Republic of Türkiye Ministry of Treasury and Finance, reference index used for the real payments is determined based on the inflation rates of two months before. The Bank determines the estimated inflation rates used for valuation of securities in line with this. 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 FV through OCI are designated as fair value hedged items, hedged against interest rate fluctuations, starting from March and April 2009, hedged against interest rate fluctuations. 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 Gain/ 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 to 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 Bank as explained in part IV, “Explanations on Derivative Financial Assets and Liabilities”, performs 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 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 profir or loss and other comprehensive income.

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 profir or loss and other comprehensive income until the maturity of the hedged loans.

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ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses

The Bank 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 Bank shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. The Bank considers the changes in the default risk of financial instrument, when making the assessment.

The expected credit losses estimate is unbiased, probability-weighted, and includes supportable information about estimates of past events, current conditions, and future economic conditions. These financial assets are divided into the following three categories based on the increase in credit risk observed from the time they are first recognized in the financial statements:

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 of Basel II is used in the calculation for the expected loss 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. The calculation method is similar to the one described in the above paragraph, but the probability of default and the loss rate in default are estimated throughout the life of the instrument.

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 the Bank accounts lifetime expected credit losses. In determining the impairment, the Bank takes into consideration the following criteria:

- Delay of over 90 days and impairment of creditworthiness.
- Collateral and/or equity of debtor is inadequate cover the payment of receivables on the maturity.
- In case the management believes that collection of receivables will be delayed by more than 90 days due to the macroeconomic, sector-specific or customer-specific reasons.

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 bad, internal extreme bad) 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 losses which is unbiased and probability-weighted determined by evaluating a range of possible outcomes.

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ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses (Continued)

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 TTC PDs (Through the Cycle Probability Defaults) 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 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, three scenarios (internal base, internal bad, internal adverse) are evaluated. Each of these scenarios was associated with the probability of different default and loss in default.

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

The stages were determined through the models created using internal information for the Bank.

The Bank revised its macroeconomic expectations and weights in the calculation of expected credit losses on September 30, 2022. Due to its nature, model effects are reflected in the financial statements with a delay, since the events causing the change and their effects occur at different times. For this reason, the Bank made individual valuations in order to eliminate the timing discrepancy and established additional provisions for the sectors and customers whose impact is considered to be high.

This approach, which is preferred in reserve calculations for 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.

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ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses (Continued)

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 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 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,
- When there is a change in the payment plan due to restructuring.

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 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, 2021 and numbered 31533, they are classified under the "Fifth Group-Loans with Losses" and are expected 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 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 Bank during the period is TRY 361,940 (December 31, 2021: TRY 126,001) and the effect on the NPL ratio of the 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%).

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ACCOUNTING POLICIES (Continued)

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 Bank 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 a 'new' financial asset. When the 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 Bank retains control of the asset, the Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the 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.

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

The 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 amortized 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 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 cannot be repaid or if a potential payment difficulty is encountered based on the new financing power and structure of the borrower.

Restructuring is made for changing 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.

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ACCOUNTING POLICIES (Continued)

X. Derecognition of Financial Instruments (Continued)

Restructuring and refinancing of financial instruments (Continued)

Changes to the original terms of a credit risk can be made in an existing contract or in a new contract. Corporate and commercial companies that are 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 (starting from the date when the debt is restructured all due principal and interest payments are made on time).
- At least 1 year should pass over the date of restructuring (or if it is later), the date of removal from nonperforming 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.

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.

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 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 Allocated 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 Bank 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.

As of the balance sheet date, securities subject to repo amounting to TRY 30,168,346 (December 31, 2021 TRY 22,990,663).

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

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ACCOUNTING POLICIES (Continued)

XI. Explanations on Sales and Repurchase Agreements and Lending of Securities (Continued)

Securities purchased with a commitment to resell (reverse repurchase agreements) are recorded in a separate account under “Cash and Cash Equivalents” and on the line of “Money Market Placements” in the balance sheet. Income rediscount is calculated for the part of the difference between the purchase and resale prices of securities purchased with reverse repo, in the corresponding period.

XII. Explanations on Assets Held for Sale and Discontinued Operations

In accordance with TFRS 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 bank’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 Bank has assets held for sale and discontinued operations and it is explained in footnote 1.17. of Section Five.

A discontinued operation is a part of the Bank’s 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 Bank has no discontinuing operations.

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

XIII. Explanations on Goodwill and Other Intangible Assets

The Bank’s intangible assets consist of softwares and intangible rights.

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. There is no goodwill regarding the associates, entities under common controls and subsidiaries in the accompanying unconsolidated financial statements.

XIV. Explanations on Tangible Assets

The 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:

Property	2%
Movables purchased and acquired under finance lease contracts	7% - 25%

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ACCOUNTING POLICIES (Continued)

XIV. Explanations on Tangible Assets (Continued)

The depreciation of leasehold improvements acquired before December 2009, under operating lease agreements, is calculated according to their useful lives. Depreciation of 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 the 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 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.

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 that 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%.

TFRS 16 Leases

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

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

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ACCOUNTING POLICIES (Continued)

XV. Explanations on Leasing Transactions (Continued)

Right of use assets

The Bank recognises 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 Bank.

At the end of the lease term of the underlying asset's service, the transfer of the Bank is reasonably finalized, and the Bank 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 Bank 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 Bank under the residual value commitments,
- The use price of this option and, if the Bank is reasonably confident that it will use the purchase option,
- Fines for termination of the lease if the lease term indicates that the Bank 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 Bank 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 Bank's alternative borrowing interest rate at the date of the revaluation.

After the effective date of the lease, the Bank 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.

Short-Term Leases and Leases of Low-Value Assets

The Bank 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 recognised as expense on a straight-line basis over the lease term.

Due to the Bank's implementation of TFRS 16, assets classified under tangible assets as of December 31, 2022 amounted to TRY 746,576 (December 31, 2021 – TRY 478,814), lease liability amounted to TRY 738,360 (December 31, 2021 – TRY 482,495), financing expense amounted to TRY 99,646 (December 31, 2021 - TRY 59,517), and depreciation expense amounted to TRY 276,552 (December 31, 2021 – TRY 240,628).

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ACCOUNTING POLICIES (Continued)

XVI. Explanations on Provisions and Contingent Liabilities

Provisions, other than expected credit loss 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 Bank. Whenever the amount of such obligations cannot be measured, they are regarded as “contingent”. In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled, and a reliable estimate can be made of the amount obligation. If these criteria are not met, the Bank discloses these issues in the explanations and notes related to the financial statements. 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.

XVII. Explanations on Obligations of the Bank Concerning Employee Benefits

Provision for employee severance benefits has been accounted for in accordance with TAS 19 “Employee Benefits”.

In accordance with the existing social legislation in Türkiye, the Bank 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 Bank 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 Bank.

The Bank has reflected the retirement pay liability amount, which was calculated by an independent actuary, in the accompanying financial statements. According to TAS 19, The Bank recognizes all actuarial gains and losses immediately through other comprehensive income.

The Bank 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 funds or similar associations of which the employees are members.

XVIII. 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 numbered 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 numbered 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.

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ACCOUNTING POLICIES (Continued)

XVIII. Explanations on Taxation (Continued)

1. Corporate Tax (Continued)

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 numbered 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 numbered 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 (except 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 numbered 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.

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.

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ACCOUNTING POLICIES (Continued)

XVIII. Explanations on Taxation (Continued)

2. Deferred Taxes

The Bank 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, published in the Official Gazette on April 22, 2021, No. 7316. It will be applied as 25% for corporate earnings and 25% 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.

Deferred tax liabilities are recognized for all temporary differences whereas deferred tax assets calculated from deductible temporary differences are only recognized if it’s highly probable that these will in the future create taxable profit.

The Bank 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.

3. 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 Communiqué on Disguised Profit Distribution by way of Transfer Pricing” published on November 18, 2007 explains the application related issues in detail. According to this Communiqué, 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 Communiqué’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.

XIX. Explanations on Additional Explanations on Borrowings

The Bank generates 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.

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ACCOUNTING POLICIES (Continued)

XX. Explanations on Share Issues

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

XXI. 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.

XXII. Explanations on Government Incentives

As of December 31, 2022 the Bank does not have any government incentives or grants (December 31, 2021 - None).

XXIII. Explanations on Segment Reporting

In addition to corporate banking, retail banking and commercial banking services, the Bank also provides private banking, SME banking, treasury operations and credit card services through branches and alternative channels. The Bank serves its retail banking clients with time and demand deposits, also overdraft services, automatic account services, consumer loans, vehicle loans, housing loans and investment fund services. The Bank provides services including deposit and loans, foreign trade financing, forward and option agreements to its corporate clients. The Bank also serves in trading financial instruments and treasury 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 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 Bank's senior management and which are updated periodically. In this pricing method, general market conditions and the Bank's internal policies are considered.

Corporate and Commercial Banking serves corporate firms with an annual turnover of TRY 1,5 billion or more, multinational companies operating in Türkiye, and commercial firms with an annual turnover of TRY 250 million – 1,5 billion. 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 Bank and interest and foreign currency risks resulting from market conditions. This segment is in close relation with corporate, commercial, retail and private banking units in order to increase the number of customers and the volume of transactions in treasury products of the Bank.

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ACCOUNTING POLICIES (Continued)

XXIII. Explanations 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 Bank
Operating income	13,442,486	11,324,230	21,032,493	45,799,209
Dividend Income	-	-	14,948	14,948
Gain/(Loss) on joint venture accounted for at equity method	-	-	1,433,856	1,433,856
Profit Before Taxes	4,723,097	6,047,224	13,512,493	24,282,814
Provision Tax (-)(*)	-	-	7,059,048	7,059,048
Net Profit/Loss	4,723,097	6,047,224	6,453,445	17,223,766
Total Assets	131,795,902	213,161,296	227,753,060	601,755,176
Segment Assets	131,795,902	213,161,296	227,753,060	572,710,258
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	3,952,289
Undistributed Assets	-	-	-	25,092,629
Total Liabilities	253,680,550	130,377,708	125,271,620	601,755,176
Segment Liabilities	253,680,550	130,377,708	125,271,620	509,329,878
Undistributed Liabilities	-	-	-	48,159,769
Equity	-	-	-	44,265,529
Other Segment Accounts	966,170	651,413	(99,776)	1,517,807
Capital Expenditures	442,465	298,320	(38,982)	701,803
Depreciation and Amortization	523,705	353,093	(60,794)	816,004

(*) Provision tax is not distributed.

Prior Period (January 1 – December 31, 2021)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Bank
Operating income	6,790,333	4,664,089	1,779,637	13,234,059
Dividend Income	-	-	518	518
Gain/(Loss) on joint venture accounted for at equity method	-	-	593,155	593,155
Profit Before Taxes	3,200,871	764,511	1,024,559	4,989,941
Provision Tax (-)(*)	-	-	1,061,827	1,061,827
Net Profit/Loss	3,200,871	764,511	(37,268)	3,928,114
Total Assets	67,745,239	132,877,373	150,430,105	371,369,241
Segment Assets	67,745,239	132,877,373	150,430,105	351,052,717
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	2,400,164
Undistributed Assets	-	-	-	17,916,360
Total Liabilities	142,168,592	71,777,517	110,722,761	371,369,241
Segment Liabilities	142,168,592	71,777,517	110,722,761	324,668,870
Undistributed Liabilities	-	-	-	24,556,311
Equity	-	-	-	22,144,060
Other Segment Accounts	804,831	559,965	(24,111)	1,340,685
Capital Expenditures	418,853	291,419	(8,159)	702,113
Depreciation and Amortization	385,978	268,546	(15,952)	638,572

(*) Provision tax is not distributed.

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ACCOUNTING POLICIES (Continued)

XXIV. Profit Reserves and Profit Distribution

The General Assembly Meeting of the Bank was held on March 30, 2022. In the Board of Directors meeting, it was decided that profit from 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%	757,842
C – Extraordinary Reserves	3,258,114

XXV. Earnings Per Share

Earnings per share listed on the 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
Net Profit for the Period	17,223,766	3,928,114
Weighted Average Amount of Shares Issued (Thousands)	33,500,000	33,500,000
Earnings Per Share	0.5141	0.1173

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).

XXVI. Explanations on Other Matters

None.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. Explanations on 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 Bank’s total capital has been calculated as TRY 64,881,289 (December 31, 2021 – TRY 37,423,424), capital adequacy ratio is 15.11% (December 31, 2021 – 15.91%).

In accordance with the BRSA's Decision dated December 21, 2021 and numbered 9996 and published in the Official Gazette dated October 23, 2015 and numbered 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.

Explanations on Equity	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	20,980,816	17,052,702
Gains recognized in equity as per TAS	3,460,024	298,650
Profit	17,223,766	3,928,114
Current Period Profit	17,223,766	3,928,114
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	-
Common Equity Tier 1 Capital Before Deductions	45,016,351	24,630,180
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	1,100,811	837,044
Improvement costs for operating leasing	108,497	78,386
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	922,029	573,325
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	2,131,337	1,488,755
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	-	130,312
Total Common Equity Tier 1 Capital	42,885,014	23,271,737

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

I. Explanations on 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)	-	-
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 I 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 I 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	9,815,715	6,813,188
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	52,700,729	30,084,925
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
Provisions (Article 8 of the Regulation on the Equity of Banks)	5,023,213	2,665,224
Tier II Capital Before Deductions	12,221,404	7,661,562
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	12,221,404	7,661,562
Total Capital (The sum of Tier I Capital and Tier II Capital)	64,922,133	37,746,487
Deductions from 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 owns 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 owns 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	-	-

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

I. Explanations on Equity (Continued)

	Current Period December 31, 2022	Prior Period December 31, 2021
TOTAL CAPITAL		
Total Capital	64,881,289	37,423,424
Total Risk Weighted Amounts	429,487,393	235,207,150
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	9.99	9.89
Tier 1 Capital Adequacy Ratio (%)	12.27	12.79
Capital Adequacy Ratio (%)	15.11	15.91
BUFFERS		
Bank specific total common equity tier 1 capital ratio (%)	2.50	2.51
a) Capital conservation buffer requirement (%)	2.50	2.50
b) Bank specific counter-cyclical buffer requirement (%)	-	0.01
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 (%)	3.99	3.89
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	218,294
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 tenthousandtwentyfive limitation)	9,718,573	5,588,842
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	5,023,213	2,665,224
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 Januar 1,y 2018 and January 1, 2023)		
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 Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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

I. Explanations on 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 (eg 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	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - 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, 2022
Perpetual or dated	Undated	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	There will be no interest on the deducted value after the impairment	-	-
Fully discretionary, partially discretionary or mandatory	Optional	-	-

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

I. Explanations on Equity (Continued)

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

	1	2	3
Existence of set-up or another 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..

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

I. Explanations on 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, losses 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 Risk Management

1. Explanations on credit risk

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

Loan strategies and policies are determined by the Policy Committees. These policies and strategies are constituted in line with the applications of the Bank, 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.

Credit Risk Management takes place in every step of the Bank'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.

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

Loan limits of the loan customers are revised periodically in line with the Bank's loan limit revision procedures.

The Bank analyses the credibility of the loans within the framework of its loan policies and obtains collaterals for loans

The Bank 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 Bank 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.

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

II. Explanations on Risk Management (Continued)

1. Explanations on credit risk (Continued)

The restructured and rescheduled loans are monitored by the Bank in line with Bank'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 Bank's current internal rating system besides the follow up method determined in the related regulation.

The risk of banking operations abroad and credit transactions is acceptable and there is no significant credit risk density in the 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 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) into consideration.

With the Decision No. 10188 dated April 28, 2022 of the Banking Regulation and Supervision Agency;

In the calculation of the amounts subject to credit risk given by the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks (Capital Adequacy Regulation) specified in the Board Decision dated December 21, 2021 and numbered 9996 and published in the Official Gazette dated October 23, 2015; the use of the simple arithmetic average of the Central Bank's exchange rates of the last 252 business days of December 31, 2021 while the appraised amounts determined by the Turkish Accounting Standards and the relevant provision amounts for the items other than the measured foreign currency items; Until a correction is made by a Board Decision, they will maintain the opposite by using the Central Bank's foreign exchange buying rate of December 31, 2021,

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 05 September 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 250,000,000 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.

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

II. Explanations on Risk Management (Continued)

1. Explanations on credit risk (Continued)

- The receivables of the Bank from its top 100 cash loan customers are 26% in the total cash loans (December 31, 2021 – 31%).
- The receivables of the Bank from its top 200 cash loan customers are 30% in the total cash loans (December 31, 2021 - 36%).
- The receivables of the Bank from its top 100 non-cash loan customers are 44% in the total non-cash loans (December 31, 2021 – 50%).
- The receivables of the Bank from its top 200 non-cash loan customers are 53% in the total non-cash loans (December 31, 2021 – 61%).
- The share of cash and non-cash receivables of the Bank from its top 100 loan customers in total cash and non-cash loans is 24% (December 31, 2021 – 29%).
- The share of cash and non-cash receivables of the Bank from its top 200 loan customers in total cash and non-cash loans is 29% (December 31, 2021 – 35%).
- The general loan loss provision taken by the Bank is TRY 9,718,573 (December 31, 2021 – TRY 5,506,339).
- As of December 31, 2022, the Bank does not take any provision for probable risks in loan portfolio amounted (December 31, 2021-None).

Exposure Categories	Current Period		Prior Period	
	Risk Amount ^(**)	Average Risk Amount ^(*)	Risk Amount ^(**)	Average Risk Amount ^(*)
Conditional and unconditional receivables from central governments and Central Banks	159,077,176	139,439,702	91,312,405	72,649,337
Conditional and unconditional receivables from regional or local governments	238,920	258,761	178,915	110,503
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	894,033	1,476,421	215,372	243,902
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	63,732,448	63,794,402	53,060,055	39,366,658
Conditional and unconditional receivables from corporates	168,768,415	146,801,310	96,914,428	91,000,839
Conditional and unconditional receivables from retail portfolios	137,571,334	101,650,869	80,562,759	76,539,422
Conditional and unconditional receivables secured by mortgages	13,352,070	13,061,220	13,832,407	9,748,513
Past due receivables	1,519,660	1,564,461	1,954,401	1,759,215
Receivables defined under high risk category by BRSA	54,519,023	33,536,899	14,126,240	4,565,077
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	2,407,839	2,140,960
Other receivables	20,474,815	15,335,542	15,029,445	11,256,089

^(*) The average risk amount is determined by calculating the arithmetic average of the post-transformation risk amounts for the January, 2022 – December, 2022 periods.

^(**) The risk amounts are given after the loan conversion rate, and before Loan Risk Reduction.

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

II. Explanations on Risk Management (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																			
Domestic	159,077,176	238,920	894,033	-	-	17,080,765	155,462,759	76,559,232	13,292,121	1,313,135	51,473,171	-	-	-	-	-	20,474,815	495,866,127	
EU countries	-	-	-	-	-	2,797,599	315,372	6,323	586	11	126	-	-	-	-	-	-	3,120,017	
OECD countries ^(**)	-	-	-	-	-	38,621,246	18	9,732	-	-	-	-	-	-	-	-	-	38,630,996	
Off-shore banking regions	-	-	-	-	-	3,673,122	489,579	43,248	1,172	-	-	-	-	-	-	-	-	4,207,121	
USA, Canada	-	-	-	-	-	1,407,457	-	193	-	-	-	-	-	-	-	-	-	1,407,650	
Other countries	-	-	-	-	-	152,259	12,500,687	60,952,606	58,191	206,514	3,045,726	-	-	-	-	-	-	80,875,947	
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Undistributed Assets/Liabilities ^(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	159,077,176	238,920	894,033	-	-	63,732,448	168,768,415	137,571,334	13,352,070	1,519,660	54,519,023	-	-	-	-	-	3,959,964	20,474,815	624,107,858

	Exposure Categories ^(*)																		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total	
Prior Period																			
Domestic	91,312,405	178,915	215,372	-	-	4,793,157	91,307,223	52,022,667	13,828,240	1,766,996	12,971,486	-	-	-	-	-	15,029,445	283,425,906	
EU countries	-	-	-	-	-	38,933,141	427,287	1,254	29	11	1,348	-	-	-	-	-	-	39,363,070	
OECD countries ^(**)	-	-	-	-	-	1,472,322	13	-	-	-	-	-	-	-	-	-	-	1,472,335	
Off-shore banking regions	-	-	-	-	-	3,211,363	297,697	335	-	-	-	-	-	-	-	-	-	3,509,395	
USA, Canada	-	-	-	-	-	4,262,094	-	5,165	19	-	-	-	-	-	-	-	-	4,267,278	
Other countries	-	-	-	-	-	387,978	4,882,208	28,533,338	4,119	187,394	1,153,406	-	-	-	-	2,407,839	-	37,556,282	
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Undistributed Assets/Liabilities ^(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	91,312,405	178,915	215,372	-	-	53,060,055	96,914,428	80,562,759	13,832,407	1,954,401	14,126,240	-	-	-	-	-	2,407,839	15,029,445	369,594,266

(*) Exposure categories based on "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks. The risk amounts are given after the loan conversion rate, and before Loan Risk Reduction.

