

# **QNB FİNANSBANK ANONİM ŞİRKETİ**

**UNCONSOLIDATED FINANCIAL STATEMENTS AND  
RELATED DISCLOSURES AT SEPTEMBER 30, 2023  
TOGETHER WITH AUDITOR'S INTERIM REVIEW  
REPORT**



## AUDITOR’S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

(Convenience translation of the independent auditor’s review report originally issued in Turkish, See Note I of Section Three)

To the General Assembly of QNB Finansbank Anonim Şirketi;

### *Introduction*

We have reviewed the unconsolidated balance sheet of QNB Finansbank Anonim Şirketi (“the Bank”) at 30 September 2023 and the related 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 and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the nine-month period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information 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 Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of Review*

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



#### *Basis for the Qualified Conclusion*

As explained in Section Five Part II 9.4 of Explanations and Notes to the Unconsolidated Financial Statements; the accompanying unconsolidated financial statements as of 30 September 2023 include a free provision amounting to TRY 5,400,000 thousand which was provided in prior year by the Bank management which is not within the requirements of BRSA Accounting and Financial Reporting Legislation.

#### *Qualified Conclusion*

Based on our review, except for the effects of the matter on the unconsolidated financial statements described in the basis for the qualified conclusion paragraph above, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial information do not present fairly in all material respects the unconsolidated financial position of QNB Finansbank A.Ş. at 30 September 2023 and its unconsolidated operations and its unconsolidated cash flows for the nine-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

#### *Report on other regulatory requirements arising from legislation*

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section Seven, is not consistent with the reviewed unconsolidated financial statements and disclosures in all material respects.

#### *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 30 September 2023. 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, 26 October 2023

**THE UNCONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş.  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

The Bank's;  
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Phone number : (0 212) 318 50 00  
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E-mail address : [investor.relations@qnbfinansbank.com](mailto:investor.relations@qnbfinansbank.com)

The unconsolidated financial report for the nine months period 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
- INTERIM REVIEW REPORT
- INTERIM ACTIVITY REPORT

The accompanying unconsolidated financial statements and related disclosures and footnotes for the first 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

**Saleh Nofal**  
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  
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**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

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

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**SECTION ONE  
GENERAL INFORMATION**

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

It was established in Istanbul on October 26, 1987 under the title of QNB Finansbank Anonim Şirketi ("Bank") in accordance with the provisions of the Banking Law and the Turkish Commercial Code published in the Turkish Trade Registry Gazette No. 1857 dated September 25, 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 20, 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.

Cigna Finans Emeklilik ve Hayat A.Ş. (Cigna Finans Emeklilik) as of June 2, 2023, its brand name has been changed to QNB Sigorta and its trade name has been changed to QNB Sağlık Hayat Sigorta ve Emeklilik A.Ş.

99.88% of shares of QNB Finansbank A.Ş. are controlled by Qatar National Bank as of September 30, 2023 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 28 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.

## QNB FİNANSBANK ANONİM ŞİRKETİ

### NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

(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
Saleh Nofal	Board Member and Chairman of the Audit Committee	March 30, 2023	Graduate
Ramzi T. A. Mari	Board Member and Audit Committee Member	June 16, 2016	Masters
Dr. Fatma Abdulla S.S. Al-Suwaidi	Board Member	June 16, 2016	PhD
Dr. 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
Yeşim Güra	Board Member	March 30, 2023	Masters
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	Masters
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 Kurtoglu	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	Masters
Cenk Akıncılar	Executive Vice President	January 21, 2019	Graduate
Burçin Dünder 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
İsmail Işık	Executive Vice President	January 18, 2023	Masters
Ahmet Erzenin	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

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 September 30, 2023, the Bank operates through 434 domestic (December 31, 2022 – 434), 1 abroad (December 31, 2022 – 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2022 – 1) branches. As of September 30, 2023, the Bank has 11,775 (December 31, 2022 – 11,427) 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 NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**  
(Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

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**SECTION TWO**

**UNCONSOLIDATED FINANCIAL STATEMENTS**

- I. Balance Sheet (Statement of Financial Position)
- II. Statement of Off-Balance Sheet Commitments and Contingencies
- III. Statement of Profit or Loss
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- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flows