(**) 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 or central banks
- 2-Conditional and unconditional receivables from regional or local governments
- 3-Conditional and unconditional receivables from administrative units and non-commercial 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 retail receivables
- 9-Conditional and unconditional receivables secured by mortgages
- 10-Past due receivables
- 11-Receivables defined as high risk category by the Regulator
- 12-Mortgage-backed Securities
- 13-Securitization Positions
- 14-Short-Term Receivables and Short-Term Corporate Receivables from banks and brokerage houses
- 15-Investments in the Nature of Collective Investment
- 16-Investment in equities
- 17-Other receivables

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

II. Explanations on Risk Management (Continued)

1. Explanations on credit risk (Continued)

Risk profile by sectors or counterparties

Current Period	Exposure Categories (*)																	TRY	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
Agriculture	-	-	1,478	-	-	-	1,283,474	1,429,927	71,364	35,697	130,383	-	-	-	-	-	-	2,539,642	412,681	2,952,323
Farming and Livestock	-	-	1,478	-	-	-	661,451	1,361,591	69,817	35,556	130,383	-	-	-	-	-	-	2,176,006	84,270	2,260,276
Forestation	-	-	-	-	-	-	34,289	23,326	731	1	-	-	-	-	-	-	-	57,474	873	58,347
Fishing Industry	-	-	-	-	-	-	587,734	45,010	816	140	-	-	-	-	-	-	-	306,162	327,538	633,700
Industrial	-	144,509	1,045	-	-	-	62,420,766	8,889,834	2,649,102	147,607	4,288,291	-	-	-	-	-	-	42,725,654	35,815,500	78,541,154
Mining and Quarrying	-	-	-	-	-	-	438,719	134,599	72,391	2,478	74,338	-	-	-	-	-	-	551,803	170,722	722,525
Manufacturing Industry	-	-	1,045	-	-	-	54,230,040	8,668,577	2,540,378	145,027	4,142,205	-	-	-	-	-	-	40,915,020	28,812,252	69,727,272
Electricity, Gas, Water	-	144,509	-	-	-	-	7,752,007	86,658	36,333	102	71,748	-	-	-	-	-	-	1,258,831	6,832,526	8,091,357
Construction	-	-	-	-	-	-	8,427,831	5,263,504	1,301,342	296,326	481,824	-	-	-	-	-	-	12,500,800	3,270,027	15,770,827
Services	63,704,102	54,038	18,921	-	-	59,224,588	75,559,095	22,795,153	7,796,870	519,571	8,009,885	-	-	-	-	-	-	103,361,032	134,321,191	237,682,223
Wholesale and Retail Trade	-	-	1,134	-	-	-	26,160,949	17,454,240	2,947,373	166,232	6,301,489	-	-	-	-	-	-	46,153,543	6,877,874	53,031,417
Hotels and Restaurants	-	-	-	-	-	-	5,792,386	358,257	749,351	25,633	5,649	-	-	-	-	-	-	1,933,005	4,998,271	6,931,276
Transportation and Communications	-	54,005	-	-	-	-	23,146,837	2,114,562	236,282	9,515	587,100	-	-	-	-	-	-	4,391,310	21,756,991	26,148,301
Financial Institutions	63,704,102	33	-	-	-	59,224,588	3,582,874	181,276	5,164	270	30,173	-	-	-	-	-	-	43,763,303	82,965,177	126,728,480
Real Estate and Rent Services	-	-	-	-	-	-	9,179,975	294,471	3,534,404	297,401	467,922	-	-	-	-	-	-	1,840,931	11,933,242	13,774,173
Independent Business Services	-	-	17,707	-	-	-	1,503,604	1,188,610	194,321	11,383	51,776	-	-	-	-	-	-	2,149,728	817,673	2,967,401
Education Services	-	-	-	-	-	-	176,645	328,087	17,408	6,053	171,938	-	-	-	-	-	-	700,131	-	700,131
Health and Social Services	-	-	80	-	-	-	6,015,825	875,650	112,567	3,084	393,838	-	-	-	-	-	-	2,429,081	4,971,963	7,401,044
Other	95,373,074	40,373	872,589	-	-	4,507,860	21,077,249	99,192,916	1,533,392	520,459	41,608,640	-	-	-	-	3,959,964	20,474,815	235,482,863	53,678,468	289,161,331
Total	159,077,176	238,920	894,033	-	-	63,732,448	168,768,415	137,571,334	13,352,070	1,519,660	54,519,023	-	-	-	-	3,959,964	20,474,815	396,609,991	227,497,867	624,107,858

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

- 1-Conditional and unconditional receivables from central governments or central banks
- 2-Conditional and unconditional receivables from regional or local governments
- 3-Conditional and unconditional receivables from administrative units and non-commercial 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 retail receivables
- 9-Conditional and unconditional receivables secured by mortgages
- 10-Past due receivables
- 11-Receivables defined as high risk category by the Regulator
- 12-Mortgage-backed Securities
- 13-Securitization Positions
- 14-Short-Term Receivables and Short-Term Corporate Receivables from banks and brokerage houses
- 15-Investments in the Nature of Collective Investment
- 16-Investment in equities
- 17-Other receivable

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

II. Explanations on Risk Management (Continued)

1. Explanations on credit risk (Continued)

Prior Period	Risk Categories ^(*)																	TRY	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
Agriculture	-	-	2,723	-	-	-	686,012	1,533,443	31,494	83,721	50,326	-	-	-	-	-	-	2,055,798	331,921	2,387,719
Farming and Livestock	-	-	2,723	-	-	-	342,296	1,483,694	27,125	83,548	50,326	-	-	-	-	-	-	1,919,928	69,784	1,989,712
Forestation	-	-	-	-	-	-	94	16,032	169	31	-	-	-	-	-	-	-	16,326	-	16,326
Fishing Industry	-	-	-	-	-	-	343,622	33,717	4,200	142	-	-	-	-	-	-	-	119,544	262,137	381,681
Industrial	-	116,496	94	-	-	-	38,932,950	6,578,227	1,706,720	219,216	36,300	-	-	-	-	-	-	21,147,714	26,442,289	47,590,003
Mining and Quarrying	-	-	-	-	-	-	395,862	112,448	1,547	11,820	44	-	-	-	-	-	-	334,862	186,859	521,721
Manufacturing Industry	-	-	94	-	-	-	32,206,910	6,404,386	1,702,948	207,353	36,256	-	-	-	-	-	-	20,039,676	20,518,271	40,557,947
Electricity, Gas, Water	-	116,496	-	-	-	-	6,330,178	61,393	2,225	43	-	-	-	-	-	-	-	773,176	5,737,159	6,510,335
Construction	-	-	-	-	-	-	5,823,853	3,369,239	659,395	412,015	36,463	-	-	-	-	-	-	7,502,533	2,798,432	10,300,965
Services	50,098,746	33	3,086	-	-	48,207,415	46,118,720	14,951,260	9,330,907	768,754	106,997	-	-	-	-	-	-	54,513,384	115,072,534	169,585,918
Wholesale and Retail Trade	-	-	2,276	-	-	-	13,719,076	11,818,999	1,241,631	301,312	67,873	-	-	-	-	-	-	21,490,069	5,661,098	27,151,167
Hotels and Restaurants	-	-	-	-	-	-	2,557,216	320,021	2,210,924	41,872	10,900	-	-	-	-	-	-	757,153	4,383,780	5,140,933
Transportation and Communications	-	-	-	-	-	-	17,277,891	1,075,135	464,727	15,826	2,788	-	-	-	-	-	-	1,761,420	17,074,947	18,836,367
Financial Institutions	50,098,746	33	-	-	-	48,207,415	2,737,720	97,263	23,443	1,087	-	-	-	-	-	-	-	26,832,358	74,333,349	101,165,707
Real Estate and Rent Services	-	-	-	-	-	-	4,135,545	213,889	4,944,735	373,898	1,067	-	-	-	-	-	-	1,012,650	8,656,484	9,669,134
Independent Business Services	-	-	697	-	-	-	1,170,653	691,718	61,407	20,962	3,044	-	-	-	-	-	-	1,277,414	671,067	1,948,481
Education Services	-	-	3	-	-	-	101,475	216,608	18,868	7,605	20,800	-	-	-	-	-	-	354,527	10,832	365,359
Health and Social Services	-	-	110	-	-	-	4,419,144	517,627	365,172	6,192	525	-	-	-	-	-	-	1,027,793	4,280,977	5,308,770
Other	41,213,659	62,386	209,469	-	-	4,852,640	5,352,893	54,130,590	2,103,891	470,695	13,896,154	-	-	-	-	2,407,839	15,029,445	114,330,219	25,399,442	139,729,661
Total	91,312,405	178,915	215,372	-	-	53,060,055	96,914,428	80,562,759	13,832,407	1,954,401	14,126,240	-	-	-	-	2,407,839	15,029,445	199,549,648	170,044,618	369,594,266

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

- 1-Conditional and unconditional receivables from central governments or central banks
- 2-Conditional and unconditional receivables from regional or local governments
- 3-Conditional and unconditional receivables from administrative units and non-commercial 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 retail receivables
- 9-Conditional and unconditional receivables secured by mortgages
- 10-Past due receivables
- 11-Receivables defined as high risk category by the Regulator
- 12-Mortgage-backed Securities
- 13-Securitization Positions
- 14-Short-Term Receivables and Short-Term Corporate Receivables from banks and brokerage houses
- 15-Investments in the Nature of Collective Investment
- 16-Investment in equities
- 17-Other receivable

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

II. Explanations on Risk Management (Continued)

1. Explanations on credit risk (Continued)

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

Current Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	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	616	777	9,750	-	195,007
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	6,958,091	9,444,736	1,227,883	6,250,355	5,748,629
Conditional and unconditional receivables from corporates	7,527,764	9,635,423	10,714,683	14,735,986	47,548,208
Conditional and unconditional receivables from retail portfolios	8,668,479	12,710,834	7,691,548	10,803,422	32,980,220
Conditional and unconditional receivables secured by mortgages	118,023	292,342	727,375	1,126,136	11,399,373
Past due receivables	-	-	-	-	-
Receivables defined under 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	-	-	-	-	-
Stock investments	7,674	-	-	-	-
Other receivables	-	-	-	-	-
Total	25,839,879	34,336,448	20,697,684	34,723,574	149,067,770

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions and items with maturity items are taken into consideration.

Prior Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	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	9,740	-	194,981
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	6,958,067	9,444,693	1,227,883	6,250,355	5,748,586
Conditional and unconditional receivables from corporates	7,426,760	9,528,865	10,701,131	14,734,326	47,507,148
Conditional and unconditional receivables from retail portfolios	4,290,657	7,058,180	5,711,697	10,682,965	29,234,079
Conditional and unconditional receivables secured by mortgages	118,023	292,342	727,375	1,126,136	11,399,373
Past due receivables	-	-	-	-	-
Receivables defined under 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	-	-	-	-	-
Stock investments	7,674	-	-	-	-
Other receivables	-	-	-	-	-
Total	21,361,014	28,577,169	18,704,271	34,601,457	145,280,500

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions and items with maturity items are taken into consideration.

Exposures by Risk Weights

Current Period

Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	500%	2%	Deductions from Equity
1. Exposures Before													
Credit Risk Mitigation	167,952,474	-	23,232,687	-	38,211,768	114,085,753	226,085,630	41,621,952	12,700,634	-	196,437	20,523	1,177,889
2. Exposures After													
Credit Risk Mitigation	169,290,107	-	17,069,087	1,814,699	35,781,944	102,284,317	212,006,637	41,083,646	12,700,634	-	196,437	20,523	1,177,889

Prior Period

Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	500%	2%	Deductions from Equity
1. Exposures Before													
Credit Risk Mitigation	96,584,389	-	13,408,712	-	37,938,013	76,859,366	130,650,952	14,126,240	-	-	-	26,594	1,029,378
2. Exposures After Credit													
Risk Mitigation	96,242,424	-	7,867,434	2,110,492	26,573,924	69,976,791	123,004,153	13,673,659	-	-	-	26,594	1,029,378

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

II. Explanations On Risk Management (Continued)

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 Part IV Footnote 2.

Current Period	Loans (*)			Provisions	
	Impaired Loans (IFRS 9)		Non-Performing (Regulation of Provision)	Provision For Expected Losses of Credit (IFRS 9)	(Regulation of Provision)
	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)			
1. Agriculture	142,855	235,189	-	199,158	-
1.1. Farming and Livestock	133,225	232,789	-	196,103	-
1.2. Forestation	4,236	104	-	559	-
1.3. Fishing	5,394	2,296	-	2,496	-
2. Industrial	2,835,561	1,579,081	-	1,712,570	-
2.1. Mining and Quarrying	36,000	18,608	-	14,967	-
2.2. Manufacturing Industry	2,780,315	1,251,177	-	1,387,621	-
2.3. Electricity, Gas, Water	19,246	309,296	-	309,982	-
3. Construction	1,113,394	963,713	-	765,603	-
4. Services	19,344,003	3,096,630	-	6,023,086	-
4.1. Wholesale and Retail Commerce	4,698,583	1,716,036	-	1,922,030	-
4.2. Hotel and Restaurant Services	1,447,733	260,506	-	520,207	-
4.3. Transportation and Communication	441,084	126,724	-	166,205	-
4.4. Financial Corporations	11,131,296	808,120	-	2,822,147	-
4.5. Real Estate and Loan Services	89,659	11,108	-	21,746	-
4.6. Independent Business Services	846,616	101,121	-	302,366	-
4.7. Education Services	59,133	36,817	-	34,752	-
4.8. Health and Social Services	629,899	36,198	-	233,633	-
5. Other	12,915,605	3,150,313	-	4,337,928	-
6. Total	36,351,418	9,024,926	-	13,038,345	-

(*) Represents the distribution of cash loans.

Prior Period	Loans (*)			Provisions	
	Impaired Loans (IFRS 9)		Non-Performing (Regulation of Provision)	Provision For Expected Losses of Credit (IFRS 9)	(Regulation of Provision)
	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)			
1. Agriculture	251,454	358,868	-	246,384	-
1.1. Farming and Livestock	248,085	356,345	-	243,614	-
1.2. Forestation	1,819	168	-	426	-
1.3. Fishing	1,550	2,355	-	2,344	-
2. Industrial	1,944,161	1,437,538	-	1,590,491	-
2.1. Mining and Quarrying	23,286	33,767	-	24,947	-
2.2. Manufacturing Industry	1,902,286	1,094,410	-	1,255,020	-
2.3. Electricity, Gas, Water	18,589	309,361	-	310,524	-
3. Construction	1,013,482	1,185,864	-	888,299	-
4. Services	11,926,149	3,460,597	-	4,738,895	-
4.1. Wholesale and Retail Commerce	1,602,091	1,905,076	-	1,771,944	-
4.2. Hotel and Restaurant Services	966,052	354,433	-	373,499	-
4.3. Transportation and Communication	276,018	132,388	-	143,646	-
4.4. Financial Corporations	7,916,880	825,426	-	1,967,587	-
4.5. Real Estate and Loan Services	94,351	15,656	-	31,055	-
4.6. Independent Business Services	598,745	122,167	-	284,680	-
4.7. Education Services	38,197	66,838	-	41,315	-
4.8. Health and Social Services	433,815	38,613	-	125,169	-
5. Other	4,057,337	2,526,177	-	2,563,967	-
6. Total	19,192,583	8,969,044	-	10,028,036	-

(*) Represents the distribution of cash loans.

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

II. Explanations On Risk Management (Continued)

Movements in value adjustments and provisions

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments (*)	Closing Balance
1. Stage 3 Provisions (**)	6,760,629	1,625,345	(594,921)	(361,940)	7,429,113
2. Stage 1-2 Provisions	5,360,514	4,795,475	(1,061,328)	-	9,094,661

(*) Represents the provision of loans written-off.

(**) 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 (**)	6,889,770	1,932,355	(915,506)	(1,145,990)	6,760,629
2. Stage 1-2 Provisions	3,866,301	2,239,367	(745,154)	-	5,360,514

(*) Represents the provision of loans written-off.

(**) 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:

Information on private sector receivables

Current Period	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Country			
Türkiye	464,709,722	-	464,709,722
Malta	442,373	-	442,373
Other	1,125,920	-	1,125,920
Total	466,278,015	-	466,278,015

Prior Period	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Country			
Türkiye	225,671,049	-	225,671,049
Malta	621,516	-	621,516
Other	307,456	-	307,456
Total	226,600,021	-	226,600,021

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

II Explanations On Risk Management (Continued)

2. Risk Management and General Disclosures regarding Risk Weighted Amounts

2.1 GBA – Risk management approach of the Bank

a) The way risk profile of the Bank 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 Bank is related to risk appetite approved by board of directors

Bank acknowledges that business and strategy risks are material since the Bank's growth oriented business plan is sensitive to changes in market conditions. From this point of view, Bank classifies business and strategy risk as an important risk. Bank 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 Bank (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])

Bank'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. Bank'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 Bank or its customers.

Risk management governance at the Bank 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 ("ORMC"), Reputation Risk Management 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 Bank.

The Audit Committee is responsible for supervising whether the Bank 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 Bank has the methods, instruments and procedures required for identifying, measuring, monitoring and controlling the risk exposures of the Bank.

The ALCO, meeting monthly, is responsible for monitoring and managing the structural asset-liability mismatches of the Bank, 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 Bank'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 Bank 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 Bank 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 sections 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.

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

II. Explanations on Risk Management (Continued)

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

2.1 GBA – Risk management approach of the Bank (Continued)

b) Risk management structure: Allocation of responsibilities in the Bank (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 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 Bank 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 Bank 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 Bank has and controls relevant to them during audit works.

c) Channels which are used to extend and apply risk culture in the Bank (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 Bank 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 Bank'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.

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.

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.

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.

The Market Risk Management Policy determines the key principles underlying the operations of the Bank 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 Bank's view and identifies the guidelines for incurring, retaining and managing liquidity risk.

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

II. Explanations on Risk Management (Continued)

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

2.1 GBA – Risk management approach of the Bank (Continued)

c) Channels which are used to extend and apply risk culture in the Bank (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)

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 Bank's stakeholders manage operational risk within a formalised 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 Bank 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 Bank's strategic aspirations and regulatory requirements. In particular, the Bank'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 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.

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

II. Explanations on Risk Management (Continued)

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

2.1 GBA – Risk management approach of the Bank (Continued)

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 to the Total Portfolio, Business Loans and Retail Loans, and include;

- Basic risk appetite parameters included in the Bank's Risk Appetite Statement document,
- 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 watchlist 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

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 and AFS portfolio.
- Nominal values of bond portfolios.
- Breakdowns of the portfolio and utilization of the relevant limits.
- Utilization of limits on option Greeks.
- Subsidiary VaR calculation.