# QNB FİNANSBANK ANONİM ŞİRKETİ

## UNCONSOLIDATED STATEMENT OF BALANCE SHEET-ASSETS FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

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

### I. BALANCE SHEET - ASSETS

		Current Period 30.09.2023			Prior Period 31.12.2022			
		Section 5 Part I	TRY	FC	TOTAL	TRY	FC	TOTAL
I.	FINANCIAL ASSETS (NET)		99,602,416	129,769,460	229,371,876	68,402,783	109,337,997	177,740,780
1.1	Cash and Cash Equivalents		49,332,331	110,077,961	159,410,292	20,619,505	93,032,986	113,652,491
1.1.1	Cash and Balances with Central Bank	(1)	43,272,368	97,951,176	141,223,544	9,719,857	84,817,934	94,537,791
1.1.2	Banks	(3)	13,482	12,144,530	12,158,012	2,874,204	7,794,093	10,668,297
1.1.3	Money Markets	(4)	6,060,000	-	6,060,000	8,040,936	427,044	8,467,980
1.1.4	Expected Credit Losses (-)		13,519	17,745	31,264	15,492	6,085	21,577
1.2	Financial Assets at Fair Value Through Profit or Loss	(2)	3,513,327	774,276	4,287,603	722,557	549,922	1,272,479
1.2.1	Government Debt Securities		3,051,355	271,740	3,323,095	429,424	239,920	669,344
1.2.2	Equity Securities		268,841	-	268,841	151,484	-	151,484
1.2.3	Other Financial Assets		193,131	502,536	695,667	141,649	310,002	451,651
1.3	Financial Assets at Fair Value Through Other Comprehensive Income	(5)	36,739,031	11,393,860	48,132,891	29,670,635	10,468,015	40,138,650
1.3.1	Government Debt Securities		36,731,357	11,393,860	48,125,217	29,662,961	10,468,015	40,130,976
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)	10,017,727	7,523,363	17,541,090	17,390,086	5,287,074	22,677,160
1.4.1	Derivative Financial Assets at Fair Value Through Profit/Loss		7,921,383	5,152,162	13,073,545	12,559,235	3,249,441	15,808,676
1.4.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		2,096,344	2,371,201	4,467,545	4,830,851	2,037,633	6,868,484
II.	FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)		409,713,733	187,163,987	596,877,720	280,427,104	126,473,361	406,900,465
2.1	Loans	(6)	360,210,575	165,276,710	525,487,285	251,039,775	110,441,197	361,480,972
2.2	Lease Receivables	(11)	-	-	-	-	-	-
2.3	Factoring Receivables		-	-	-	-	-	-
2.4	Other Financial Assets Measured at Amortized Cost	(7)	66,364,637	28,464,695	94,829,332	41,598,971	20,364,334	61,963,305
2.4.1	Public Sector Debt Securities		66,364,637	28,353,046	94,717,683	41,598,971	19,872,597	61,471,568
2.4.2	Other Financial Assets		-	111,649	111,649	-	491,737	491,737
2.5	Expected Credit Losses (-)		16,861,479	6,577,418	23,438,897	12,211,642	4,332,170	16,543,812
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		8,842,771	-	8,842,771	3,952,289	-	3,952,289
4.1	Investments in Associates (Net)	(8)	46,049	-	46,049	45,477	-	45,477
4.1.1	Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2	Unconsolidated Associates		46,049	-	46,049	45,477	-	45,477
4.2	Subsidiaries (Net)	(9)	8,793,922	-	8,793,922	3,618,249	-	3,618,249
4.2.1	Unconsolidated Financial Subsidiaries		8,665,876	-	8,665,876	3,490,203	-	3,490,203
4.2.2	Unconsolidated Non-Financial Subsidiaries		128,046	-	128,046	128,046	-	128,046
4.3	Joint Ventures (Net)	(10)	2,800	-	2,800	288,563	-	288,563
4.3.1	Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated Joint Ventures		2,800	-	2,800	288,563	-	288,563
V.	PROPERTY AND EQUIPMENT (Net)		5,570,413	524	5,570,937	4,729,373	94	4,729,467
VI.	INTANGIBLE ASSETS (Net)		1,836,612	-	1,836,612	1,028,549	-	1,028,549
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		1,836,612	-	1,836,612	1,028,549	-	1,028,549
VII.	INVESTMENT PROPERTY (Net)	(13)	-	-	-	-	-	-
VIII.	CURRENT TAX ASSET	(14)	-	-	-	-	-	-
IX.	DEFERRED TAX ASSET	(14)	5,994,093	-	5,994,093	354,327	-	354,327
X.	OTHER ASSETS (Net)	(16)	12,531,663	897,610	13,429,273	6,702,020	347,279	7,049,299
TOTAL ASSETS			544,091,701	317,831,581	861,923,282	365,596,445	236,158,731	601,755,176