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

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

II. Explanations on Risk Management (Continued)

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

2.1 GBA – Risk management approach of the Bank (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)

Stress test 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 these 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 Bank'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, the 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 Bank'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.

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 Bank's ability to meet its obligations during a funding crisis is tested. The bank 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.

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

II. Explanations on Risk Management (Continued)

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

2.1 GBA – Risk management approach of the Bank (Continued)

g) Risk management, protection and mitigation strategies and process of the Bank 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.

2.2. GB1 – Overview of Risk Weighted Assets

	Risk Weighted Amount		Minimum Capital Requirement	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
1 Credit Risk (excluding counterparty Credit Risk)	383,252,539	203,244,172	30,660,203	16,259,534
2 Standardized approach	383,252,539	203,244,172	30,660,203	16,259,534
3 Internal rating-based approach	-	-	-	-
4 Counterparty credit risk	18,604,519	9,973,738	1,488,362	797,899
5 Standardized approach for counterparty credit Risk	18,604,519	9,973,738	1,488,362	797,899
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 Securitization positions in banking accounts	-	-	-	-
13 IRB ratings-based approach	-	-	-	-
14 IRB Supervisory Formula Approach	-	-	-	-
15 SA/simplified supervisory formula approach	-	-	-	-
16 Market risk	8,757,963	5,239,000	700,637	419,120
17 Standardized approach	8,757,963	5,239,000	700,637	419,120
18 Internal model approaches	-	-	-	-
19 Operational Risk	18,872,372	16,750,240	1,509,790	1,340,019
20 Basic Indicator Approach	18,872,372	16,750,240	1,509,790	1,340,019
21 Standard 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)	429,487,393	235,207,150	34,358,992	18,816,572

QNB FİNANSBANK ANONİM ŞİRKETİ

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

II. Explanations on Risk Management (Continued)

3. Linkages between financial statements and risk amount

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 accordance with TAS					
	Financial statements prepared as per TAS	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitization framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances with the Central Bank	94,532,864	94,537,791	-	-	-	-
Trading Financial Assets ^(*)	8,183,699	-	7,756,703	-	3,885,422	-
Financial Assets at Fair Value Through Profit or Loss	1,272,479	-	-	-	820,827	-
Banks	10,656,730	10,668,297	-	-	-	-
Money Market Placements	8,462,898	4,427,376	4,040,604	-	-	-
Financial Assets Available-for-Sale (net)	40,138,650	40,128,060	10,288,785	-	-	-
Loans and Receivables	344,947,316	354,001,133	-	-	-	40,844
Factoring Receivables	-	-	-	-	-	-
Held-to-maturity investments (net)	61,953,149	61,958,244	19,879,566	-	-	-
Investment in Associates (net)	45,477	45,477	-	-	-	-
Investment in Subsidiaries (net)	3,618,249	3,618,249	-	-	-	-
Investment in Joint ventures (net)	288,563	288,563	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging ^(*)	14,493,461	-	14,493,461	-	-	-
Property And Equipment (Net)	4,729,467	4,620,971	-	-	-	108,496
Intangible Assets (Net)	1,028,549	-	-	-	-	1,028,549
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	354,327	354,327	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	7,049,298	7,052,346	-	-	-	-
Cash and balances with the Central Bank	601,755,176	581,700,834	56,459,119	-	4,706,249	1,177,889
Liabilities						
Deposits	394,284,033	-	-	-	-	-
Derivative Financial Liabilities Held for Trading ^(**)	5,592,169	-	-	-	3,505,391	-
Funds Borrowed	41,653,317	-	-	-	-	-
Money Markets	21,928,860	-	21,928,860	-	-	-
Marketable Securities Issued	27,939,706	-	-	-	-	-
Funds	-	-	-	-	-	-
Miscellaneous Payables ^(***)	29,177,464	-	-	-	-	-
Other Liabilities ^(***)	6,552,655	-	-	-	-	-
Factoring Payables	-	-	-	-	-	-
Lease Payables	745,318	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging ^(**)	804,069	-	-	-	-	-
Provisions	8,918,257	-	-	-	-	-
Tax Liability	2,766,075	-	-	-	-	-
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	17,127,724	-	-	-	-	-
Shareholder's Equity	44,265,529	-	-	-	-	-
TOTAL LIABILITIES	601,755,176	-	21,928,860	-	3,505,391	-

(*) 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.

QNB FİNANSBANK ANONİM ŞİRKETİ

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

II. Explanations on Risk Management (Continued)

3. Linkages between financial statements and risk amount (Continued)

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

Prior Period	Financial statements prepared as per TAS	Carrying values of items in accordance with TAS				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitization framework	Subject to market risk	
Assets						
Cash and balances with the Central Bank	70,287,488	70,294,571	-	-	-	-
Trading Financial Assets	10,050,007	-	-	10,037,042	5,627,985	-
Financial Assets at Fair Value Through Profit or Loss	681,357	537,617	-	-	213,340	-
Banks	15,116,734	15,120,404	-	-	-	-
Money Market Placements	159,508	-	-	159,508	-	-
Financial Assets Available-for-Sale (net)	19,641,086	19,641,086	-	8,052,567	-	-
Loans and Receivables	200,622,611	205,660,062	-	-	-	323,063
Factoring Receivables	-	-	-	-	-	-
Held-to-maturity investments (net)	29,847,184	29,856,976	-	14,938,096	-	-
Investment in Associates (net)	-	14,026	-	-	-	-
Investment in Subsidiaries (net)	2,167,844	2,167,844	-	-	-	-
Investment in Joint ventures (net)	218,294	218,294	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging ^(*)	11,953,886	-	-	11,953,886	-	-
Property And Equipment (Net)	3,660,133	3,581,747	-	-	-	78,386
Intangible Assets (Net)	628,673	-	-	-	-	628,673
Investment Property (Net)	2,040	-	-	-	-	-
Tax Asset	133,892	133,892	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	6,184,478	6,192,980	-	-	-	-
TOTAL ASSETS	371,369,241	353,419,499	45,141,099	5,841,325	1,030,122	
Liabilities						
Deposits	226,923,219	-	-	-	-	-
Derivative Financial Liabilities Held for Trading ^(**)	10,784,969	-	-	-	5,940,715	-
Funds Borrowed	27,031,918	-	-	-	-	-
Money Markets	18,019,989	-	-	18,019,989	-	-
Marketable Securities Issued	28,388,752	-	-	-	-	-
Funds	-	-	-	-	-	-
Miscellaneous Payables ^(***)	17,919,881	-	-	-	-	-
Other Liabilities	4,575,926	-	-	-	-	-
Factoring Payables	-	-	-	-	-	-
Lease Payables	492,689	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging ^(**)	1,667,459	-	-	-	-	-
Provisions	1,567,815	-	-	-	-	-
Tax Liability	-	-	-	-	-	-
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	11,852,564	-	-	-	-	-
Shareholder's Equity	22,144,060	-	-	-	-	-
TOTAL LIABILITIES	371,369,241	-	18,019,989	5,940,715	-	

(*) 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.

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

II. Explanations on Risk Management (Continued)

3. Linkages between financial statements and risk amount (Continued)

3.2. B2 - The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements

		Subject To	Subject to the	Subject To	Subject To
Current period	Total	Credit Risk	Securitization	Counterparty	Market Risk
1 Asset carrying value amount under scope of regulatory consolidation	642,866,202	581,700,834	-	56,459,119	4,706,249
2 Liabilities carrying value amount under regulatory scope of consolidation	25,434,251	-	-	21,928,860	3,505,391
3 Total net amount under regulatory scope of consolidation	617,431,951	581,700,834	-	34,530,259	1,200,858
4 Off-Balance Sheet Amounts	58,108,374	58,108,374	-	-	-
5 Differences due to different netting rules	7,557,105	-	-	-	7,557,105
6 Repo transactions	2,471,321	-	-	2,471,321	-
7 Potential credit risk amount calculated for the counterparty	9,096,636	-	-	9,096,636	-
8 Differences due to credit risk reduction	(25,163,085)	(10,125,788)	-	(15,037,297)	-
9 Average exchange rate effect (*)	(69,728,898)	(69,728,898)	-	-	-
Risk Amounts	951,211,463	559,954,522	-	31,060,919	8,757,963

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

		Subject To	Subject to the	Subject To	Subject To
Prior period	Total	Credit Risk	Securitization	Counterparty	Market Risk
1 Asset carrying value amount under scope of regulatory consolidation	404,401,923	353,419,499	-	45,141,099	5,841,325
2 Liabilities carrying value amount under regulatory scope of consolidation	23,960,704	-	-	18,019,989	5,940,715
3 Total net amount under regulatory scope of consolidation	380,441,219	353,419,499	-	27,121,110	(99,390)
4 Off-Balance Sheet Amounts	203,325,508	37,004,161	-	-	-
5 Differences due to different netting rules	5,338,390	-	-	-	5,338,390
6 Repo transactions	1,470,527	-	-	1,470,527	-
7 Potential credit risk amount calculated for the counterparty	2,295,441	-	-	2,295,441	-
8 Differences due to credit risk reduction	(19,239,568)	(6,019,366)	-	(13,220,202)	-
9 Average exchange rate effect (*)	(62,595,699)	(62,595,699)	-	-	-
Risk Amounts	573,631,517	321,808,595	-	17,666,876	5,239,000

(*) 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.

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 bank's trading accounts. In this framework, the following elements of the Bank, 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.

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

II. Explanations on Risk Management (Continued)

3. Linkages between financial statements and risk amount (Continued)

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

Classification of Trading Accounts are made in accordance with Appedix-3 of Regulation on Measurement and Evaluation of Bank's Capital Adequacy.

QNB Finansbank 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, exchange risk option risk to 12.5.

Value at market risk of the Bank is reached through the determination of amounts related to market risk in scope of Basel 2 reporting set. Details of 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 Bank 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.

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 CBT 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.

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

II. Explanations on Risk Management (Continued)

4. Credit Risk Disclosures

4.1. General Information on Credit Risk

4.1.1. CRA – General Qualitative Information on Credit Risk

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

The Bank deploys forward looking, risk sensitive measurement systems and tools, including appropriate information technology applications and management information systems, to account for expected and unexpected losses in both normal and stress market conditions, for all types of risks as appropriate. 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

Bank 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 Bank, Bank Credit Policies and legal authorities. Pillars of credit risk management policy in Bank are;

- Rules and Regulations of BRSB (Banking Regulation and Supervision Agency).
- Decisions of institutions auditing QNB Bank.
- 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 Appetite Statement Document comes out as the main risk management policy document in which the Bank defines its risks, determines the risk appetite and the risk management principles. Credit risk limits are reviewed annually, consistent to 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 Bank 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. Bank’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 Bank, Risk Appetite Statement 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.

Main responsibilities of Credit Risk Management Department are as follows:

- To establish risk management policies and strategies related to risks exposed by the Bank 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 Bank 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 Bank,
- To make periodic stress tests and scenario analysis and establish early warning systems,
- To support decision-making processes of the Bank through providing reviews and risk point of view with respect to risk management,
- To promote risk awareness and management culture at Bank level,
- 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 (ECL) calculations under TFRS 9, determination of credit risk measurement framework, development and implementation of relevant models/approaches.

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

II. Explanations on Risk Management (Continued)

4. Credit Risk Disclosures (Continued)

4.1. General Information on Credit Risk (Continued)

4.1.1. CRA – General Qualitative Information on Credit Risk (Continued)

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. The compliance function informs all Bank 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 Bank 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 Bank has and controls relevant to them during audit works.

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. Report mainly consists of the following; changes in risk parameters, changes in exposures of segments, concentration and risk metrics, stress testing and results, delinquency amounts and ratios by segments, stage 3, stage 2, rating and PD distributions, vintage analyses, collaterals, recoveries, restructurings. In addition to these monthly reports, a comparative analysis with peer Banks, which is based on quarterly capital adequacy and credit risk metrics, is also 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		Provision/ Allowances/ Impairments		Net Values
	Defaulted Exposures	Non-defaulted Exposures			
1 Loans	9,024,926	352,456,046	7,429,113		354,051,859
2 Debt Securities	-	102,094,281			102,094,281
3 Off-balance sheet Exposures	52,021	245,624,172	55,641		245,620,552
4 Total	9,076,947	700,174,499	7,484,754		701,766,692

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

II. Explanations on Risk Management (Continued)

4. Credit Risk Disclosures (Continued)

4.2. CR1 – Credit quality of assets (Continued)

Prior Period	Gross carrying values of as per TAS		Provision/ Allowances/ Impairments	Net Values
	Defaulted Exposures	Non-defaulted Exposures		
1 Loans ^(*)	8,969,044	203,984,380	6,760,629	206,192,795
2 Debt Securities	-	49,490,388	-	49,490,388
3 Off-balance sheet exposures	410,472	130,827,987	54,581	131,183,878
4 Total	9,379,516	384,302,755	6,815,210	386,867,061

^(*) 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	8,969,045	9,127,593
2 Loans and debt securities that have defaulted since the last reporting period	2,663,024	2,839,227
3 Returned to non-defaulted status	-	-
4 Amounts written off ^(*)	361,940	1,145,990
5 Other changes ^(**)	2,245,203	1,851,786
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	9,024,926	8,969,044

^(*) In prior period, there is TRY 1,019,989 balance regarding sales of non-performing loans.

^(**) Includes collections from credits in default.

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

- The criteria taken into consideration by the Bank in determining the impairment are explained in footnote VIII of the third section.
- There is no part of past due receivables which is not reviewed as “loans subject to provisioning”.
- The Bank’s specific provision calculation is explained in footnote VIII of the third section.
- 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”.
- Exposures provisioned according to major regions, major sectors and remaining maturity.

Exposures provisioned against by major regions

Country	Current Period	Prior Period
Türkiye	350,600,485	202,117,091
European Union (EU) Countries	453,458	632,806
USA,Canada	746	7,388
OECD Countries	1,899	1,532
Off-Shore Banking Regions	727,673	591,399
Other	671,785	634,164
Total ^(*)	352,456,046	203,984,380

^(*) Includes Financial Assets Measured at fair value through profit or loss amounting to TRY 209,670 in accordance with TFRS 9.

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

II. Explanations on Risk Management (Continued)

4. Credit Risk Disclosures (Continued)

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

e) Exposures provisioned according to major regions, major sectors and remaining maturity (Continued)

Exposures provisioned against by major sectors

	Current Period	Prior Period
1. Agriculture	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	140,237,070	86,886,485
4.1. Wholesale and retail trade	54,134,919	27,027,716
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	28,903,296	18,328,396
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	62,953,233
6. Total^(*)	352,456,046	203,984,380

^(*) Includes Financial Assets Measured at fair value through profit or loss amounting to TRY 209,670 in accordance with TFRS 9.

Breakdown of Loans 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 ^(*)	-	74,018,497	49,088,923	118,050,268	79,548,732	22,654,964	343,361,384

^(*) Provision amounts 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 ^(*)	-	35,170,026	20,644,876	61,988,284	59,783,330	20,827,680	198,414,196

^(*) Provision amounts have been deducted from current period balances.

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

Loan Amounts provisioned on the basis of by geographical regions Loans written off during the assets

Current Period	Loans Subject to Provision	Provision	Written-off from Assets
Türkiye	9,008,552	7,412,814	361,940
European Union (EU) Countries	26	15	-
USA, Canada	-	-	-
OECD Countries ^(*)	-	-	-
Off-Shore Banking Regions	16,263	16,246	-
Other Countries	85	38	-
Total	9,024,926	7,429,113	361,940

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

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

II. Explanations on 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 Loans written off during the period an uncollectible (Continued)

Loan Amounts provisioned on the basis of by geographical regions Loans written off during the assets (Continued)

Prior Period	Loans Subject to Provision	Provision	Written-off from Assets
Türkiye	8,951,804	6,744,250	1,145,990
European Union (EU) Countries	1,015	154	-
USA,Canada	-	-	-
OECD Countries (*)	-	-	-
Off-Shore Banking Regions	16,225	16,225	-
Other Countries	-	-	-
Total	8,969,044	6,760,629	1,145,990

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

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	235,189	187,177	-	358,868	224,624	20,478
1.1. Farming and Raising Livestock	232,789	184,930	-	356,345	222,292	20,197
1.2. Forestry	104	102	-	168	134	145
1.3. Fishing	2,296	2,145	-	2,355	2,198	136
2. Industrial	1,579,081	1,412,314	-	1,437,538	1,175,609	52,306
2.1. Mining and Quarrying	18,608	13,345	-	33,767	21,795	104
2.2. Production	1,251,177	1,089,788	-	1,094,410	844,504	52,155
2.3. Electricity, Gas, Water	309,296	309,181	-	309,361	309,310	47
3. Construction	963,713	648,639	-	1,185,864	733,651	10,636
4. Services	3,096,630	2,483,603	327,946	3,460,597	2,496,697	202,675
4.1. Wholesale and Retail Trade	1,716,036	1,498,694	-	1,905,076	1,509,809	152,930
4.2. Hotel, Food and Beverage Services	260,506	198,280	-	354,433	244,881	22,540
4.3. Transportation and Communication	126,724	113,756	327,946	132,388	111,220	14,022
4.4. Financial Institutions	808,120	510,950	-	825,426	450,366	2,548
4.5. Real Estate and Renting Services	11,108	10,203	-	15,656	14,074	1,327
4.6. Self-Employment Services	101,121	88,490	-	122,167	96,859	5,754
4.7. Educational Services	36,817	30,432	-	66,838	38,087	1,192
4.8. Health and Social Services	36,198	32,798	-	38,613	31,401	2,362
5. Other	3,150,313	2,697,380	33,994	2,525,860	2,130,048	859,895
6. Total	9,024,926	7,429,113	361,940	8,968,727	6,760,629	1,145,990

g) Aging Analysis

Overdue Days	Current Period	Prior Period
0-30	350,803,728	202,318,030
31-60	1,139,778	1,129,060
61-90	512,540	537,291
90+	9,024,926	8,969,044
Total	361,480,972	212,953,425

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

II. Explanations on Risk Management (Continued)

5. Credit risk mitigation

5.1. CRC - 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 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 Bank.