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**
**UNCONSOLIDATED BALANCE SHEET–LIABILITIES AND EQUITY  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

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

**I. BALANCE SHEET – LIABILITIES AND EQUITY**

		Current Period 30.09.2023				Prior Period 31.12.2022		
		Section 5 Part II	TRY	FC	TOTAL	TRY	FC	TOTAL
I.	DEPOSITS	(1)	338,978,961	223,188,207	562,167,168	235,567,273	158,716,760	394,284,033
II.	FUNDS BORROWED	(3)	256,205	80,081,597	80,337,802	361,183	41,292,134	41,653,317
III.	MONEY MARKETS	(4)	14,708,665	17,829,055	32,537,720	195,056	21,733,804	21,928,860
IV.	SECURITIES ISSUED (Net)	(5)	1,818,323	28,864,547	30,682,870	4,655,384	23,284,322	27,939,706
4.1	Bills		1,818,323	8,937,910	10,756,233	4,655,384	5,911,335	10,566,719
4.2	Asset Backed Securities		-	-	-	-	-	-
4.3	Bonds		-	19,926,637	19,926,637	-	17,372,987	17,372,987
V.	FUNDS		-	-	-	-	-	-
5.1	Borrower Funds		-	-	-	-	-	-
5.2	Other		-	-	-	-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT & LOSS		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES		1,812,388	4,945,998	6,758,386	3,008,663	3,387,575	6,396,238
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(2)	1,786,129	4,377,682	6,163,811	3,008,663	2,942,187	5,950,850
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	26,259	568,316	594,575	-	445,388	445,388
VIII.	FACTORING PAYABLES		-	-	-	-	-	-
IX.	LEASE PAYABLES (Net)	(7)	745,771	218	745,989	744,979	339	745,318
X.	PROVISIONS	(9)	9,412,247	220,146	9,632,393	8,624,321	293,936	8,918,257
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		2,278,370	28,673	2,307,043	2,443,812	18,146	2,461,958
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		7,133,877	191,473	7,325,350	6,180,509	275,790	6,456,299
XI.	CURRENT TAX LIABILITY	(10)	6,090,502	-	6,090,502	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)	-	25,718,967	25,718,967	-	17,127,724	17,127,724
14.1	Subordinated Loans		-	25,718,967	25,718,967	-	17,127,724	17,127,724
14.2	Other Debt Instruments		-	-	-	-	-	-
XV.	OTHER LIABILITIES		27,790,682	13,271,722	41,062,404	18,843,473	16,886,646	35,730,119
XVI.	SHAREHOLDERS' EQUITY		66,149,313	39,768	66,189,081	44,937,472	(671,943)	44,265,529
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		(656,084)	-	(656,084)	(672,158)	-	(672,158)
16.4	Other Comprehensive Income/Expense Items Reclassified to Profit or Loss		611,029	39,768	650,797	4,054,334	(671,943)	3,382,391
16.5	Profit Reserves		38,204,582	-	38,204,582	20,980,816	-	20,980,816
16.5.1	Legal Reserves		771,684	-	771,684	771,684	-	771,684
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		37,432,898	-	37,432,898	20,209,132	-	20,209,132
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit/Loss		24,639,072	-	24,639,072	17,223,766	-	17,223,766
16.6.1	Prior Periods' Profit/Loss		-	-	-	-	-	-
16.6.2	Current Period's Net Profit/Loss		24,639,072	-	24,639,072	17,223,766	-	17,223,766
TOTAL LIABILITIES			467,763,057	394,160,225	861,923,282	319,703,879	282,051,297	601,755,176

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 NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

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

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

		Current Period 30.09.2023			Prior Period 31.12.2022		
Section 5							
Part III		TRY	FC	TOTAL	TRY	FC	TOTAL
<b>A.</b>	<b>OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)</b>	<b>780,368,868</b>	<b>793,031,840</b>	<b>1,573,400,708</b>	<b>477,282,216</b>	<b>597,878,783</b>	<b>1,075,160,999</b>
<b>I.</b>	<b>GUARANTEES</b>	<b>44,687,075</b>	<b>48,992,430</b>	<b>93,679,505</b>	<b>29,691,070</b>	<b>35,538,119</b>	<b>65,229,189</b>
1.1.	Letters of guarantee	40,225,060	29,671,032	69,896,092	25,624,515	20,031,380	45,655,895
1.1.1.	Guarantees subject to State Tender Law	981,163	263,950	1,245,113	884,755	188,383	1,073,138
1.1.2.	Guarantees given for foreign trade operations	18,170,084	29,407,082	47,577,166	12,326,738	19,842,997	32,169,735
1.1.3.	Other letters of guarantee	21,073,813	-	21,073,813	12,413,022	-	12,413,022
1.2.	Bank loans	4,412,538	9,320,274	13,732,812	4,028,331	9,696,287	13,724,618
1.2.1.	Import letter of acceptance	4,412,538	9,320,274	13,732,812	4,028,331	9,696,287	13,724,618
1.2.2.	Other bank acceptances	-	-	-	-	-	-
1.3.	Letters of credit	49,477	10,001,124	10,050,601	38,224	5,810,452	5,848,676
1.3.1.	Documentary letters of credit	49,477	9,232,331	9,281,808	38,224	5,228,027	5,266,251
1.3.2.	Other letters of credit	-	768,793	768,793	-	582,425	582,425
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	-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	<b>497,623,863</b>	<b>102,967,140</b>	<b>600,591,003</b>	<b>251,402,245</b>	<b>23,241,741</b>	<b>274,643,986</b>
2.1.	Irrevocable commitments	403,347,006	10,600,264	413,947,270	172,054,958	23,241,741	195,296,699
2.1.1.	Forward asset purchase commitments	4,905,332	9,422,266	14,327,598	4,018,129	10,831,566	14,849,695
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	77,806,457	2,738	77,809,195	47,343,805	1,870	47,345,675
2.1.5.	Securities underwriting commitments	-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements	-	-	-	-	-	-
2.1.7.	Payment commitment for checks	6,507,062	-	6,507,062	3,895,823	-	3,895,823
2.1.8.	Tax and fund liabilities from export commitments	246,845	-	246,845	118,666	-	118,666
2.1.9.	Commitments for credit card expenditure limits	308,710,671	-	308,710,671	111,928,372	-	111,928,372
2.1.10.	Commitments for promotions related with credit cards and banking activities	181,797	-	181,797	109,533	-	109,533
2.1.11.	Receivables from short sale commitments	-	-	-	-	-	-
2.1.12.	Payables for short sale commitments	-	-	-	-	-	-
2.1.13.	Other irrevocable commitments	4,988,842	1,175,260	6,164,102	4,640,630	12,408,305	17,048,935
2.2.	Revocable commitments	94,276,857	92,366,876	186,643,733	79,347,287	-	79,347,287
2.2.1.	Revocable loan granting commitments	94,276,857	92,366,876	186,643,733	79,347,287	-	79,347,287
2.2.2.	Other revocable commitments	-	-	-	-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>238,057,930</b>	<b>641,072,270</b>	<b>879,130,200</b>	<b>196,188,901</b>	<b>539,098,923</b>	<b>735,287,824</b>
3.1.	Derivative financial instruments for hedging purposes	10,399,620	143,232,130	153,631,750	20,638,338	127,538,657	148,176,995
3.1.1.	Fair value hedge	1,102,305	32,450,752	33,553,057	4,808,155	36,409,473	41,217,628
3.1.2.	Cash flow hedge	9,297,315	110,781,378	120,078,693	15,830,183	91,129,184	106,959,367
3.1.3.	Hedge of net investment in foreign operations	-	-	-	-	-	-
3.2.	Held for trading transactions	227,658,310	497,840,140	725,498,450	175,550,563	411,560,266	587,110,829
3.2.1.	Forward foreign currency buy/sell transactions	18,203,242	23,847,654	42,050,896	10,544,244	19,818,125	30,362,369