The 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

	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
Current Period							
1 Loans	339,778,152	14,273,706	7,994,306	-	-	-	-
2 Debt securities	102,094,282	-	-	-	-	-	-
3 Total	441,872,434	14,273,706	7,994,306	-	-	-	-
4 Of which defaulted	1,574,919	17,273	309	-	-	-	-
	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
Prior Period							
1 Loans	198,403,012	7,789,783	4,290,302	-	-	-	-
2 Debt securities	49,490,388	-	-	-	-	-	-
3 Total	247,893,400	7,789,783	4,290,302	-	-	-	-
4 Of which defaulted	2,485,767	78,540	473	-	-	-	-

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

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

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

II. Explanations on Risk Management (Continued)

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

6.2. CR4 – Standard 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	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Exposure Categories						
1 Exposures to central governments or central banks	158,304,772	-	159,642,405	-	-	-
2 Exposures to regional governments or local authorities	238,887	115	238,887	-	119,444	50%
3 Exposures to public sector entities	787,487	160,548	786,230	35,695	821,924	100%
4 Exposures to multilateral development banks	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-
6 Exposures to institutions	18,339,883	3,836,139	18,330,908	2,182,661	7,123,678	35%
7 Exposures to corporates	124,727,956	100,699,305	119,225,124	39,719,492	158,944,613	100%
8 Retail exposures	124,368,290	217,242,500	121,088,035	6,650,760	102,613,238	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	10,762,656	1,562,221	10,762,656	774,714	8,285,863	72%
11 Past-due loans	1,519,660	-	1,519,351	-	988,513	65%
12 Higher-risk categories by the Agency Board	54,488,900	30,173	53,950,544	30,173	88,008,924	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	20,474,815	56,194	20,474,815	-	11,578,994	57%
17 Investments in equities	3,959,964	-	3,959,964	-	3,959,964	100%
18 Total	519,733,448	323,760,212	511,739,097	49,448,016	383,080,300	68%

Prior Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Exposure Categories						
1 Exposures to central governments or central banks	87,135,083	-	88,331,435	-	-	-
2 Exposures to regional governments or local authorities	178,882	135	178,882	-	89,441	50%
3 Exposures to public sector entities	203,474	36,358	200,782	11,056	211,839	100%
4 Exposures to multilateral development banks	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-
6 Exposures to institutions	13,354,371	5,247,548	13,341,121	3,331,415	6,785,807	41%
7 Exposures to corporates	74,243,874	53,082,172	71,994,815	20,070,011	92,064,825	100%
8 Retail exposures	75,501,387	130,598,097	72,732,786	4,719,014	59,966,855	77%
9 Exposures secured by residential property	2,098,315	239,441	2,098,315	12,178	738,674	35%
10 Exposures secured by commercial real estate	10,639,706	1,657,491	10,639,707	1,082,208	9,375,574	80%
11 Past-due loans	1,954,401	-	1,953,928	-	1,361,964	70%
12 Higher-risk categories by the Agency Board	14,126,240	-	13,673,659	-	20,510,489	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	15,029,445	202,872	15,029,445	-	9,730,865	65%
17 Investments in equities	2,407,839	-	2,407,839	-	2,407,839	100%
18 Total	296,873,017	191,064,114	292,582,714	29,225,882	203,244,172	63%

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

II. Explanations on 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											Total Credit Risk Exposure Amount
Exposure Categories/Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others		
1 Exposures to central governments or central banks	159,642,405	-	-	-	-	-	-	-	-	159,642,405	
2 Exposures to regional governments or local authorities	-	-	-	-	238,887	-	-	-	-	238,887	
3 Exposures to public sector entities	-	-	-	-	-	-	821,925	-	-	821,925	
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	
5 Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	
6 Exposures to institutions	-	-	10,606,492	-	9,809,396	-	97,681	-	-	20,513,569	
7 Exposures to corporates	-	-	-	-	-	-	158,944,616	-	-	158,944,616	
8 Retail exposures	-	-	-	-	-	100,502,223	27,236,572	-	-	127,738,795	
9 Exposures secured by residential property	-	-	-	1,814,699	-	-	-	-	-	1,814,699	
10 Exposures secured by commercial real estate	-	-	-	-	6,503,016	-	5,034,354	-	-	11,537,370	
11 Past-due loans	-	-	-	-	1,061,677	-	457,674	-	-	1,519,351	
12 Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	41,083,646	12,897,071	53,980,717	
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 Assets	8,895,821	-	-	-	-	-	11,578,994	-	-	20,474,815	
18 Total	168,538,226	-	10,606,492	1,814,699	17,612,976	100,502,223	208,131,780	41,083,646	12,897,071	561,187,113	

Prior Period											Total Credit Risk Exposure Amount
Exposure Categories/Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others		
1 Exposures to central governments or central banks	88,331,435	-	-	-	-	-	-	-	-	88,331,435	
2 Exposures to regional governments or local authorities	-	-	-	-	178,882	-	-	-	-	178,882	
3 Exposures to public sector entities	-	-	-	-	-	-	211,838	-	-	211,838	
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	
5 Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	
6 Exposures to institutions	-	-	5,717,592	-	10,625,309	-	329,635	-	-	16,672,536	
7 Exposures to corporates	-	-	-	-	-	-	92,064,826	-	-	92,064,826	
8 Retail exposures	-	-	-	-	-	69,939,775	7,512,025	-	-	77,451,800	
9 Exposures secured by residential property	-	-	-	2,110,493	-	-	-	-	-	2,110,493	
10 Exposures secured by commercial real estate	-	-	-	-	4,692,682	-	7,029,233	-	-	11,721,915	
11 Past-due loans	-	-	-	-	1,183,927	-	770,001	-	-	1,953,928	
12 Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	13,673,659	-	13,673,659	
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	-	-	-	-	-	-	2,407,839	-	-	2,407,839	
17 Other Assets	5,298,578	-	3	-	-	-	9,730,864	-	-	15,029,445	
18 Total	93,630,013	-	5,717,595	2,110,493	16,680,800	69,939,775	120,056,261	13,673,659	-	321,808,596	

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

II. Explanations on 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 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.

Main Bank does 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, gama 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 tried to be reduced with various techniques. The 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. Main Partner 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.

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

II. Explanations on Risk Management (Continued)

7. Disclosures regarding counterparty credit risk (Continued)

7.2. CCR1 – Assessment of Counterparty Credit Risk according to the models of measurement

Current Period		Revaluation Cost	Potential credit risk exposure	EEPE	The alpha used to calculate the legal risk amount	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	6,149,267	9,096,636	-	1	21,344,262	9,963,376
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	-	-	-	-	-	15,588,842

Prior Period		Revaluation Cost	Potential credit risk exposure	EEPE	The alpha used to calculate the legal risk amount	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	16,634,553	2,295,441	-	1	11,066,167	5,263,064
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	-	-	-	-	-	8,352,716

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	21,344,262	11,066,167	3,187,872	1,621,022
4 Total amount of CVA capital adequacy	21,344,262	11,066,167	3,187,872	1,621,022

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

II. Explanations on Risk Management (Continued)

7. Disclosures regarding counterparty credit risk (Continued)

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

Current Period										Total Credit Risk
Exposure Categories/Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others		
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	-	-	6,462,595	18,168,968	-	900,503	-	-	25,532,066	
7 Exposures from corporates	-	-	-	-	-	2,973,853	-	-	2,973,853	
8 Retail receivables	-	-	-	-	1,782,094	-	-	-	1,782,094	
9 Mortgage receivables	-	-	-	-	-	-	-	-	-	
10 Overdue 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	-	6,462,595	18,168,968	1,782,094	3,874,858	-	20,523	31,060,919	

Prior Period										Total Credit Risk
Exposure Categories/Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others		
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	-	-	2,149,839	9,893,124	-	698,616	-	-	12,741,579	
7 Exposures from corporates	-	-	-	-	-	2,249,202	-	-	2,249,202	
8 Retail receivables	-	-	-	-	37,016	-	-	-	37,016	
9 Mortgage receivables	-	-	-	-	-	-	-	-	-	
10 Overdue 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	-	2,149,839	9,893,124	37,016	2,947,892	-	26,594	17,666,876	

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

Current Period	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	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	-

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

II. Explanations on Risk Management (Continued)

7. Disclosures Regarding Counterparty Credit Risk (Continued)

7.6. CCR5 – Composition of collateral for CCR exposure (Continued)

Prior Period	Collaterals for Derivatives				Collaterals or Other Transactions	
	Alman teminatlar		Collaterals Taken		Collaterals Given	Collaterals Taken
	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	-

7.7. CCR6 – Credit derivatives

Related table is not presented due to the 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 usage of standard approach for the 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	20,523	410	-	-
4 (ii) Exchange-traded Derivatives	-	-	26,594	532
5 (iii) Securities financing transactions	-	-	-	-
6 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
7 Segregated initial margin	-	-	-	-
8 Non-segregated initial margin	-	-	-	-
9 Pre-funded default fund contributions	-	-	-	-
10 Unfunded default fund contributions	-	-	-	-
11 Exposures to non-QCCPs (total)	-	-	-	-
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
13 (i) OTC Derivatives	-	-	-	-
14 (ii) Exchange-traded Derivatives	-	-	-	-
15 (iii) Securities financing transactions	-	-	-	-
16 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
17 Segregated initial margin	-	-	-	-
18 Non-segregated initial margin	-	-	-	-
19 Pre-funded default fund contributions	-	-	-	-
20 Unfunded default fund contributions	-	-	-	-

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)**II. Explanations on Risk Management (Continued)****8. Securitization exposures**

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

9. Disclosures regarding Market Risk (Continued)**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 held for trading, open exchange position and having hedging purposes.

The 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.

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 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 QNB Finansbank.

c) QNB Finansbank 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 Bank 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 – Standardized approach

		RWA ^(**)	
		Current Period	Prior Period
	Outright products ^(*)	7,828,713	5,162,026
1	Interest rate risk (general and specific)	3,938,938	2,316,388
2	Equity risk (general and specific)	272,925	94,700
3	Foreign exchange risk	3,344,875	2,493,438
4	Commodity risk	271,975	257,500
	Options	929,250	76,975
5	Simplified approach	-	-
6	Delta-plus method	929,250	76,975
7	Scenario approach	-	-
8	Securitization	-	-
9	Total	8,757,963	5,239,001

^(*) 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.

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

II. Explanations on Risk Management (Continued)

10. Explanations related to the operational risk

The Bank calculates the amount subject to operational risk based on “Basic Indicator Method” by using 2021, 2020, 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 18,872,375 (December 31, 2021 – TRY 16,750,240).

Current Year Basic Indicator Method	2 PP Amount	1 PP Amount	CP Amount	Total/No. of Years of Positive Gross	Rate (%)	Total
Gross Income	8,805,867	9,301,396	12,088,533	10,065,265	15	1,509,790
Value at operational risk (Total*12,5)						18,872,375
Prior Year Basic Indicator Method	2 PP Amount	1 PP Amount	CP Amount	Total/No. of Years of Positive Gross	Rate (%)	Total
Gross Income	8,506,036	8,805,867	9,488,481	8,933,461	15	1,340,019
Value at operational risk (Total*12,5)						16,750,240

The annual gross income is composed of net interest income and net non-interest income after deducting realized gains/losses from the disposal of Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI), extraordinary income and income derived from insurance claims at year-end.

III. Explanations on Foreign Currency Exchange Rate Risk

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

The difference between the 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 determine 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 Bank strategy and updated as deemed necessary.

In measuring the exchange rate exposure of the Bank, the "standard method" used in the legal reports and the internal method are used in the VaR. 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 foreign currency types and table, and daily limit compliance control is performed 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. Bank’s spot foreign exchange bid rates of the Bank as of the balance sheet date and for each of the five days prior to that date

US Dollar purchase rate at the date of the balance sheet TRY 18.6966
Euro purchase rate at the date of the balance sheet TRY 19.8816

<u>Date</u>	<u>US Dollar</u>	<u>Euro</u>
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

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

III. Explanations on Foreign Currency Exchange Rate Risk (Continued)

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

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

5. Information on the foreign currency exchange rate risk

Current Period	EUR	USD	Other FC	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	3,659,728	3,463,968	664,312	7,788,008
Financial Assets at Fair Value through Profit/Loss ⁽²⁾	1,327,792	1,878,677	5,500	3,211,969
Money Market Placements	-	427,044	-	427,044
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	1,131,946	9,336,069	-	10,468,015
Loans and Receivables ⁽³⁾	62,761,867	43,205,246	374,853	106,341,966
Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	1,548,238	18,816,096	-	20,364,334
Derivative Financial Assets Hedging Purposes	118,511	2,137,072	-	2,255,583
Tangible Assets	-	-	94	94
Intangible Assets	-	-	-	-
Other Assets ⁽⁴⁾	42,274	76,182	4,184	122,640
Total Assets	111,844,219	117,106,125	6,847,243	235,797,587
Liabilities				
Bank Deposits	2,887,288	6,396,074	501,035	9,784,397
Foreign Currency Deposits ⁽⁵⁾	34,696,141	88,667,285	25,568,937	148,932,363
Money Market Borrowings	1,661,053	18,784,150	1,288,601	21,733,804
Funds Provided from Other Financial Institutions	16,162,821	42,257,037	-	58,419,858
Securities Issues	1,274,281	16,854,884	5,155,157	23,284,322
Sundry Creditors	8,751,843	6,949,744	74,278	15,775,865
Derivative Fin. Liabilities for Hedging Purposes	632	803,437	-	804,069
Other Liabilities ⁽⁶⁾	1,453,121	2,342,389	41,350	3,836,860
Total Liabilities	66,887,180	183,055,000	32,629,358	282,571,538
Net Balance Sheet Position	44,957,039	(65,948,875)	(25,782,115)	(46,773,951)
Net Off-Balance Sheet Position	(44,727,420)	68,298,664	26,048,445	49,619,689
Financial Derivative Assets	32,484,296	225,660,154	28,403,576	286,548,026
Financial Derivative Liabilities	77,211,716	157,361,490	2,355,131	236,928,337
Non-Cash Loans ⁽⁸⁾	18,043,661	17,030,918	463,540	35,538,119
Prior Period				
Total Assets	87,952,855	95,988,942	5,424,976	189,366,773
Total Liabilities	51,597,317	160,358,315	28,186,060	240,141,692
Net Balance Sheet Position	36,355,538	(64,369,373)	(22,761,084)	(50,774,919)
Net Off-Balance Sheet Position	(36,160,955)	62,063,449	22,811,068	48,713,562
Financial Derivative Assets	32,278,439	164,612,702	23,228,937	220,120,078
Financial Derivative Liabilities	68,439,394	102,549,253	417,869	171,406,516
Non-Cash Loans	18,384,626	15,231,819	715,572	34,332,017

⁽¹⁾ Cash and Balances with TR Central Bank; Other FC include TRY 5,494,682 (December 31, 2021 – TRY 1,587,037) precious metal deposit account.

⁽²⁾ There are foreign bank guarantees amounting to TRY 4,516,091 (December 31, 2021 – TRY 7,481,729).

⁽³⁾ Does not include TRY 369,444 (December 31, 2021 – TRY 327,091) of currency income accruals arising from derivative transactions.

⁽⁴⁾ Includes TRY 232,939 (December 31, 2021 – TRY 379,005) FC indexed loans.

⁽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⁾ Other foreign currency includes TRY 22,159,406 (December 31, 2021 – TRY 21,599,519) of precious metal deposit account.

⁽⁷⁾ Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TRY 151,702 (December 31, 2021 – TRY 193,975)

⁽⁸⁾ Does not have an effect on Net Off-Balance Sheet Position.

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

III. Explanations on Foreign Currency Exchange Rate Risk (Continued)

6. Sensitivity to foreign exchange risk

The Bank is exposed to currency risk in Euro and US Dollars.

The following table details the Bank's sensitivity to a 10% increase and decrease in USD and EUR. Other variables are assumed to be unchanged.

	Change in Currency rate in %	Net Effect on Profit or	Net Effect on Profit or	Net Effect on Profit or	Net Effect on Profit or
		Loss (After Tax)	Loss (After Tax)	Loss (After Tax)	Loss (After Tax)
		Current Period	Current Period	Prior Period	Prior Period
US Dollar	10% increase	(3.572)	(66.141)	8,716	(198,542)
	10% decrease	3.572	66.141	(8,716)	198,542
EURO	10% increase	(3.390)	5.423	(3,783)	(7,853)
	10% decrease	3.390	(5.423)	3,783	7,853

(*) 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 Interest Rate Risk

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

Interest rate sensitivity of assets, liabilities and off balance sheet items is analyzed by top management in the Asset/Liability Committee meetings held every month by taking the market developments into consideration.

The management of the Bank follows the interest rates in the market on a daily basis and revises interest rates of the Bank when necessary.

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

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

IV. Explanations on Interest Rate Risk (Continued)

Interest rate sensitivity of assets, liabilities and off-balance sheet items

(Based on repricing dates)

End of Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing ⁽¹⁾	Total
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⁾	2,870,720	-	-	-	-	7,791,698	10,662,418
Financial Assets at Fair Value Through Profit/Loss ⁽⁴⁾	212,289	104,379	113,413	190,798	34,143	16,426,133	17,081,155
Money Market Placements ⁽⁵⁾	4,427,376	4,040,604	-	-	-	(5,082)	8,462,898
Financial Assets at Fair Value Through Other Comprehensive Income ⁽⁵⁾	7,070,186	5,959,770	3,354,114	9,825,209	9,627,121	11,170,734	47,007,134
Loans and Receivables	78,137,369	68,051,425	133,041,642	55,907,099	8,182,938	1,636,725	344,957,198
Inv. Securities Held to Maturity ⁽⁶⁾	28,418,409	647,443	2,276,143	15,932,112	7,588,431	7,080,729	61,943,267
Other Assets	-	-	-	-	-	17,113,930	17,113,930
Total Assets	157,634,428	78,803,621	138,785,312	81,855,218	25,432,633	119,243,964	601,755,176
Liabilities							
Bank Deposits	4,246,561	2,763,128	2,476,493	-	-	739,593	10,225,775
Other Deposits	146,145,168	95,663,898	12,667,551	589,295	504	128,991,842	384,058,258
Money Market Borrowings	10,932,878	7,644,329	3,209,343	-	-	142,310	21,928,860
Sundry Creditors	15,775,865	-	-	-	-	13,401,599	29,177,464
Securities Issued	4,578,601	8,111,372	2,960,503	12,135,273	-	153,957	27,939,706
Funds Borrowed	5,935,228	15,789,605	26,592,624	213,503	9,815,715	434,366	58,781,041
Other Liabilities ⁽⁷⁾	379	1,113	17,767	726,060	-	68,898,753	69,644,072
Total Liabilities	187,614,680	129,973,445	47,924,281	13,664,131	9,816,219	212,762,420	601,755,176
On Balance Sheet Long Position	-	-	90,861,031	68,191,087	15,616,414	-	174,668,532
On Balance Sheet Short Position	(29,980,252)	(51,169,824)	-	-	-	(93,518,456)	(174,668,532)
Off-Balance Sheet Long Position	14,371,955	27,735,850	-	-	-	-	42,107,805
Off-Balance Sheet Short Position	-	-	(3,051,112)	(7,727,922)	(16,486,471)	-	(27,265,505)
Total Position	(15,608,297)	(23,433,974)	87,809,919	60,463,165	(870,057)	(93,518,456)	14,842,300

(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 5,879.

(4) Financial Assets at Fair Value Through Profit/Loss include TRY 15,808,676 derivative financial assets used for hedging purposes.

(5) Financial Assets at Fair Value Through Other Comprehensive Income include TRY 6,868,484 derivative financial assets used for hedging purposes.

(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 Assets amounting to TRY 6,396,238.

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

IV. Explanations on Interest Rate Risk (Continued)

Interest rate sensitivity of assets, liabilities and off-balance sheet items (Continued)

	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, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank ⁽²⁾	27,488,643	-	-	-	-	42,798,845	70,287,488
Due from Banks ⁽³⁾	1,152,880	-	-	-	-	13,963,854	15,116,734
Financial Assets at Fair Value Through Profit/Loss ⁽⁴⁾	68,854	224,047	21,902	46,998	10,637	18,953,350	19,325,788
Money Market Placements ⁽⁵⁾	159,508	-	-	-	-	-	159,508
Financial Assets at Fair Value Through Other Comprehensive Income ⁽⁵⁾	2,980,540	2,240,521	3,515,720	4,197,504	7,402,282	2,663,982	23,000,549
Loans and Receivables	42,630,390	32,261,945	72,795,492	44,112,402	6,613,966	2,208,416	200,622,611
Inv. Securities Held to Maturity ⁽⁶⁾	11,955,226	349,159	1,781,837	8,429,626	6,240,942	1,090,393	29,847,183
Other Assets	-	-	-	-	-	13,009,380	13,009,380
Total Assets	86,436,041	35,075,672	78,114,951	56,786,530	20,267,827	94,688,220	371,369,241
Liabilities							
Bank Deposits	11,644,754	688,472	74,417	-	-	569,448	12,977,091
Other Deposits	85,091,893	26,809,133	6,145,884	412,329	326	95,486,563	213,946,128
Money Market Borrowings	5,087,867	9,583,494	3,348,628	-	-	-	18,019,989
Sundry Creditors	10,917,332	-	-	-	-	7,002,548	17,919,880
Securities Issued	5,602,803	1,499,035	12,525,752	8,761,162	-	-	28,388,752
Funds Borrowed	1,972,200	22,254,301	7,493,054	348,254	6,816,673	-	38,884,482
Other Liabilities ⁽⁷⁾	438	2,051	17,519	472,681	-	40,740,230	41,232,919
Total Liabilities	120,317,287	60,836,486	29,605,254	9,994,426	6,816,999	143,798,789	371,369,241
On Balance Sheet Long Position	-	-	48,509,697	46,792,104	13,450,828	-	108,752,629
On Balance Sheet Short Position	(33,881,246)	(25,760,814)	-	-	-	(49,110,569)	(108,752,629)
Off-Balance Sheet Long Position	8,135,890	18,598,817	-	435,415	-	-	27,170,122
Off-Balance Sheet Short Position	-	-	(2,318,854)	-	(13,500,760)	-	(15,819,614)
Total Position	(25,745,356)	(7,161,997)	46,190,843	47,227,519	(49,932)	(49,110,569)	11,350,508

(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 7,083 expected loss provisions.

(3) Banks include balance of expected loss provisions amounting to TRY 3,670.

(4) Financial Assets at Fair Value Through Profit/Loss include TRY 18,644,431 derivative financial assets used for hedging purposes.

(5) Receivables from Money Markets does not have any balance of expected loss provisions .

(6) Financial Assets at Fair Value Through Other Comprehensive Income include TRY 3,359,463 derivative financial assets used for hedging purposes.

(7) Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TRY 9,793.

(8) Other Liabilities include derivative Financial Assets Measured at Fair Value through Other Comprehensive Income used for hedging purposes amounting to TRY 12,452,428.

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

IV. Explanations on Interest Rate Risk (Continued)

Average interest rates applied to monetary financial instruments

	EURO	USD	JPY	TRY
End of Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	-	-	-
Due from Banks	-	-	-	9.97
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	5.32	7.22	-	24.02
Money Market Placements	-	2.92	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2.87	5.42	-	31.34
Loans and Receivables	5.54	6.87	4.92	23.28
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	-	6.73
Sundry Creditors	1.15	-	-	-
Securities Issued	4.97	6.91	-	22.07
Funds Borrowed	4.14	7.36	-	18.81
<hr/>				
	EURO	USD	JPY	TRY
End of Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	-	-	8.50
Due from Banks	-	0.07	-	-
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	4.97	4.58	-	21.51
Money Market Placements	-	0.05	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2.87	5.32	-	18.41
Loans and Receivables	4.02	4.86	1.49	18.81
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	-	13.91
Sundry Creditors	(0.39)	-	-	-
Securities Issued	-	5.51	-	16.62
Funds Borrowed	2.24	4.52	-	15.82

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 Bank analyzes all these risks periodically, and considering market conditions, manages all aspects of interest rate risk on banking book effectively in accordance with the bank strategy. In order to this, within the scope of "Banking Books Interest Rate Risk Management" risks are measured, monitored and limited on a regular basis.

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 in a month, analysis of the standard economic value approach is supported by different scenarios. In addition, the sensitivity of the net interest income is monitored, the prepayment rates of loans are considered managing the interest rate risk.

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.

All these analyses are reported to Asset and Liability Committee and Risk Committee and by considering market conditions and the bank strategy, the interest rate risk on banking book is managed within specified limits parallel to the Bank's appetite of risk.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)**IV. Explanations on Interest Rate Risk (Continued)****Interest rate risk on banking book (Continued)**

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.

Type of Currency	Shocks Applied	Gains/Losses	Gains/Equity-- Losses/Equity
	(+/- x basis points)		
1. TRY	+500 bp	(3,714,569)	(5,73)%
	-400 bp	3,346,266	5,16%
2. EUR	+200 bp	607,537	0,94%
	-200 bp	(464,159)	(0,72)%
3. USD	+200 bp	(242,588)	(0,37)%
	-200 bp	369,388	0,57%
Total (of negative shocks)		3,251,495	5,00%
Total (of positive shocks)		(3,349,620)	(5,16)%

V. Explanations on Position Risk of Equity Securities

Equity Securities (shares)	Comparison		
	Carrying Value	Fair Value	Market Value
1. Investment in Shares- grade A	-	-	-
Quoted Securities	-	-	-
2. Investment in Shares- grade B	-	-	-
Quoted Securities	-	-	-
3. Investment in Shares- grade C	1,622,787	1,622,787	-
Quoted Securities	1,622,787	1,622,787	-
4. Investment in Shares- grade Other (*)	2,329,502	2,329,502	-

(*) Includes associates, subsidiaries and entities under common control not quoted to ISE and not classified as investment in shares by Capital Market Board (CMB).

Portfolio	Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses		
		Total	Amount under Core Capital	Total	Amount under Core Capital	Amount under Supplementary Capital
1. Private Equity Investments	-	-	-	-	-	-
2. Quoted Shares	48,253	-	-	-	-	-
3. Other Shares	-	-	-	-	-	-
4. Total	48,253	-	-	-	-	-

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

V. Explanations on Remarks regarding Liquidity Risk Management and Liquidity Coverage Ratio

Liquidity Risk of the 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 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 Bank in order to monitor related limits. Senior management of the Bank is informed periodically regarding current liquidity risk amount exposed in order to ensure being under the approved limits of 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 Bank monthly in addition to aforementioned meetings and informs Board of Directors. The 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 Bank is decentralized; each partnership controlled by the Bank is carried out independently from the Bank by the authorities in charge of liquidity management. Each subsidiary subject to consolidation manages its own liquidity position separately from the Bank. The amount of funds to be used by the subsidiaries from the Bank is determined within the framework of the limits.

It is essential for the Bank to monitor its liquidity position and funding strategy consistently. Funding management of the 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 Bank. Liquidity position is evaluated and funding strategy is developed taking into consideration customer based concentration and maturity levels.

A large part of the Bank's liabilities consist 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 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 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 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 Bank regulates funding activities to be used in liquidity crisis periods specific to the 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 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 Bank. The Bank manages LCR above the limit by keeping its high-quality liquid assets at a sufficient level. The 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 Bank withstands stress over the minimum life expectancy of 30 days.

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

VI. Explanations on Remarks regarding Liquidity Risk Management and Liquidity Coverage Ratio (Continued)

Liquidity Coverage Ratio

Current Period – December 31, 2022	Consideration Rate Unweighted Amounts ^(*)		Consideration Rate Weighted Amounts ^(*)	
	TRY+FC	FC	TRY+FC	FC
HIGH QUALITY LIQUID ASSETS			135,335,819	71,792,143
1 High Quality Liquid Assets			135,335,819	71,792,143
CASH OUTFLOWS				
2 Retail and Small Business Customers Deposits	261,208,217	127,364,753	24,183,395	12,736,475
3 Stable deposits	38,748,538	-	1,937,427	-
4 Less stable deposits	222,459,679	127,364,753	22,245,968	12,736,475
5 Unsecured Funding other than Retail and Small Business Customers Deposits	104,651,091	60,087,696	58,760,542	34,514,778
6 Operational deposits	3,582,794	907,722	895,699	226,931
7 Non-Operational Deposits	81,010,726	51,450,661	42,023,691	26,796,058
8 Other Unsecured Funding	20,057,571	7,729,313	15,841,152	7,491,789
9 Secured funding	-	-	-	-
10 Other Cash Outflows	90,617,498	20,253,280	90,617,498	20,253,280
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	90,617,498	20,253,280	90,617,498	20,253,280
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets	-	-	-	-
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	117,210,477	39,762,282	5,860,524	1,988,114
15 Other irrevocable or conditionally revocable commitments	224,756,397	45,467,424	16,211,722	4,491,084
16 TOTAL CASH OUTFLOWS	-	-	195,633,681	73,983,731
CASH INFLOWS				
17 Secured Lending Transactions	1,459,513	840,212	-	-
18 Unsecured Lending Transactions	37,486,873	16,917,100	26,729,756	14,965,787
19 Other Cash Inflows	87,780,473	74,397,584	87,780,473	74,397,584
20 TOTAL CASH INFLOWS	126,726,859	92,154,896	114,510,229	89,363,371
			Upper Limit Applied Values	
21 TOTAL HIGH QUALITY LIQUID ASSETS			135,335,819	71,792,143
22 TOTAL NET CASH OUTFLOWS			81,123,452	18,495,933
23 LIQUIDITY COVERAGE RATIO (%)			166.83	388.15

(*) Basic arithmetic average calculated for the last three months of values calculated by taking the weekly basic arithmetic average.

QNB FİNANSBANK ANONİM ŞİRKETİ

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

VI. Explanations on Remarks regarding Liquidity Risk Management and Liquidity Coverage Ratio (Continued)

Liquidity Coverage Ratio (Continued)

Prior Period – December 31, 2021		Consideration Rate Unweighted Amounts ^(*)		Consideration Rate Weighted Amounts ^(*)	
		TRY+FC	FC	TRY+FC	FC
HIGH QUALITY LIQUID ASSETS				60,813,146	42,159,807
1	High Quality Liquid Assets	-	-	60,813,146	42,159,807
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	142,445,916	85,890,876	13,107,912	8,589,088
3	Stable deposits	22,733,598	-	1,136,680	-
4	Less stable deposits	119,712,318	85,890,876	11,971,232	8,589,088
5	Unsecured Funding other than Retail and Small Business Customers Deposits	53,088,632	33,169,750	28,190,637	17,673,287
6	Operational deposits	1,835,716	724,319	458,929	181,080
7	Non-Operational Deposits	41,503,111	29,074,970	19,838,642	14,178,884
8	Other Unsecured Funding	9,749,805	3,370,461	7,893,066	3,313,323
9	Secured funding	-	-	-	-
10	Other Cash Outflows	22,697,893	5,332,054	22,697,893	5,332,054
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	22,697,893	5,332,054	22,697,893	5,332,054
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	66,378,356	3,516,584	3,318,918	175,829
15	Other irrevocable or conditionally revocable commitments	123,596,393	33,282,667	9,141,360	3,226,641
16	TOTAL CASH OUTFLOWS	-	-	76,456,720	34,996,899
CASH INFLOWS					
17	Secured Lending Transactions	162,765	273,898	-	-
18	Unsecured Lending Transactions	16,599,230	9,206,568	11,943,644	8,140,506
19	Other Cash Inflows	22,708,639	20,298,391	22,708,639	20,298,392
20	TOTAL CASH INFLOWS	39,470,634	29,778,857	34,652,283	28,438,898
21	TOTAL HIGH QUALITY LIQUID ASSETS	-	-	60,813,146	42,159,807
22	TOTAL NET CASH OUTFLOWS	-	-	41,804,437	9,895,194
23	LIQUIDITY COVERAGE RATIO (%)	-	-	145.47	426.06

^(*) Basic arithmetic average calculated for the last three months of values calculated by taking the weekly basic arithmetic average.

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

VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Continued)

Liquidity Coverage Ratio (Continued)

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of 2022 are explained in the table below. According to “Regulation on Liquidity Coverage Ratio Calculation” published in the Official Gazette numbered 28948, dated March 21, 2014.

	Maximum	Week	Minimum	Week	Average
TRY+FC	186.37	07.10.2022	148.34	02.12.2022	167.50
FC	452.56	30.12.2022	360.30	11.11.2022	390.38

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 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 Republic of Türkiye Ministry of Treasury and Finance 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 Bank mainly consist of deposits which constitute 63% of total liabilities of the bank (December 31, 2021 – 61%) and also include repo, syndication, securitization, securities issued and other instruments including subordinated debts.

The 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 1-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.

Secured funding consists repo secured borrowing transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist of Sovereign Bonds issued by Republic of Türkiye Ministry of Treasury and Finance and transactions are carried out both in CBRT market and interbank market.

The 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 Bank are included in liquidity coverage ratio tables above.

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

VI. Explanations on Liquidity Risk Management and 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, Money 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⁾	3,281,486	7,386,811	-	-	-	-	(5,879)	10,662,418
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) ⁽⁴⁾	603,134	1,712,797	5,608,356	4,443,590	1,883,836	2,829,442	-	17,081,155
Money Markets Placements ⁽⁵⁾	-	4,427,376	4,040,604	-	-	-	(5,082)	8,462,898
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) ⁽⁶⁾	7,674	783,014	565,092	5,222,179	24,491,293	15,937,882	-	47,007,134
Loans and Receivables	-	74,018,497	49,088,923	118,050,268	79,548,732	22,654,964	1,595,814	344,957,198
Financial Assets Measured at Amortized Cost ⁽⁷⁾	-	-	401,790	6,903,067	32,103,048	22,555,400	-	61,943,267
Other Assets	-	6,329,890	-	-	732,626	-	10,051,414	17,113,930
Total Assets	57,955,686	135,132,784	59,704,765	134,619,104	138,759,535	63,977,688	11,605,614	601,755,176
Liabilities								
Bank Deposits	692,867	4,269,764	2,776,079	2,487,065	-	-	-	10,225,775
Other Deposits	125,803,712	147,617,093	96,999,607	13,024,560	612,778	508	-	384,058,258
Funds Borrowed	-	2,034,081	6,180,906	27,004,754	16,107,187	7,454,113	-	58,781,041
Money Market Borrowings	-	10,999,438	3,073,384	3,498,932	3,797,042	560,064	-	21,928,860
Securities Issued	-	4,617,401	7,211,923	3,008,301	13,102,081	-	-	27,939,706
Miscellaneous Payables	-	29,177,464	-	-	-	-	-	29,177,464
Other Liabilities ⁽⁸⁾	-	7,040,602	822,991	1,923,106	2,139,259	1,768,254	55,949,860	69,644,072
Total Liabilities	126,496,579	205,755,843	117,064,890	50,946,718	35,758,347	9,782,939	55,949,860	601,755,176
Liquidity Excess/(Gap)	(68,540,893)	(70,623,059)	(57,360,125)	83,672,386	103,001,188	54,194,749	(44,344,246)	-
Net Off Balance Sheet Position ⁽⁹⁾								
	-	1,451,298	6,050,828	4,699,451	2,600,912	37	-	14,802,526
Receivables from Financial Derivative Instruments	-	138,454,055	74,488,201	40,445,173	62,708,472	58,949,274	-	375,045,175
Liabilities from Derivatives	-	137,002,757	68,437,373	35,745,722	60,107,560	58,949,237	-	360,242,649
Non-cash Loans ⁽¹⁰⁾	-	3,167,528	7,830,151	27,464,272	9,713,322	922,518	16,131,398	65,229,189
Prior period								
Total Assets	39,224,327	88,742,875	25,302,117	70,336,053	98,901,913	39,857,688	9,004,268	371,369,241
Total Liabilities	96,056,009	131,401,672	35,575,893	44,551,007	17,792,932	15,463,180	30,528,548	371,369,241
Liquidity Excess/(Gap)	(56,831,682)	(42,658,797)	(10,273,776)	25,785,046	81,108,981	24,394,508	(21,524,280)	-
Net-Off Balance Sheet Position ⁽⁹⁾								
	-	(1,117,746)	(804,808)	1,549,989	1,906,623	27,793	-	1,561,851
Receivables from Derivative Instruments	-	42,825,059	26,557,248	14,206,270	41,032,444	32,234,801	-	156,855,822
Liabilities from Derivative Instruments	-	43,942,805	27,362,056	12,656,281	39,125,821	32,207,008	-	155,293,971
Non-cash Loans ⁽¹⁰⁾	-	2,300,899	3,178,517	14,234,830	4,524,946	565,055	8,343,292	33,147,539

- (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 "Unallocated" column. Unallocated other liabilities include shareholders' equity amounting to TRY 44,265,529 (December 31, 2021 : TRY 22,144,060), current tax liabilities amounting to TRY 2,766,075 (December 31, 2021: None) and unallocated provisions amounting to TRY 8,918,257 (December 31, 2021: TRY 1,567,815).
- (2) Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank includes expected loss provisions the amount of TRY 10,615 (December 31, 2021 TRY 7,083).
- (3) Banks include balance of expected loss provisions amounting to TRY 5,879 (December 31, 2021 TRY 3,670).
- (4) Financial Assets at Fair Value Through Profit/Loss include TRY 15,808,676 (December 31, 2021 TRY 18,644,431) derivative financial assets used for hedging purposes.
- (5) Receivables from Money Markets includes the balance of expected loss provisions amounting to TRY 5,082 (December 31, 2021 – None)
- (6) Financial Assets at Fair Value Through Other Comprehensive Income include TRY 6,868,484 (December 31, 2021 TRY 3,359,463) derivative financial assets used for hedging purposes.
- (7) Financial assets measured at amortized cost include TRY 20,038 (December 31, 2021 TRY 9,793) of expected loss provisions.
- (8) Other Liabilities include Derivative Financial Assets amounting to TRY 6,396,238 (December 31, 2021 TRY 12,452,428).
- (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.

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

VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Continued)

Analysis of financial liabilities by remaining contractual maturities

The table below shows the Bank's maturity distribution of certain financial liabilities other than derivatives. The tables below are prepared by considering the future cash flows expected on the earliest cash flow dates. The total interest that will be paid for these assets and liabilities is included in the table below.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total	Carrying Amount
Bank Deposits	692,867	4,280,270	2,804,405	2,592,937	-	-	10,370,479	10,225,775
Other Deposits	125,803,712	147,874,373	97,166,846	13,067,989	615,929	818	384,529,667	384,058,258
Payables to Money Market Funds from other Financial Institutions	-	18,628,996	7,909,114	3,708,061	426,168	23,505	30,695,844	21,928,860
Securities Issued	-	2,037,282	6,195,755	27,452,400	16,128,701	7,454,202	59,268,340	58,781,041
Noncash Loans ^(*)	16,131,398	4,643,044	8,285,198	3,598,147	13,925,187	-	30,451,576	27,939,706
		3,167,528	7,830,151	27,464,272	9,713,322	922,518	65,229,189	65,229,189
Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total	Carrying Amount
Bank Deposits	569,447	11,665,338	689,192	74,678	-	-	12,998,655	12,977,092
Other Deposits	95,486,562	85,280,953	26,951,157	6,183,110	415,350	532	214,317,664	213,946,127
Payables to Money Market Funds from other Financial Institutions	-	5,114,071	5,326,916	4,496,346	2,444,984	840,625	18,222,942	18,019,989
Securities Issued	-	1,281,237	369,259	17,129,954	1,655,452	18,832,165	39,268,067	38,884,482
Noncash Loans ^(*)	25,738,862	2,062,702	1,141,190	15,462,194	11,561,040	-	30,227,126	28,388,752
		1,534,846	5,201,610	10,822,178	3,857,735	337,993	47,493,224	47,493,224

^(*) 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 maturities of derivative financial 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 Buy ^(*)	9,936,299	5,574,106	6,532,312	287,757	-	22,330,474
Forward Contracts Sell ^(**)	(10,930,615)	(5,645,193)	(6,015,957)	(289,825)	-	(22,881,590)
Swap Contracts Buy ^(*)	121,017,044	28,135,907	27,216,419	62,353,367	58,949,272	297,672,009
Swap Contracts Sell ^(*)	(119,691,704)	(22,963,629)	(21,959,487)	(59,002,523)	(58,949,238)	(282,566,581)
Futures Buy	-	2,577,934	-	-	-	2,577,934
Futures Sell	-	(2,610,296)	-	-	-	(2,610,296)
Options Buy	13,589,634	38,879,754	6,696,442	67,348	-	59,233,178
Options Sell	(13,526,882)	(38,153,086)	(6,461,515)	(67,348)	-	(58,208,831)
Other	-	-	1,308,762	747,864	-	2,056,626
Total	393,776	5,795,497	7,316,976	4,096,640	34	17,602,923

^(*) This line also includes hedging purpose derivatives.

^(**) This line also includes Forward Asset Purchase Commitments accounted for under Commitments.