3.2.1.1.	Forward foreign currency transactions-buy	17,549,532	4,117,548	21,667,080	10,071,714	5,490,339	15,562,053
3.2.1.2.	Forward foreign currency transactions-sell	653,710	19,730,106	20,383,816	472,530	14,327,786	14,800,316
3.2.2.	Swap transactions related to foreign currency and interest rates	193,089,135	449,242,588	642,331,723	105,471,315	326,590,280	432,061,595
3.2.2.1.	Foreign currency swap-buy	76,658	176,983,875	177,060,533	6,408,566	132,828,947	139,237,513
3.2.2.2.	Foreign currency swap-sell	102,565,079	75,491,413	178,056,492	60,927,351	75,675,597	136,602,948
3.2.2.3.	Interest rate swaps-buy	45,223,699	98,383,650	143,607,349	19,067,699	59,042,868	78,110,567
3.2.2.4.	Interest rate swaps-sell	45,223,699	98,383,650	143,607,349	19,067,699	59,042,868	78,110,567
3.2.3.	Foreign currency, interest rate and securities options	9,407,530	9,464,955	18,872,485	58,709,719	58,732,290	117,442,009
3.2.3.1.	Foreign currency options-buy	6,297,005	3,351,731	9,648,736	45,910,391	13,322,787	59,233,178
3.2.3.2.	Foreign currency options-sell	3,110,525	6,113,224	9,223,749	12,799,328	45,409,503	58,208,831
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	6,958,403	6,519,944	13,478,347	825,285	792,923	1,618,208
3.2.4.1.	Foreign currency futures-buy	6,958,403	-	6,958,403	-	792,923	792,923
3.2.4.2.	Foreign currency futures-sell	-	6,519,944	6,519,944	825,285	-	825,285
3.2.5.	Interest rate futures	-	7,396,164	7,396,164	-	3,570,022	3,570,022
3.2.5.1.	Interest rate futures-buy	-	3,698,082	3,698,082	-	1,785,011	1,785,011
3.2.5.2.	Interest rate futures-sell	-	3,698,082	3,698,082	-	1,785,011	1,785,011
3.2.6.	Other	-	1,368,835	1,368,835	-	2,056,626	2,056,626
<b>B.</b>	<b>CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>	<b>2,395,088,570</b>	<b>1,064,014,689</b>	<b>3,459,103,259</b>	<b>1,761,989,623</b>	<b>700,599,629</b>	<b>2,462,589,252</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>	<b>84,165,458</b>	<b>38,171,132</b>	<b>122,336,590</b>	<b>41,319,622</b>	<b>17,448,913</b>	<b>58,768,535</b>
4.1.	Customer Fund and Portfolio Assets	43,394,370	-	43,394,370	10,712,892	-	10,712,892
4.2.	Investment securities held in custody	1,542,283	31,660,843	33,203,126	241,029	12,787,625	13,028,654
4.3.	Checks received for collection	34,275,272	2,278,862	36,554,134	26,852,980	2,065,638	28,918,618
4.4.	Commercial notes received for collection	4,953,533	2,171,172	7,124,705	3,512,596	1,187,016	4,699,612
4.5.	Other assets received for collection	-	-	-	-	-	-
4.6.	Assets received for public offering	-	-	-	-	-	-
4.7.	Other items under custody	-	2,060,255	2,060,255	125	1,408,634	1,408,759
4.8.	Custodians	-	-	-	-	-	-
<b>V.</b>	<b>PLEDGED ITEMS</b>	<b>1,299,214,053</b>	<b>574,621,673</b>	<b>1,873,835,726</b>	<b>994,474,840</b>	<b>388,564,158</b>	<b>1,383,038,998</b>
5.1.	Marketable securities	6,150,089	34,569,211	40,719,300	5,758,007	25,835,961	31,593,968
5.2.	Guarantee notes	924,442	917,674	1,842,116	754,876	505,077	1,259,953
5.3.	Commodity	1,060,280	-	1,060,280	1,005,497	-	1,005,497
5.4.	Warranty	-	-	-	-	-	-
5.5.	Properties	314,354,671	263,602,277	577,956,948	223,359,270	180,431,706	403,790,976
5.6.	Other pledged items	976,724,571	275,532,511	1,252,257,082	763,597,190	181,791,414	945,388,604
5.7.	Pledged items-depository	-	-	-	-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>	<b>1,011,709,059</b>	<b>451,221,884</b>	<b>1,462,930,943</b>	<b>726,195,161</b>	<b>294,586,558</b>	<b>1,020,781,719</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>3,175,457,438</b>	<b>1,857,046,529</b>	<b>5,032,503,967</b>	<b>2,239,271,839</b>	<b>1,298,478,412</b>	<b>3,537,750,251</b>