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Longer	Total
Forward Contracts Buy ^(*)	5,019,304	3,564,787	3,968,966	662,874	-	13,215,931
Forward Contracts Sell ^(**)	(5,237,730)	(3,745,098)	(4,477,040)	(632,360)	-	(14,092,228)
Swap Contracts Buy ^(*)	68,524,997	30,002,476	36,142,126	47,004,635	49,170,248	230,844,482
Swap Contracts Sell ^(*)	(70,121,146)	(27,673,411)	(32,522,342)	(40,020,399)	(49,170,212)	(219,507,510)
Futures Buy	-	361,004	18,906	-	-	379,910
Futures Sell	-	(368,665)	(15,436)	-	-	(384,101)
Options Buy	527,020	418,336	993,552	14,708	-	1,953,616
Options Sell	(595,686)	(426,748)	(888,633)	(14,708)	-	(1,925,775)
Other	-	-	-	1,427,525	-	1,427,525
Total	(1,883,241)	2,132,681	3,220,099	8,442,275	36	11,911,850

^(*) This line also includes hedging purpose derivatives.

^(**) This line also includes Forward Asset Purchase Commitments accounted for under Commitments.

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

VII. Explanations Regarding Leverage Ratio

Information in regards to the differences between current period and prior period leverage ratio

The Bank's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 5.97% (December 31, 2021: 5.96%). 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.

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 dated November 5, 2013 and numbered 28812 is below:

	Book Value	
	Current Period (*)	Prior Period (*)
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit (Assets deducted from capital stock)	564,542,488	319,780,825
	988,572	725,830
Total risk amount related to Assets on Balance sheet	563,553,916	319,054,995
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	23,234,025	19,899,502
Potential credit risk amount of derivative financial instruments and credit derivatives	7,924,670	1,898,270
Total risk amount related to derivative financial instruments and credit derivatives	31,158,695	21,797,772
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	362,571,207	191,895,841
(Adjustment amount sourcing from multiplying to credit conversion rates)	94,599,387	56,567,997
Total risk amount related to off-balance sheet transactions	267,971,820	135,327,844
Capital and Total Risk		
Core Capital	51,567,778	28,265,345
Amount of total risk	863,583,481	476,635,280
Financial leverage ratio		
Financial leverage ratio	5.97%	5.96%

(*) Amounts stated in table shows the last three months averages of related period.

VIII. Explanations Related to Presentation of 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 are determined through market rates. If market rates cannot be spotted, market rates of securities with similar interest, maturity and other characteristics are used instead.

Projected fair value of demand deposit represent the amount to be paid on demand. Fair value of floating rate placements and overnight deposits represents the book value. The estimated fair value of the deposits with fixed rates is determined by calculating discounted cash flows by using the market interest rates used for other liabilities with similar quality and maturities.

Banks the fair value of funds and of securities issued provided from other financial institutions, is determined based on discounted cash flows using the current market interest rates.

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

VIII. Explanations Related to Presentation of Financial Assets and Liabilities at Their Fair Value (Continued)

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	466,195,430	468,396,431
Money Market Placements	8,467,980	8,462,898
Due from Banks	10,668,297	10,662,418
Fair Value through Other Comprehensive Income (FVOCI)	40,138,650	40,138,650
Financial Assets Measured at Amortized Cost	61,963,305	71,112,732
Loans Granted	344,957,198	338,019,733
Financial Liabilities	532,111,104	534,016,116
Bank Deposits	10,225,775	10,228,398
Other Deposits	384,058,258	384,171,295
Funds from Other Financial Institutions	58,781,041	60,570,393
Payables to Money Market	21,928,860	21,928,860
Securities Issued	27,939,706	27,939,706
Other Debts	29,177,464	29,177,464
Prior Period	Book Value	Fair Value
Financial Assets	265,400,585	260,598,471
Money Market Placements	159,508	159,508
Due from Banks	15,120,404	15,116,734
Fair Value through Other Comprehensive Income (FVOCI)	19,641,086	19,641,086
Financial Assets Measured at Amortized Cost	29,856,976	30,900,013
Loans Granted	200,622,611	194,781,130
Financial Liabilities	330,136,323	330,132,840
Bank Deposits	12,977,092	12,982,717
Other Deposits	213,946,127	213,866,300
Funds from Other Financial Institutions	38,884,482	38,955,201
Payables to Money Market	18,019,989	18,019,989
Securities Issued	28,388,752	28,388,752
Other Debts	17,919,881	17,919,881

In accordance with “IFRS 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.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (market value);
- 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);
- Level 3: Inputs that are not observable for the asset and liability (Fair value calculations which are not observable).

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

VIII. Explanations Related to Presentation of 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	40,924,239	23,014,727	141,649	64,080,615
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	965,244	165,586	141,649	1,272,479
Financial Assets Measured at Fair Value through Other				
Comprehensive Income (FVOCI) (*)	39,958,995	171,981	-	40,130,976
Derivative Financial Assets	-	22,677,160	-	22,677,160
Financial Liabilities	30,387	6,365,851	-	6,396,238
Derivative Financial Liabilities	30,387	6,365,851	-	6,396,238

(*) The fair value difference does not include share balance amounting to TRY 7,674 which is included in financial assets at financial assets at cost and reflected to other comprehensive income.

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets	19,788,381	22,287,927	242,355	42,318,663
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) (*)	213,340	225,662	242,355	681,357
Financial Assets Measured at Fair Value through Other				
Comprehensive Income (FVOCI) (**)	19,575,041	58,371	-	19,633,412
Derivative Financial Assets	-	22,003,894	-	22,003,894
Financial Liabilities	2,159	12,450,269	-	12,452,428
Derivative Financial Liabilities	2,159	12,450,269	-	12,452,428

(*) The details of the balance are amounting to TRY 209,670 under Financial Assets at Fair Value Through Profit or Loss, which is disclosed in Note 6.b.2 of Section Five.

(**) The fair value difference does not include share balance amounting to TRY 7,674 which is included in financial assets at financial assets at cost and reflected to 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
<i>Accounted in the statement of profit or loss and other comprehensive income</i>	99,896	92,368
<i>Accounted in other comprehensive income</i>	-	-
Purchases and Transfers	9,069	23,181
Disposals	(209,670)	-
Matured Loans	-	-
Sales from Level 3	-	-
Closing Balance	141,649	242,355

IX. Explanations Related to Transactions Carried on Behalf of Others and Fiduciary Transactions

The Bank provides buying, selling and custody services and management and financial advisory services in the name of the third parties. Such transactions are followed under off-balance sheet accounts.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to Assets

1. a) Cash and balances with the Central Bank of Türkiye

	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
Other	168,850	3,330,960	103,735	279,831
Total	9,719,857	84,817,934	7,436,280	62,858,291

b) Balances with the Central Bank of Türkiye

	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 amount of TRY 10,615 (December 31, 2021: TRY 7,083) provision provided for the account T.R. Central Bank.

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 according to their maturities. 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

a) Information on financial assets at fair value through profit/loss given as collateral or blocked

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Given as Collateral/ Blocked	-	-	-	19,850
Subject to repurchase agreements	-	-	-	-
Total	-	-	-	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	4,694,578	2,272,253	7,657,503	1,729,687
Futures Transactions	-	514	-	-
Options	-	758,724	-	289,303
Total	5,152,209	3,031,491	8,031,019	2,018,990

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

3. a) Information on banks accounts

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks				
Domestic	2,874,204	133,353	822	1,203,335
Foreign	-	7,660,740	-	13,916,247
Foreign Head Offices and Branches	-	-	-	-
Total	2,874,204	7,794,093	822	15,119,582

As of December 31, 2022 amount of TRY 10,961 provision provided for the Bank account (December 31, 2021 – TRY 3,670).

b) Information on foreign bank accounts

	Unrestricted Amount		Restricted Amount (**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	1,479,052	1,240,635	132,836	7,478,485
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	3,144,649	6,434,518	4,516,091	7,481,729

(*) Includes 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 and Organizations	-	-	-	-
Other Institutions and Organization	-	-	-	-
Real Persons	-	-	-	-
Foreign Transactions	-	427,044	-	159,508
Central Banks	-	-	-	-
Banks	-	427,044	-	159,508
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Real Persons	-	-	-	-
Total	3,613,560	427,044	-	159,508

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to 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 that are subject to repurchase agreements and given as collateral/blocked

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Given as Collateral/Blocked	12,462,239	-	3,200,224	2,244,960
Subject to repurchase agreements	9,095	10,279,690	498,884	7,553,683
Total	12,471,334	10,279,690	3,699,108	9,798,643

b) Information on financial assets at fair value through other comprehensive income

	Current Period	Prior Period
Debt securities	41,939,468	20,978,048
Quoted on a stock exchange (*)	41,939,468	20,978,048
Unquoted on a stock exchange	-	-
Share certificates	7,781	7,781
Quoted on a stock exchange	-	-
Unquoted on a stock exchange	7,781	7,781
Impairment provision(-)**	(1,808,599)	(1,344,743)
Total	40,138,650	19,641,086

(*) 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 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 the advances given to the bank personnel.

b) Performing loans and loans under follow-up including 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 ^(*)		
		Loans and Receivables Not Subject to restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Non-specialized Loans	316,104,629	25,704,921	283,676	10,362,820
Enterprise Loans	21,781,739	225,055	-	-
Export Loans	30,084,021	570,691	-	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	8,967,129	660	-	-
Retail Loans	63,178,577	6,119,881	148,238	1,113,156
Credit Cards	56,905,369	7,364,784	-	519,526
Other	135,187,794	11,423,850	135,438	8,730,138
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	316,104,629	25,704,921	283,676	10,362,820

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

6. Information related to loans (Continued)

b) Performing loans and loans under follow-up including restructured or rescheduled loans, and other receivables (Continued)

b.1) Financial assets measured at amortized cost (Continued)

	Standard Loans	Loans Under Close Monitoring
Current Period		
Provision for 12 Month Expected Credit Losses	3,485,429	-
Significant Increase in Credit Risk	-	5,609,232
Prior Period		
Provision for 12 Month Expected Credit Losses	2,093,107	-
Significant Increase in Credit Risk	-	3,267,407

b.2) Loans measured at fair value through profit/loss

In the current period, the 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 Turkey Wealth Fund, and as a result of the collection made from the sale amount, the portion of the related loan corresponding to the Bank's share was closed. LYY's Türk Telekomünikasyon A.Ş. After the transfer of its shares to the Turkey Wealth Fund, the loan (TRY 353 million) was classified under the loans as loss, since it was no longer possible to make the principal and interest payments to our Bank, and the receivables, which were subsequently fully provisioned, were written off from the assets.

c) Loans measured at amortized cost and other receivables according to their maturity structure

	Standard Loans	Loans Under Close Monitoring	
		Loans Not Subject to Restructuring	Loans with Restructured Loans
Cash Loans			
Short-term Loans	162,341,735	7,364,784	519,526
Medium and Long-term Loans	153,762,894	18,340,137	10,126,970
Total	316,104,629	25,704,921	10,646,496

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

6. Information related to loans (Continued)

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	47,503,877	666,279	48,170,156
Installment	20,043,764	490,905	20,534,669
Non- Installment	27,460,113	175,374	27,635,487
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	62,310,421	56,673,904	118,984,325

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

6. Information related to loans (Continued)

e) Information on commercial loans with installments 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 to customers (*)

	Current Period	Prior Period
Public	4,285,525	127,577
Private	348,170,521	203,647,133
Total	352,456,046	203,774,710

(*) The table does not include non-performing loan amount.

g) Allocation of domestic and foreign loans (*)

	Current Period	Prior Period
Domestic Loans	350,600,485	202,117,091
Foreign Loans	1,855,561	1,657,619
Total	352,456,046	203,774,710

(*) The table does not include non-performing loan amount.

h) Loans granted to subsidiaries and associates

	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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

6. Information related to loans (Continued)

i) Specific provisions for loans (Stage III/Specific Provision)

	Current Period	Prior Period
Provisions		
Loans and Receivables with Limited Collectability	631,345	608,541
Doubtful Loans and Other Receivables	455,337	440,090
Uncollectible Loans and Receivables	6,342,431	5,711,998
Total	7,429,113	6,760,629

j) Non-performing loans (NPLs) (Net)

j.1) Non-performing loans and other receivables restructured or rescheduled

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period			
Gross Amounts Before the Provisions	46	9,865	393,631
Restructured Loans	46	9,865	393,631
Prior Period			
Gross Amounts Before the Provisions	580	592	191,581
Restructured Loans	580	592	191,581

j.2) Movement of total non-performing loans

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
Prior Period End Balance	1,098,553	716,284	7,154,207
Additions (+)	2,152,374	46,867	463,783
Transfers from Other Categories of Non-Performing Loans (+)	-	2,076,794	1,742,693
Transfers to Other Categories of Non-Performing Loans (-)	2,076,794	1,742,693	-
Collections (-)	299,513	460,870	1,484,820
Write-offs (-)	-	-	361,940
Debt Sales (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Others	-	-	-
Current Period End Balance	874,620	636,382	7,513,924
Provision (-)	631,345	455,337	6,342,431
Net Balances on Balance Sheet	243,275	181,045	1,171,493

j.3) Information on foreign currency non-performing loans and other receivables

None (December 31, 2021- None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

I. Explanations and Disclosures Related to 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 receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period (Net)	243,275	181,045	1,171,493
Loans to Real Persons and Legal Entities (Gross)	874,620	636,382	7,322,937
Provision (-)	631,345	455,337	6,151,444
Loans to Real Persons and Legal Entities (Net)	243,275	181,045	1,171,493
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	190,987
Provision (-)	-	-	190,987
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	490,012	276,194	1,442,209
Loans to Real Persons and Legal Entities (Gross)	1,098,553	716,284	7,009,968
Specific provision (-)	608,541	440,090	5,567,759
Loans to Real Persons and Legal Entities (Net)	490,012	276,194	1,442,209
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	144,239
Specific provision (-)	-	-	144,239
Other Loans and Receivables (Net)	-	-	-

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period (Net)			
Interest Accruals and Valuation Differences	120,510	56,583	1,257,336
Provision (-)	84,423	27,740	862,381
Prior Period (Net)			
Interest Accruals and Valuation Differences	199,336	86,316	1,195,269
Provision (-)	110,170	40,115	791,012

k) Liquidation policies 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 Bank prefers to liquidate the risk through negotiations with the debtors. If this cannot be possible, then the 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 on write-off policy

The Bank's general policy regarding the write-off of NPLs is explained in the section three under the footnote VIII.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

7. Information on Financial Assets Measured at Amortized Cost

a) Information on financial assets measured at amortized cost subject to repurchase agreements and provided 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 Debt Securities	-	367,824	-	254,975
Total	41,598,971	19,872,597	14,876,060	14,417,974

c) Information on investment 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 investments measured at amortized cost within the period

	Current Period	Prior Period
Value 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	5,543,888
Disposals through sales and redemptions	(10,005,623)	(2,609,710)
Provision for losses (-)	-	-
Valuation effect	22,925,197	1,761,272
The sum of end of the period	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.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

8. Investments in associates (Net)

8.1. Investments in associates

a) Information on the unconsolidated subsidiaries

Title	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
İhracatı Geliştirme A.Ş. (IGE) (***)	Istanbul/Türkiye	0,82	0,82

Total Assets	Shareholder's Equity	Total Fixed Assets(****)	Interest Income	Income on Securities Portfolio	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.

(***) İhracatı Geliştirme A.Ş. (IGE) has not disclosed the period information disclosed to the public yet, so no information can be given,

(****) Total fixed assets consist of tangible and intangible assets,

b) Information on the consolidated subsidiaries

None (December 31, 2021 – None).

8.2. 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	-
Purchases	-	-
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 (%)	-	-

8.3. Sectoral information on investments 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

8.4. Quoted Associates

None (December 31, 2021 - None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

8.5. 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

9. Investments in subsidiaries (Net)

a) Information on the unconsolidated subsidiaries

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. EFİNANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	Istanbul/Türkiye	100.00	100.00

	Total Assets	Shareholder's 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 subsidiaries

b.1) Information on the 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 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 ^(e)
1.	3,426,190	1,118,751	43,213	379,601	11,674	464,752	183,054	-
2.	16,857,633	1,636,292	31,358	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	-	-

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)**I. Explanations and Disclosures Related to Assets (Continued)****9. Investments in subsidiaries (Net) (Continued)****b) Information on the subsidiaries (Continued)****b.2) Movement of 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 Increase(**)	1,360,405	510,079
Impairment Provision	-	-
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 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

b.4) Consolidated subsidiaries quoted on 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

The Bank does not have any significant subsidiaries.

10. Information on joint ventures

Title	Address (City/Country)	Bank's Share-If different, Voting Rights		Bank's 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	Shareholder s' 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 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 presented as of November 30, 2022, and prior period profit and loss amounts are presented based on the financial statements prepared as of November 31, 2021.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

11. Information on lease receivables (Net)

None (December 31, 2021 – None).

12. Information on the hedging derivative financial assets

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Fair Value Hedge ^(*)	7,407,026	217,950	8,388,215	206,207
Cash Flow Hedge ^(**)	4,830,851	2,037,633	3,214,981	144,482
Foreign Net Investment Hedges	-	-	-	-
Total	12,237,877	2,255,583	11,603,196	350,689

^(*) Derivative financial instruments for fair value hedging consist of swaps. As of December 31, 2022, TRY 7,407,026 (December 31, 2021 - TRY 8,388,215) from loans, TRY 217,950 (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 206,207).

^(**) Represents the fair value of derivative financial instruments for cash flow hedge of deposits and floating interest borrowings.

13. Explanations regarding the investment properties

Prior Year End	Land and	Fixed Assets		Other	Total
	Buildings	from Finance	Vehicles	Tangible	
Cost	3,241,694	292,940	169,259	2,325,817	6,029,710
Accumulated Depreciation(-)	543,274	252,290	40,987	1,533,026	2,369,577
Net Book Value	2,698,420	40,650	128,272	792,791	3,660,133
Current Year End					
Cost at the Beginning of the Period	3,241,694	292,940	169,259	2,325,817	6,029,710
Additions ^(*)	851,814	-	195,567	1,022,139	2,069,520
Disposals (-)	481,953	6,830	38,312	46,094	573,189
Impairment (-)/(increase)	-	-	-	-	-
Current Period Cost	3,611,555	286,110	326,514	3,301,862	7,526,041
Accumulated Depreciation at the Beginning of the Period	543,274	252,290	40,987	1,533,026	2,369,577
Disposals (-)	84,863	2,312	24,094	45,499	156,768
Depreciation Amount	264,108	2,634	39,898	277,125	583,765
Current Period Accumulated Depreciation (-)	722,519	252,612	56,791	1,764,652	2,796,574
Net Book Value-end of the Period	2,889,036	33,498	269,723	1,537,210	4,729,467

^(*) As stated in footnote in Section III – Part 4, fair value exchange difference income amortized at an amount of TRY 27,685 belonging to immovable property subjected to fair value hedge accounting by the Bank is shown on “Additions” line in Property, Plant and Equipment movement statement.

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 changes in the fair values of real estates determined by licensed real estate valuation companies (December 31, 2021 – TRY 3,972 impairment provision).

b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting 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).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

14. Explanations on intangible assets

	Intangible Rights	Goodwill	Total
Prior Period End			
Cost	1,854,828	-	1,854,828
Accumulated Amortization (-)	1,226,155	-	1,226,155
Net Book Value	628,673	-	628,673
Current Period End			
Cost at the Beginning of the Period	1,854,828	-	1,854,828
Additions	632,465	-	632,465
Disposals(-)	350	-	350
Impairment (-)/(increase)	-	-	-
Current Period Cost	2,486,943	-	2,486,943
Accumulated Amortization at the Beginning of the Period	1,226,155	-	1,226,155
Disposals(-)	-	-	-
Amortization Charge (-)	232,239	-	232,239
Current Period Accumulated Amortization (-)	1,458,394	-	1,458,394
Net Book Value-End of the Period	1,028,549	-	1,028,549

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 in the statement of profit or loss and other comprehensive income within the period if any

Amount of research expenses recorded in the statement of profit or loss and other comprehensive income within the current period TRY 41,354 (December 31, 2021 – TRY 15,734).Information

h) Positive or negative consolidation goodwill on entity basis

None (December 31, 2021 – None)

i) Information on goodwill

None (December 31, 2021 – None)

j) Movements on goodwill in the current period

None (December 31, 2021 – None)

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

15. Information on assets held for sale and discontinued operations

None (December 31, 2021 – None).