The accompanying notes are an integral part of these financial statement

# QNB FİNANSBANK ANONİM ŞİRKETİ

## UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023 (Amounts expressed in Thousands of Turkish Lira (TRY) unless otherwise stated.)

### III. STATEMENT OF PROFIT OR LOSS

			Current Period 01.01 - 30.09.2023	Current Period 01.07 - 30.09.2023	Prior Period 01.01 - 30.09.2022	Prior Period 3 Months 01.07 - 30.09.2022
	Part 5 Note IV		30.09.2023	30.09.2023	30.09.2022	30.09.2022
<b>I. INTEREST INCOME</b>	<b>(1)</b>		<b>74,475,860</b>	<b>32,665,903</b>	<b>42,281,998</b>	<b>18,235,168</b>
1.1 Interest income on loans			51,618,570	21,510,786	27,971,611	11,778,687
1.2 Interest income on reserve deposits			362,209	124,021	130,135	-
1.3 Interest income on banks			627,801	263,649	150,545	122,663
1.4 Interest income on money market transactions			790,869	299,643	44,608	18,886
1.5 Interest income on securities portfolio			20,989,950	10,425,435	13,957,240	6,307,126
1.5.1 Financial assets measured at FVTPL			154,594	97,536	58,650	22,782
1.5.2 Financial assets measured at FVOCI			5,518,498	2,640,089	3,639,418	1,637,518
1.5.3 Financial assets measured at amortized cost			15,316,858	7,687,810	10,259,172	4,646,826
1.6 Financial lease income			-	-	-	-
1.7 Other interest income			86,461	42,369	27,859	7,806
<b>II. INTEREST EXPENSE (-)</b>	<b>(2)</b>		<b>53,346,473</b>	<b>22,210,524</b>	<b>17,381,940</b>	<b>7,417,817</b>
2.1 Interest on deposits			44,782,626	18,495,284	11,593,019	5,215,170
2.2 Interest on funds borrowed			5,098,348	2,231,767	1,894,886	765,847
2.3 Interest on money market transactions			1,513,208	783,243	1,976,724	694,929
2.4 Interest on securities issued			1,800,719	654,494	1,687,131	585,316
2.5 Interests on leaseings			100,021	31,748	73,321	25,575
2.6 Other interest expenses			51,551	13,988	156,859	130,980
<b>III. NET INTEREST INCOME (I - II)</b>			<b>21,129,387</b>	<b>10,455,379</b>	<b>24,900,058</b>	<b>10,817,351</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>			<b>10,131,398</b>	<b>5,354,991</b>	<b>4,290,903</b>	<b>1,776,633</b>
4.1 Fees and commissions received			13,301,739	6,922,754	5,730,038	2,342,783
4.1.1 Non-cash loans			624,396	240,474	303,235	124,500
4.1.2 Others			12,677,343	6,682,280	5,426,803	2,218,283
4.2 Fees and commissions paid (-)			3,170,341	1,567,763	1,439,135	566,150
4.2.1 Non-cash loans			1,197	388	1,542	657
4.2.2 Others			3,169,144	1,567,375	1,437,593	565,493
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>		<b>11,227</b>	<b>714</b>	<b>14,889</b>	<b>-</b>
<b>VI. TRADING INCOME / LOSS (Net)</b>	<b>(4)</b>		<b>14,097,025</b>	<b>2,914,485</b>	<b>(462,389)</b>	<b>(60,160)</b>
6.1 Trading gains / losses on securities			1,274,546	254,790	312,046	170,941
6.2 Gain/losses from derivative transactions			(3,065,193)	(282,081)	(5,996,547)	(2,527,143)
6.3 Foreign exchange gain / losses			15,887,672	2,941,776	5,222,112	2,296,042
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>		<b>2,264,133</b>	<b>566,817</b>	<b>259,476</b>	<b>74,129</b>
<b>VIII. TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII)</b>			<b>47,633,170</b>	<b>19,292,386</b>	<b>29,002,937</b>	<b>12,607,953</b>
<b>IX. EXPECTED CREDIT LOSSES (-)</b>	<b>(6)</b>		<b>8,212,745</b>	<b>1,236,703</b>	<b>4,101,785</b>	<b>1,101,949</b>
<b>X. OTHER PROVISION LOSSES (-)</b>			<b>1,113,363</b>	<b>(125,811)</b>	<b>3,596,446</b>	<b>3,450,179</b>
<b>XI. PERSONNEL EXPENSES (-)</b>			<b>5,821,165</b>	<b>2,407,625</b>	<b>2,844,474</b>	<b>1,061,292</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>		<b>7,023,854</b>	<b>2,445,761</b>	<b>3,422,041</b>	<b>1,261,123</b>
<b>XIII. NET OPERATING PROFIT / LOSS (VIII-IX-X-XI-XII)</b>			<b>25,462,043</b>	<b>13,328,108</b>	<b>15,038,191</b>	<b>5,733,410</b>
<b>XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>			<b>2,507,175</b>	<b>944,700</b>	<b>980,889</b>	<b>394,735</b>
<b>XVI. GAIN/LOSS ON NET MONETARY POSITION</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII. OPERATING PROFIT/LOSS BEFORE TAXES (XIII+...+XV)</b>	<b>(8)</b>		<b>27,969,218</b>	<b>14,272,808</b>	<b>16,019,080</b>	<b>6,128,145</b>
<b>XVIII. PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)</b>	<b>(9)</b>		<b>3,330,146</b>	<b>3,628,055</b>	<b>4,547,942</b>	<b>2,272,507</b>
18.1 Current tax charge			8,031,854	6,195,360	5,946,279	2,789,357
18.2 Deferred tax charge (+)			2,231,186	(322,935)	884,037	310,920
18.3 Deferred tax credit (-)			(6,932,894)	(2,244,370)	(2,282,374)	(827,770)
<b>XIX. NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)</b>	<b>(10)</b>		<b>24,639,072</b>	<b>10,644,753</b>	<b>11,471,138</b>	<b>3,855,638</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
20.1 Income from assets held for sale			-	-	-	-
20.2 Income from sale of associates, subsidiaries and joint-ventures			-	-	-	-
20.3 Others			-	-	-	-
<b>XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
21.1 Expenses on assets held for sale			-	-	-	-
21.2 Expenses on sale of associates, subsidiaries and joint-ventures			-	-	-	-
21.3 Others			-	-	-	-
<b>XXII. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX+XXI)</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
23.1 Current tax charge			-	-	-	-
23.2 Deferred tax charge (+)			-	-	-	-
23.3 Deferred tax credit (-)			-	-	-	-
<b>XXIV. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXII±XXIII)</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXV. NET PROFIT/LOSS (XIX+XXIV)</b>	<b>(11)</b>		<b>24,639,072</b>	<b>10,644,753</b>	<b>11,471,138</b>	<b>3,855,638</b>
Group's profit/loss			0.7355	0.3178	0.3424	0.1151
Minority interest			-	-	-	-
Earnings Per Share			-	-	-	-