16. Information on Tax Asset

As of December 31, 2022, the Bank has TRY 354,327 deferred tax asset calculated under the related regulations.

Deferred tax assets and liabilities are reflected to the financial statements by netting off according to TAS 12. As of December 31, 2022, the Bank has deferred tax assets amounting to TRY 5,087,871 and deferred tax liabilities amounting to TRY 4,733,544 which arise between the carrying amount of the assets and liabilities in the balance sheet and the tax bases determined in accordance with tax legislation and calculated over the amounts to be taken into account in the calculation of financial profit/the tax liability is netted and recorded in the records.

Deferred tax is offset against deferred tax assets or liabilities, if the differences between the carrying amount and the fair value of the related assets are related to the equity account group. The deferred tax liability amounting to TRY 1,441,135 has been netted under equity (December 31, 2021 – TRY 255,491 deferred tax asset).

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Provision for Employee Rights	2,461,958	977,114	615,489	195,423
Difference Between the Book Value of Financial Assets and Tax Base	6,007,056	4,139,112	1,501,764	827,822
Other (*)	11,882,471	7,941,900	2,970,618	1,588,380
Deferred Tax Assets			5,087,871	2,611,625
Difference Between the Book Value Financial Assets and Tax Base	(742,422)	(446,957)	(185,605)	(89,391)
Difference Between the Book Value of Financial Assets and Tax Base	(17,347,120)	(10,772,225)	(4,336,781)	(2,154,445)
Deferred Tax Liabilities			(4,733,544)	(2,477,733)
Deferred Tax Assets/(Liabilities), Net			354,327	133,892

(*) Includes expected loss provision and accumulated temporary differences for other provisions.

	Current Period 01.01-31.12.2022	Prior Period 01.01-31.12.2021
Deferred Tax as of January 1 Active/Passive – Net	133,892	931,700
Deferred Tax (Loss)/Gain	1,661,570)	(1,053,299)
Deferred Tax that is Realized Under Shareholder's Equity	(1,441,135)	255,491
Deferred Tax Active/(Passive) – Net	354,327	133,892

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, Türk Telekomünikasyon A.Ş., owned by LYY A.Ş. 192,500,000,000 Group A registered shares representing 55% of its capital were sold to the Turkey Wealth Fund.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

18. Information on other assets

Other assets item of the balance sheet does not exceed 10% of the balance sheet total excluding off balance sheet commitments.

As of December 31, 2022, the Bank is provided provisions for other assets to TRY 13,215 (December 31, 2021 – TRY 8,503).

19. 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 Instruments	17,390,086	5,287,074	19,634,215	2,369,679
Loans	6,448,570	1,969,786	4,138,138	1,172,015
Financial Assets at Fair Value Through Other Comprehensive Income	6,046,279	(1,750,115)	280,503	(984,469)
Financial Assets measured at amortized cost	6,876,724	224,043	858,545	241,641
Central Bank of Türkiye	-	-	143,453	-
Financial Assets at Fair Value Through Profit or Loss	10,624	3,697	-	10
Banks	23,280	-	3,139	81
Other Accruals	38,319	18,593	37,658	1,835
Total	36,833,882	5,753,078	25,095,651	2,800,792

II. Explanations and Disclosures Related to Liabilities

1. Information on maturity structure of deposits

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
Foreign Currency	71,193,484	-	13,817,078	22,158,132	14,478,140	2,823,557	2,297,663	4,903	126,772,957
Residents in Türkiye.	66,386,181	-	13,346,753	21,291,812	13,872,696	2,277,577	1,395,762	4,903	118,575,684
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	14,618,809	-	20,438,661	14,995,790	15,036,159	5,678,716	3,316,340	-	74,084,475
Other Ins. Deposits	141,156	-	359,956	1,380,266	347,147	239,893	43	-	2,468,461
Precious Metal Deposit	21,420,687	-	-	22,269	14,806	25,226	676,418	-	22,159,406
Bank Deposits	692,867	-	3,762,398	3,163,722	810,537	1,796,251	-	-	10,225,775
T.R Central Bank.	-	-	-	-	-	-	-	-	-
Domestic Banks	10,889	-	433,921	-	-	-	-	-	444,810
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	126,496,579	-	66,885,092	71,931,112	107,487,221	13,091,848	8,386,005	6,176	394,284,033

(*) As of December 31, 2022, the balance of savings deposits includes the amount of TRY 15,313,257 Treasury Currency Protected Deposits and TRY 82,014,820 CBRT Currency Protected Deposits.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

II. Explanations and Disclosures Related to Liabilities (Continued)

1. Information on maturity structure of deposits (Continued)

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	1,033	48,936,881
Foreign Currency	61,149,298	-	11,342,735	35,233,030	9,175,765	2,243,798	2,530,106	5,290	121,680,022
Residents in Türkiye	58,663,884	-	11,108,157	34,389,617	8,755,156	2,140,704	1,566,486	5,290	116,629,294
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	5,082,550	-	8,014,924	7,118,381	51,125	12,203	15,122	-	20,294,305
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	74,417	-	-	-	12,977,092
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	74,417	-	-	-	4,128,861
Participation Banks	4,470	-	-	-	-	-	-	-	4,470
Other	-	-	-	-	-	-	-	-	-
Total	96,056,009	-	45,163,908	65,960,241	12,203,754	2,731,748	4,801,236	6,323	226,923,219

(*) As of December 31, 2021, the balance of savings deposits includes the amount of TRY 2,442,291 Treasury Currency Protected Deposits and TRY 14,112 CBRT Currency Protected Deposits.

1.1. Information on savings deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit (*)

	Covered by Deposit Insurance Fund		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	55,175,424	23,295,512	102,773,320	25,641,369
Foreign Currency Savings Deposits	29,307,602	23,322,540	73,942,069	74,161,488
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	84,483,026	46,618,052	176,715,389	99,802,857

(*) With the amendment of the Regulation 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 numbered 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.

1.2. Savings deposits in Türkiye are not covered under insurance in another country since the headquarter of the Bank is not located abroad.

1.3. Savings deposits that are not covered under the guarantee of 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 282 nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004	-	-
Saving deposits in banks established in Türkiye exclusively for off-shore banking activities	-	-
Total	524,967	413,161

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

II. Explanations and Disclosures Related to Liabilities (Continued)

2. Information on trading derivative financial liabilities

Negative differences table for derivative financial liabilities held for trading

	Current Period ^(*)		Prior Period	
	TRY	FC	TRY	FC
Forwards transactions	421,525	-	1,622,423	-
Swaps transactions	2,556,751	2,100,139	7,358,117	1,735,075
Futures transactions	-	-	-	-
Options	30,387	483,367	2,159	67,196
Other	-	-	-	-
Total	3,008,663	2,583,506	8,982,699	1,802,271

^(*) Derivative financial liabilities held for trading in the current period are shown on the financial statement in 7.1 Derivative Financial Liabilities line.

3. Information on funds borrowed

a) Information on banks and other financial institutions

	Current Period		Prior Period	
	TRY	FC	TRY	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Bank and Institutions	361,183	493,523	526,513	366,330
Foreign Bank, Institutions and Funds	-	40,798,611	-	26,139,075
Total	361,183	41,292,134	526,513	26,505,405

b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-Term	361,183	15,378,977	526,513	2,679,024
Medium and Long-Term	-	25,913,157	-	23,826,381
Total	361,183	41,292,134	526,513	26,505,405

The Bank's fund sources include deposits, funds borrowed, securities issued and money market borrowings. Deposit is the most significant fund source of the 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 Bank.

c) Additional information on concentrations of the Bank's liabilities

As of December 31, 2022 the Bank's liabilities comprise; 66% deposits (December 31, 2021 – 61%), 7% funds borrowed (December 31, 2021 – 7%), 5% issued bonds (December 31, 2021 – 8%) and 4% Money Market Debts (December 31, 2021 – 5%).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

II. Explanations and Disclosures Related to Liabilities (Continued)

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From domestic transactions	16,101	-	1,891,193	-
Financial institutions and organizations	116	-	1,878,568	-
Other institutions and organizations	8,772	-	5,798	-
Real persons	7,213	-	6,827	-
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	195,056	21,733,804	2,302,812	15,717,177

5. Information on securities issued (Net)

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Bank Bonds	4,655,384	5,911,335	4,609,660	2,154,632
Bills	-	17,372,987	-	21,624,460
Total	4,655,384	23,284,322	4,609,660	23,779,092

The 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. If other liabilities account exceeds 10% of total liabilities excluding the off-balance sheet items, information given about components of other liabilities account that exceeds 20% of the individual liability item in the unconsolidated balance sheet

Other liabilities do 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 flow of the Bank are the main criteria which are taken into consideration determination of payment plans in the leasing contracts.

7.1. 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. Explanations on financial lease liabilities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	23,018	19,258	25,058	20,008
Between 1 - 4 years	865,856	726,060	591,125	472,681
More than 4 years	-	-	-	-
Total	888,874	745,318	616,183	492,689

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

II. Explanations and Disclosures Related to 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. Information and footnotes on operational lease

The 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.

7.4. Information on “Sale -and- lease back” agreements

The Bank does non sale-and-lease back transactions in the current period (December 31, 2021 None).

8. Information on liabilities arising from hedging purpose derivatives

	Current Period ^(***)		Prior Period	
	TRY	FC	TRY	FC
Fair Value Hedge ^(*)	-	358,681	-	821,225
Cash Flow Hedge ^(**)	-	445,388	177,316	668,917
Net Investment Hedge	-	-	-	-
Total	-	804,069	177,316	1,490,142

^(*) Derivative financial instruments for fair value hedge purposes consist of swaps. As of December 31, 2022, TRY 136,028 from securities (December 31, 2021 – TRY 821,225), TRY 222,653 of marketable securities issued represents the fair value of the derivative financial instruments used in the fair value hedging transaction.

^(**) It represents the fair value of deposits, floating rate loans extended as FC and derivative financial instruments for cash flow hedging of floating rate borrowings.

^(***) Derivative financial liabilities for the fair value hedge purposes in the period are presented in line 7.1 of the financial statements and financial liabilities for the purpose of cash flow hedges are shown in line 7.2.

9. Information on provisions

9.1. Provision for currency exchange gain/loss on foreign currency 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 provision for non-cash

	Current Period	Prior Period
Stage 1	544,980	185,947
Stage 2	24,102	13,332
Stage 3	55,641	54,581
Total	624,723	253,860

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

II. Explanations and Disclosures Related to Liabilities (Continued)

9. Information on provisions (Continued)

9.3. Information on employee termination benefits

The Bank calculated the provision for employee benefits using the actuarial valuation method specified in TAS 19 and reflected it in its financial statements.

As of December 31, 2022 the Bank presented the provision for severance pay of TRY 1,145,986 (December 31, 2021 -TRY 469,457) under the “Reserves for Employee Benefits” item in its financial statements.

As of December 31, 2022, the Bank has shown a total vacation liability of TRY 137,977 (December 31, 2021 - TRY 63,893) under the “Reserves for Employee Benefits” in its financial statements.

As of December 31, 2022 TRY 1,177,995 (December 31, 2021 – TRY 443,764) provision for salaries, bonuses and premiums to be paid to the personnel has been presented under the “Reserve 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	469,457	282,700
Service Cost	54,738	33,948
Interest Cost	84,527	36,104
Settlement/curtailment/termination loss	22,816	21,015
Actuarial Difference	578,606	133,776
Paid during the period	(64,158)	(38,086)
Total	1,145,986	469,457

9.4. Information on other provisions

Except for those stated in footnote 9.3 above, other provisions amounting to TRY 431,576 (December 31, 2021 - TRY 336,841) includes provisions for lawsuits and tax lawsuits against the Bank. The Bank has benefited from the relevant articles of the Law No. 7326 regarding various ongoing tax lawsuits.

In the unconsolidated 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 Bank.

10. Explanations on taxation

10.1. Informations on current taxes

10.1.1. Informations on current tax liability

As of December 31, 2022, the Bank has current tax liability amounting to TRY 2,766,075 (December 31, 2021 – None). As of December 31, 2022, the Bank’s prepaid tax is amounting to TRY 3,730 (December 31, 2021 – TRY 2,040).

10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	2,766,075	-
Banking and Insurance Transaction Tax (BITT)	371,255	214,142
Taxation on Securities Income	97,627	75,403
Taxation on Real Estates Income	4,333	2,958
Other	151,973	61,269
Total	3,391,263	353,772

The “Corporate Taxes Payable” balance is presented in the “Current Tax Liability” account and other taxes are presented in the “Other Liabilities” account in the accompanying unconsolidated financial statements.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

II. Explanations and Disclosures Related to Liabilities (Continued)

10. Explanations on taxation (Continued)

10.1. Informations on current taxes (Continued)

10.1.3. Information on premiums

	Current Period	Prior Period
Social Security Premiums - Employee Share	48,021	14,388
Social Security Premiums - Employer Share	55,190	16,586
Unemployment Insurance - Employee Share	3,375	1,012
Unemployment Insurance - Employer Share	6,752	2,024
Total	113,338	34,010

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
To be included in the calculation of additional capital	-	9,826,193	-	6,816,673
Subordinated Loans	-	9,826,193	-	6,816,673
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	-	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. Paid-in capital

	Current Period	Prior Period
Common Stock	3,350,000	3,350,000
Preferred Stock	-	-

13.2. Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank; if so the amount of registered share capital

Capital System	Paid-in Capital	Ceiling
Registered Capital System	3,350,000	20,000,000

13.3. Information on share capital increases and their sources; other information on any increase in capital shares during the current period

None (December 31, 2021 – None).

13.4. Information on share capital increases from revaluation funds

None (December 31, 2021 – None).

13.5. Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments

The Bank does not have any capital commitments, all of the capital is fully paid-in.

13.6. Prior periods' indicators related with the Bank's income, profit and liquidity and the possible effects of the uncertainties in these indicators on the Bank's equity

None (December 31, 2021 – None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

II. Explanations and Disclosures Related to Liabilities (Continued)

13. Information on shareholder's equity (Continued)

13.7. Information on the privileges given to stocks representing the capital

None (December 31, 2021 – None).

14. Common stock issue premiums

	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	-	-
Other Capital Instruments	-	-

(*) Due to the Bank's capital increase at the prior periods, common stock issue premium accounted amounting to TRY 714.

15. Securities value increase fund

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Associates, Subsidiaries and Entities under Common Control	-	-	-	-
Valuation Difference	-	-	-	-
Foreign Exchange Rate Difference	-	-	-	-
Securities Measured at Fair Value Through Other Comprehensive Income (FVOCI)	3,697,815	(1,846,032)	371,814	(1,955,341)
Valuation Difference	3,697,815	(1,846,032)	371,814	(1,955,341)
Foreign Exchange Rate Difference	-	-	-	-
Total	3,697,815	(1,846,032)	371,814	(1,955,341)

16. Accrued interest and expenses

The details of interest and expense accruals and discounts 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	3,387,575	9,160,015	3,292,413
Deposits	2,984,346	250,152	347,788	61,807
Funds Borrowed	17,494	416,789	20,185	125,790
Money Market Borrowings	2,767	139,542	10,311	52,057
Securities Issued	-	400,290	17,839	436,439
Other Accruals	1,273,478	368,615	416,526	291,202
Total	7,286,748	4,962,963	9,972,664	4,259,708

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

III. Explanations and Disclosures Related to Off-Balance Sheet Items

1. Information related to off-balance sheet contingencies

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
Forward, Asset Purchase Commitments	14,849,695	3,966,054
Other Irrevocable Commitments	17,048,935	3,181,145
Payment Commitments for Cheques	3,895,823	2,885,779
Commitments for Promotions Related with Credit Cards and Banking	109,533	71,498
Tax and Fund Liabilities due to Export Commitments	118,666	29,314
Total	195,296,699	87,711,289

1.2. Type and amount of possible losses and commitments 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. Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Bank Loans	13,724,618	8,707,676
Letters of Credit	5,848,676	8,268,187
Total	19,573,294	16,975,863

1.4. Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Final Letters of Guarantee	17,059,240	11,143,617
Advance Letters of Guarantee	7,239,998	4,679,152
Provisional Letters of Guarantee	1,327,806	989,132
Letters of Guarantee Given to Customs Offices	1,073,138	686,818
Other Letters of Guarantee	18,955,713	13,018,642
Total	45,655,895	30,517,361

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	7,519,250	5,864,322
Less Than or Equal to One Year with Original Maturity	578,172	1,113,508
More Than One Year with Original Maturity	6,941,078	4,750,814
Other Non-Cash Loans	57,709,939	41,628,902
Total	65,229,189	47,493,224

QNB FİNANSBANK ANONİM ŞİRKETİ

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

III. Explanations and Disclosures Related to Off-Balance Sheet Items (Continued)

3. Information on risk concentration in sector terms in non-cash loans

	Current Period				Prior Period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	165,630	0.56	596	0.0	64,146	0.49	187,880	0.55
Farming and Raising Livestock	79,656	0.27	596	0.0	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	33.88	18,219,721	51.27	2,694,667	20.47	16,869,155	49.14
Mining and Quarrying	161,862	0.55	33,296	0.09	60,835	0.46	54,775	0.16
Production	9,498,871	31.99	17,910,743	50.40	2,419,032	18.38	16,439,294	47.88
Electricity, gas and water	397,961	1.34	275,682	0.78	214,800	1.63	375,086	1.09
Construction	6,222,108	20.96	6,167,027	17.35	3,711,216	28.20	5,393,318	15.71
Services	12,797,899	43.10	10,669,011	30.02	6,341,918	48.19	11,592,111	33.76
Wholesale and Retail Trade	8,726,222	29.39	4,304,979	12.11	4,009,451	30.46	3,844,435	11.20
Hotel, Food and Beverage	609,706	2.05	1,135,063	3.19	-	-	-	-
Services	713,008	2.40	842,222	2.37	149,130	1.13	1,224,499	3.57
Transportation&Communication	-	-	-	-	560,897	4.26	332,004	0.97
Financial Institutions	1,614,311	5.44	3,808,729	10.72	988,705	7.51	5,811,220	16.93
Real Estate and Renting	89,435	0.30	20,669	0.06	-	-	-	-
Services	-	-	-	-	27,266	0.21	16,753	0.05
Self Employment Services	583,415	1.96	417,290	1.17	296,136	2.25	262,665	0.77
Educational Services	31,168	0.10	-	-	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	446,739	1.50	481,764	1.36	349,260	2.65	289,553	0.84
Total	29,691,070	100.00	35,538,119	100.00	13,161,207	100.00	34,332,017	100.00

4. Information on non-cash loans classified in first and second groups

	I. Group		II. Group	
	TRY	FC	TRY	FC
Current Period (*)				
Letters of Guarantee	25,201,036	19,889,615	367,838	141,765
Bills 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	29,209,406	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.

	I. Group		II. Group	
	TRY	FC	TRY	FC
Prior Period (*)				
Letters of Guarantee	12,812,490	17,387,175	158,679	104,436
Bills 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	12,947,947	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.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

III. Explanations and Disclosures Related to 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)	440,112,742	232,868,961
Forward transactions ^(*)	45,212,064	27,308,158
Swap transactions	275,840,461	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)	601,960,524	368,806,724
Types of hedging transactions		
Fair value hedges	41,217,628	47,936,722
Cash flow hedges	106,959,367	66,987,631
Net investment hedges	-	-
B.Total Hedging Related Derivatives	148,176,995	114,924,353
Total Derivative Transactions (A+B)	750,137,519	483,731,077

^(*) This line also includes Forward Asset Purchase Commitments accounted for under Commitments.