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 NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

(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 - 30.09.2023	Prior Period 01.01 - 30.09.2022
<b>I. CURRENT PERIOD PROFIT/LOSS</b>	<b>24,639,072</b>	<b>11,471,138</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>(2,715,520)</b>	<b>4,705,620</b>
<b>2.1 Other Income/Expense Items not Reclassified to Profit or Loss</b>	<b>16,074</b>	<b>14,591</b>
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	(38,276)	2,673
2.1.4 Other Income/Expense Items not Reclassified to Profit or Loss	572	830
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	53,778	11,088
<b>2.2 Other Income/Expense Items to Reclassified to Profit or Loss</b>	<b>(2,731,594)</b>	<b>4,691,029</b>
2.2.1 Foreign Currency Translation Differences	-	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(3,957,061)	3,341,517
2.2.3 Gains/losses from Cash Flow Hedges	275,795	2,724,817
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	65,392	17,666
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	884,280	(1,392,971)
<b>III. TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (I+II)</b>	<b>21,923,552</b>	<b>16,176,758</b>

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

# QNB FİNANSBANK ANONİM ŞİRKETİ

## UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

(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							
	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Other <sup>(*)</sup>	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Other <sup>(**)</sup>	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Shareholders' Total Equity		
I.	Prior Period - 01.01 - 30.09.2022																
II.		3,350,000	714	-	-	-	(213,835)	(10,108)	-	(1,608,182)	(355,345)	17,052,702	3,928,114	-	22,144,060		
2.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-		
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.		-	-	-	-	-	15,369	(778)	-	2,606,649	2,084,380	-	-	11,471,138	16,176,758		
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-		
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-		
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-		
XI.		-	-	-	-	-	-	-	-	-	-	3,928,114	(3,928,114)	-	-		
11.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-		
11.2		-	-	-	-	-	-	-	-	-	-	3,928,114	(3,928,114)	-	-		
11.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		3,350,000	714	-	-	-	(198,466)	(10,886)	-	998,467	1,729,035	20,980,816	-	11,471,138	38,320,818		

		Other Comprehensive Income/Expense Items not Reclassified to Profit or Loss				Other Comprehensive Income/Expense Items Reclassified to Profit or Loss									
	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 <sup>(*)</sup>	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others <sup>(**)</sup>	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Equity
I.	Current Period - 01.01 – 30.09.2023														
II.	Prior Period End Balance	3,350,000	714	-	-	-	(634,426)	(37,732)	-	1,851,783	1,530,608	20,980,816	17,223,766	-	44,265,529
2.1	Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Balances at Beginning of Period (I+II)	3,350,000	714	-	-	-	(634,426)	(37,732)	-	1,851,783	1,530,608	20,980,816	17,223,766	-	44,265,529
IV.	Total Comprehensive Income	-	-	-	-	-	15,502	572	-	(2,893,395)	161,801	-	-	24,639,072	21,923,552
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	-	-	-	-	-	-	-	-	-	-	17,223,766	(17,223,766)	-	-
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	17,223,766	(17,223,766)	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV...+X+XI)	3,350,000	714	-	-	-	(618,924)	(37,160)	-	(1,041,612)	1,692,409	38,204,582	-	24,639,072	66,189,081

<sup>(\*)</sup> 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.