Breakdown of the 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	30,998,215	95,111,438	45,910,391	12,799,328	-	825,285	-
USD	3,300,933	17,975,259	211,928,771	114,947,182	11,634,673	36,843,573	2,577,934	1,785,011	2,056,626
Euro	4,944,415	2,287,495	26,712,416	72,128,001	1,684,385	7,378,288	-	-	-
Other	369,698	1,771,891	28,032,607	379,960	3,729	1,187,642	-	-	-
Total	22,330,474	22,881,590	297,672,009	282,566,581	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	6,855,300	1,540,982	17,376,629	61,314,860	821,817	405,775	361,015	15,423	-
USD	2,509,104	9,930,727	162,013,980	92,032,731	572,131	1,192,399	18,895	368,678	1,427,525
Euro	3,728,663	2,321,230	28,376,151	66,045,188	511,472	279,616	-	-	-
Other	122,863	299,289	23,077,722	114,731	48,196	47,985	-	-	-
Total	13,215,930	14,092,228	230,844,482	219,507,510	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.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

III. Explanations and Disclosures Related to Off-Balance Sheet Items (Continued)

5. Information on derivative financial instruments (Continued)

5.1. Fair value hedge accounting

a) Loans

The 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 the balance sheet date, the TRY installment loans amounting to TRY 2,113,014 (December 31, 2021 – TRY 7,277,481) were subject to hedge accounting by swaps with a nominal amount 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.

According to TAS 39, fair value hedge accounting definitions, some of the fair value hedge accounting applications 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.

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

The Bank applies fair value hedge accounting through swaps in order to hedge long term fixed coupon foreign currency eurobonds in its portfolio against interest rate fluctuations. As of the balance sheet date, eurobonds with a nominal value 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 swaps of the same nominal value. On December 31, 2022, net market valuation difference loss of TRY 5,635, arising from, TRY 844,795 loss from aforementioned eurobonds (December 31, 2021 – TRY 131,060 gain) and TRY 839,160 gain from swaps (December 31, 2021 – TRY 130,504 loss), is shown under “Gains/Losses From Derivative Transactions” account in the financial statements.

The Bank does not have a TRY denominated government bond portfolio subject to fair value hedge accounting in the current period (December 31, 2021 - None).

c) Marketable Securities Issued

The Bank applies fair value hedge accounting using interest rate swaps in order to hedge against changes in interest rate with regard to fixed rated, FC denominated securities issued. As of the balance sheet date, bonds with a nominal value of USD 330 Million (December 31, 2021 - USD 730 Million) are subject to hedge accounting with the same nominal amount of swaps. As of December 31, 2022, a net market valuation difference gain of TRY 2,585, consisting of TRY 417,088 gain from the aforementioned securities (December 31, 2021 – TRY 76,228 gain) and TRY 414,503 loss from swaps (December 31, 2021 – TRY 75,193 loss), is shown under “Gains/Losses From Derivative Transactions” account in the financial statements.

5.2. Cash flow hedge accounting

a) Floating Rate Loans

The Bank subjects a certain portion of its floating rate TRY loans to cash flow hedge accounting using interest swaps in order to hedge against changes in market interest rates. The Bank applies efficiency tests for hedge accounting at every balance sheet date, the active parts are accounted under equity in the "Hedge Funds" account line in the financial statements as defined in TAS 39, and the amount related to the ineffective part is associated with the profit or loss.

As of the balance sheet date, swaps with a nominal amount of USD 525 million (December 31, 2021 - of USD 675 million) have been subject to hedging accounting as hedging instruments and as a result of the mentioned hedge accounting, fair value loss before tax amounting to TRY 572,313 (December 31, 2021 – TRY 91,416 gain) has been recognized under equity in the current period. There is no ineffective portion in the mentioned hedge accounting transaction. The loss amounting to TRY 4 related to the ineffective part is associated with the profit or loss statement (December 31, 2021 – None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

III. Explanations and Disclosures Related to Off-Balance Sheet Items (Continued)

5. Information on derivative financial instruments (Continued)

5.2. Cash flow hedge accounting (Continued)

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 gain amounting to TRY 75 related to the ineffective part is associated with the profit or loss statement (December 31, 2021 – None).

b) Deposit

The 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 until 3 months, the Bank implements cash flow hedge accounting with interest rate swaps. The 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.)

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 for 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) related to the ineffective portion is associated with the statement of profit or loss and other comprehensive income.

c) Floating Rate Liabilities

The Bank applies cash flow hedge accounting using interest rate swaps in order to hedge its subordinated loans which have floating interest payment. The 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 USD 423 million are subject to hedge accounting as hedging instruments (December 31, 2021 – USD 454 million). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TRY 423,088 are accounted for under equity during the current period (December 31, 2021 – TRY 48,015 gain). There is no ineffective portion in the mentioned hedge accounting transaction.

On the other hand, accounting application is terminated when cash flow hedge accounting is not effectively maintained as defined in TAS 39. According to this; The valuation effects classified under equity due to hedge accounting are reflected in the statement of profit or loss and other comprehensive income throughout the life of the item subject to hedge accounting. Due to hedge accounting practices terminated in the current year, a loss amounting to TRY 39,964 (December 31, 2021 – TRY 39,561) 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.

The measurements as of December 31, 2022, hedge of cash flow transactions stated above are determined as effective.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)**III. Explanations and Disclosures Related to Off-Balance Sheet Items (Continued)****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 Assets” 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 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.

8. Information on the services in the name and account of third parties

The 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 Bank’s rating by international rating institutions

MOODY’s August 2022		FITCH July 2022	
Long-Term Deposit Rating (FC)	B3	Long -Term Issuer Default Rating(FC)	B- (Negative)
Long-Term Deposit Rating (TRY)	B1	Short-Term Issuer Default Rating(FC)	B
Short-Term Deposit Rating (FC)	NP	Long-Term Issuer Default Rating(TRY)	B (Negative)
Short-Term Deposit Rating (TRY)	NP	Short-Term Issuer Default Rating(TRY)	B
Main Credit Evaluation	b3	Long-Term National Appearance	AA(tur) (Stable)
Adjusted Main Credit Evaluation	b1	Support	b-
Appearance	Stable	Financial Capacity Rating	b-
Long-Term Foreign Currency Denominated Debt Rating(FC)	B3		

IV. Explanations and Disclosures Related to the Statement of Profit or Loss and Other Comprehensive Income**1. a) Information on interest income received from loans**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-Term Loans	18,054,403	1,625,933	8,282,448	625,051
Medium and Long-Term Loans	16,185,212	4,445,863	8,424,462	2,482,182
Non-Performing Loans	636,433	-	454,420	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total ^(*)	34,876,048	6,071,796	17,161,330	3,107,233

^(*) Includes fee and commission income related to cash loans.

b) Information on interest income from banks

	Current Period		Prior Period	
	TRY	FC	TRY	FC
T.R. Central Bank ^(*)	-	-	-	-
Domestic Banks	12,634	276	27,701	49
Foreign Banks	1,170	282,581	2,964	15,252
Foreign Headquarters and Branches	-	-	-	-
Total	13,804	282,857	30,665	15,301

^(*) The interest income on Required Reserve amounting TRY 130,135 is not included into interest income on Banks (December 31, 2021: TRY 447,034).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

IV. Explanations and Disclosures Related to the Statement of Profit or Loss and Other Comprehensive Income (Continued)

c) Information on interest income from securities portfolio

	Current Period	
	TRY	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	72,996	7,521
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	4,941,239	708,897
Financial Assets Measured at Amortized Cost	15,751,314	1,095,653
Total	20,765,549	1,812,071
	Prior Period	
	TRY	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	18,970	3,102
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	1,360,494	538,984
Financial Assets Measured at Amortized Cost	2,194,177	632,341
Total	3,573,641	1,174,427

As stated in Section Three disclosure VII.2, the Bank has inflation indexed (CPI) government bonds in its Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) and Financial Assets Measured at Amortized Cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Republic of Türkiye Ministry of Treasury and Finance, 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 Received from Associates and Subsidiaries	498,138	159,672

2. a) Information on interest expense related to funds borrowed (*)

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	80,147	2,823,103	72,441	1,348,119
T.R. Central Bank	-	-	-	-
Domestic Banks	76,333	20,442	68,590	8,411
Foreign Banks	3,814	2,802,661	3,851	1,339,708
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	80,147	2,823,103	72,441	1,348,119

(*) Includes fee and commission expenses related to cash loans.

b) Information on interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	32,752	9,086

c) Information on interest expense paid to securities issued

As of December 31, 2022 interest paid to securities issued is TRY 2,314,161 (December 31, 2021 – TRY 1,523,672).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

IV. Explanations and Disclosures Related to the Statement of Profit or Loss and Other Comprehensive Income (Continued)

2. d) Information on maturity structure of interest expenses on deposits (Current Period)

Account	Time Deposits						Accumulated Deposit Account	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year		
Turkish Lira								
Bank Deposits	-	52,247	16,800	-	-	-	-	69,047
Saving Deposits	31	2,763,083	2,489,527	5,654,397	299,312	212,358	-	11,418,708
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	4,515,154	3,672,392	6,464,496	1,608,379	452,418	-	16,712,872
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	4,850,511	4,706,604	6,984,529	1,722,567	507,792	-	18,772,159

Information on maturity structure of interest expense on deposits (Prior Period)

Account	Time Deposits						Accumulated Deposit Account	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year		
Turkish Lira								
Bank Deposits	-	110,875	35	-	-	-	-	110,910
Saving Deposits	43	1,661,563	4,024,068	315,809	120,525	171,976	-	6,293,984
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	2,602,485	5,226,327	380,149	175,436	173,990	-	8,558,440
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	2,646,197	5,422,751	431,295	187,491	216,216	-	8,904,130

e) Information on interest expense on repurchase agreements

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest Expense on Repurchase Agreements ^(*)	1,901,143	404,695	1,100,733	149,522

^(*) Includes "Interest on Money Market Transactions"

f) Information on lease expenses

	Current Period	Prior Period
Leasing Expenses	100,886	62,259

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

IV. Explanations and Disclosures Related to the Statement Profit or Loss and Other Comprehensive Income (Continued)

2. g) Information on interest expense on factoring payables

None (December 31, 2021 – None).

3. Information on dividend income

	Current Period	Prior Period
From Financial Assets at Fair Value through Profit and Loss	1,674	518
From Financial Assets at Fair Value through Other Comprehensive Income	-	-
Other	13,274	-
Total	14,948	518

4. Information on trading gain/loss

	Current Period	Prior Period
Trading Gain	29,164,875	16,424,352
Gains on Capital Market Transactions	2,162,920	266,889
From Derivative Financial Instruments	12,738,881	6,955,385
Foreign Exchange Gains	14,263,074	9,202,078
Trading Loss (-)	28,648,491	19,997,190
Losses on Capital Market Transactions	685,150	116,514
From Derivative Financial Instruments	19,858,844	13,591,207
Foreign Exchange Losses	8,104,497	6,289,469
Net Trading Gain/Loss	516,384	(3,572,838)

5. Information on other operating income

The Bank recorded the current year collections from loans written off in the previous period, portfolio management fees and expense accrual cancelations in “Other Operating Income” account.

6. Provision for losses and other provision expenses

	Current Period	Prior Period
Expected Credit Loss	4,914,571	3,063,038
12 month expected credit loss (stage 1)	1,418,103	1,052,406
Significant increase in credit risk (stage 2)	2,097,585	585,098
Non-performing loans (stage 3)	1,398,883	1,425,534
Marketable Securities Impairment Expense	2,279	732
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	2,279	732
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other^(*)	5,933,517	177,687
Total	10,850,367	3,241,457

^(*) Includes free provision expense for possible risks amounting to TRY 5,400,000 allocated in the current period.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

IV. Explanations and Disclosures Related to the Statement of Profit or Loss and Other Comprehensive Income (Continued)

7. Information on other operating expenses

	Current Period	Prior Period
Reserve for Employee Termination Benefits (*)	97,922	52,981
Depreciation Expenses of Fixed Assets	583,765	464,083
Amortization Expenses of Intangible Assets	232,239	174,489
Other Operating Expenses	4,179,764	1,481,036
<i>Leasing Expenses Related to TFRS 16 Exemptions</i>	2,731	1,679
<i>Maintenance Expenses</i>	1,254,736	472,522
<i>Advertisement Expenses</i>	324,683	95,006
<i>Other Expenses</i>	2,597,614	911,829
Loss on Sales of Assets	61	838
Other	1,196,780	696,486
Total	6,290,531	2,869,913

(*) Includes in the Personnel Expenses item in the financial statement.

8. Fees for Services Obtained from 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. Information on profit/loss from continued and discontinued operations before taxes

For the period ended December 31, 2022 net interest income in income items amounting to TRY 37,396,258 (December 31, 2021 – TRY 12,352,709), net fees and commission income amounting to TRY 6,128,001 (December 31, 2021 – TRY 3,391,172) and other operating income amounting to TRY 309,762 (December 31, 2021 – TRY 469,343) constitute an important part of the income.

10. Explanations on tax provision for continued and discontinued operations

10.1. Current period taxation benefit or charge and deferred tax benefit or charge

As of December 31, 2022, the Bank has recorded tax charge TRY 8,720,618 (December 31, 2021 – TRY 8,528) and a deferred tax loss of TRY 1,697,992 (December 31, 2021 – TRY 2,035,516) and a deferred tax income of TRY 3,359,562 (December 31, 2021 – TRY 982,217) from its continuing operations.

10.2. Explanations on operating profit/loss after taxes

None (December 31, 2021 – None).

11. Explanations on net profit/(loss) from continued and discontinued operations

Net profit of the Bank from continued operations is TRY 17,223,766 (December 31, 2021 – TRY 3,928,114.)

12. Explanations on net income/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 Bank'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 Bank regarding the financial statement items on profit/loss

None.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

IV. Explanations and Disclosures Related to the Statement of Profit or Loss and Other Comprehensive Income (Continued)

- 12.3. There is no profit or loss attributable to minority shares.
- 12.4. There are no changes in the nature and amount of 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 Bank.

V. Explanations and Disclosures Related to Statement of Changes In Shareholder's Equity

1. Changes resulting from valuation of financial assets measured at fair value through other comprehensive income

Net increase of TRY 3,073,971 (December 31, 2021 – TRY 1,108,077 net decrease) after tax effect resulting from valuation of at financial assets measured at fair value through other comprehensive income is included in "accumulated other comprehensive income or loss reclassified through profit or loss" account under shareholders' equity.

2. Explanations on foreign exchange differences

None.

3. Explanations on dividend

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 year 2021 profit 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 (Turkish Commercial Code 466/1) at 5%	-
B - The First Dividend for Shareholders	-
C – Profit from Disposal of Associates	-
D- II. Legal Reserves	-
E- Gains on Real estate Sales 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.

3.3. Transfers to legal reserves

	Current Period	Prior Period
Amount Transferred to Reserved from Retained Earnings	-	-

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

V. Explanations And Disclosures Related To Statement Of Changes In Shareholder’s Equity (Continued)

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. None (December 31, 2021 - None).

VI. Explanations And Disclosures Related To Cash Flows Statement

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 12,419,100 (December 31, 2021- TRY 2,308,094) in “Operating profit before changes in operating assets and liabilities” consist of fees and commissions paid amounting to TRY 2,162,783 (December 31, 2021 – TRY 1,032,863), net trading income amounting to TRY 21,247,184 (December 31, 2021 – TRY 305,351 net trading income/loss) and other operating expenses amounting to TRY 6,665,301 (December 31, 2021 – TRY 1,557,970).

The “Other” item in the “change in other assets subject to banking activity” amounting to TRY 4,951,535 (December 31, 2021 – TRY 4,289,681) includes collaterals amounting to TRY 1,641,520 (December 31, 2021 – TRY 1,257,284) and other assets amounting to TRY 3,310,015 (December 31, 2021- TRY3,032,397).

“Other” item in the “Change in other liabilities of the field of banking” amounting to TRY 15,766,776 (December 31, 2021 – TRY 11,764,199) includes debts to money markets amounting to TRY 3,828,930 (December 31, 2021 – TRY 3,559,040), other liabilities amounting to TRY 8,592,268 (December 31, 2021 – TRY 9,744,499) and other capital reserves amounting to TRY 3,345,578 (December 31, 2021 – TRY 1,539,340).

“Other” item amounting to TRY 399,876 (December 31, 2021 – TRY 123,975) included in “Net cash flow from investment activities” includes increase in intangible assets.

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 – TRY4,346,096).

2. Information regarding the balances of cash and cash equivalents at the beginning of the period

	Prior 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	39,793,087
Balances with the T.R. Central Bank	25,120,140
Banks	14,656,385
Money Market Placements	159,508
Less: Accruals	(142,946)
Cash and Cash Equivalents	47,100,231

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

VI. Explanations And Disclosures Related To Cash Flows Statement (Continued)

3. Information regarding the balances of cash and cash equivalents at the end of the period

	Current 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	60,850,432
Balances with the T.R. Central Bank	42,132,406
Banks	10,272,810
Money Market Placements	8,467,980
Less: Accruals	(22,764)
Cash and Cash Equivalents	72,781,418

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 Bank's potential borrowings that can be used for ordinary 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 Bank's Risk Group

1. Information on the volume of transactions with the Bank's risk group, lending and deposits outstanding at period end and income and expenses in the current period

1.1. As of December 31, 2022, the Bank's risk group has deposits amounting to TRY 2,093,536 (December 31, 2021 – TRY 1,572,400), cash loans amounting to TRY 5,345,218 (December 31, 2021 – TRY 2,204,737) and non-cash loans amounting to TRY 153,692 (December 31, 2021 – TRY 85,277).

Current Period

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	2,202,964	25,118	-	55,271	1,773	4,888
Balance at the End of the Period	5,341,116	35,489	-	116,854	4,102	1,349
Interest and Commission Income	498,138	369	-	1,734	923	-

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

VII. Explanations and Disclosures Related to the Bank's Risk Group (Continued)

1. Information on the volume of transactions with the Bank's risk group, lending and deposits outstanding at period end and income and expenses in the current period (Continued)

Prior Period

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	1,256,220	22,598	2,500	45,878	631	5,212
Balance at the End of the Period	2,202,964	25,118	-	55,271	1,773	4,888
Interest and Commission Income (***)	159,672	24	-	267	872	-

(*) As described in the Article 49 of Banking Law No 5411.

(**) Includes the loans given to the Bank's indirect subsidiaries.

(***) Prior Period Balance Represents December 31, 2021 balance.

1.2. Information on deposits held by the Bank's risk group

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
Deposit						
Balance at the Beginning of the Period	1,046,640	284,875	-	-	525,760	293,470
Balance at the End of the Period	1,520,911	1,046,640	-	-	572,625	525,760
Interest on deposits (***)	32,752	9,086	-	-	22,015	23,218

(*) As described in the Article 49 of Banking Law No 5411.

(**) Includes the loans given to the Bank's indirect subsidiaries.

(***) Prior Period Balance Represents December 31, 2021 balance.

1.3. Information on forward and option agreements and similar agreements made with the Bank's risk group

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	1,473,687	1,506,342	-	-	-	-
End of the Period	747,471	1,473,687	-	-	-	-
Total Income/Loss (***)	(175,927)	38,790	-	(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.

(**) Includes the loans given to the Bank's indirect subsidiaries.

(***) Prior Period Balance Represents December 31, 2021 balance.

1.4. Information on benefits provided to top management

As of December 31, 2022, the total amount of remuneration and bonuses paid to top management of the Bank is TRY 263,296 (December 31, 2021 – TRY 203,352).

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
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SECTION SIX

OTHER EXPLANATIONS

I. Other Explanations Related to the 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 issuances of the Bank after the balance sheet date are as follows.

<u>Issue Date</u>	<u>Currency</u>	<u>Nominal</u>	<u>Due Date</u>
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 our Bank will benefit from the revaluation application.

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SECTION SEVEN

INDEPENDENT AUDITOR'S REPORT

I. Explanations on the Independent Auditor's Report

The unconsolidated 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, 2023 is presented preceding the unconsolidated financial statements.

II. Explanations and Notes Prepared by Independent Auditors

None (December 31, 2021 - None).

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