<sup>(\*\*)</sup> 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 NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

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

### VI. STATEMENT OF CASH FLOWS

	Current Period 01.01 - 30.09.2023	Prior Period 01.01 - 30.09.2022
<b>A. CASH FLOWS FROM / (TO) BANKING OPERATIONS</b>		
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>	<b>39,871,247</b>	<b>15,874,450</b>
1.1.1 Interest Received	57,080,596	22,122,324
1.1.2 Interest Paid	(48,381,968)	(19,295,127)
1.1.3 Dividend Received	11,227	14,889
1.1.4 Fees and Commissions Received	13,334,962	5,776,837
1.1.5 Other Income	927,791	259,476
1.1.6 Collections From Previously Written Off Loans	2,431,444	1,727,050
1.1.7 Payments To Personnel and Service Suppliers	(5,776,684)	(2,666,450)
1.1.8 Taxes Paid	(3,974,116)	(4,797,742)
1.1.9 Others	24,217,995	12,733,193
<b>1.2 Changes in Operating Assets and Liabilities</b>	<b>(8,304,473)</b>	<b>16,282,472</b>
1.2.1 Net (Increase) Decrease in Financial Assets Measured at Fair Value Through Profit/Loss	(3,015,124)	(182,168)
1.2.2 Net (Increase) Decrease in Due From Banks	(10,873,719)	(3,500,228)
1.2.3 Net (Increase) Decrease in Loans	(106,524,328)	(79,286,434)
1.2.4 Net (Increase) Decrease in Other Assets	(6,661,668)	(5,172,450)
1.2.5 Net Increase (Decrease) in Bank Deposits	10,428,738	(1,194,128)
1.2.6 Net Increase (Decrease) in Other Deposits	98,656,014	79,768,294
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	(3,372,231)	(1,671,130)
1.2.9 Net Increase (Decrease) in Matured Payables	-	-
1.2.10 Net Increase (Decrease) in Other Liabilities	13,057,845	27,520,716
<b>I. Net Cash Provided From / (Used in) Banking Operations</b>	<b>31,566,774</b>	<b>32,156,922</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net Cash Provided From / (Used in) Investing Activities</b>	<b>(21,033,160)</b>	<b>(13,479,397)</b>
2.1 Purchase Of Entities Under Common Control, Associates and Subsidiaries	(981,000)	-
2.2 Sale of Entities Under Common Control, Associates and Subsidiaries	-	-
2.3 Fixed Assets Purchases	(1,641,393)	(772,620)
2.4 Fixed Assets Sales	147,181	156,790
2.5 Purchase of Financial Assets Measured at Fair Value Through Other Comprehensive Income	(29,900,841)	(19,458,309)
2.6 Sale of Financial Assets Measured at Fair Value Through Other Comprehensive Income	25,863,376	14,311,486
2.7 Purchase of Financial Assets Measured at Amortized Cost	(33,404,616)	(9,284,217)
2.8 Sale of Financial Assets Measured at Amortized Cost	19,692,196	1,853,381
2.9 Others	(808,063)	(285,908)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net Cash Provided From / (Used in) Financing Activities</b>	<b>23,083,132</b>	<b>4,858,701</b>
3.1 Cash Obtained From Funds Borrowed and Securities Issued	70,605,326	36,088,575
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued	(47,425,057)	(31,167,683)
3.3 Capital Increase	-	-
3.4 Dividends Paid	-	-
3.5 Payments for Finance Leases	(3,105)	(3,398)
3.6 Other	(94,032)	(58,793)
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>1,265,896</b>	<b>2,356,483</b>
<b>V. Net Increase / (Decrease) in Cash and Cash Equivalents (I+II+III+IV)</b>	<b>34,882,642</b>	<b>25,892,709</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>	<b>72,781,418</b>	<b>47,100,231</b>
<b>VII. Cash and Cash Equivalents at End of the Period (V+VI)</b>	<b>107,664,060</b>	<b>72,992,940</b>

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

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

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

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**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 Accounting Standards 34 (“TAS 34”) “Interim Financial Reporting Standard” 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.

**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, 2022, 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.

Due to the earthquake disaster occurred in Kahramanmaraş, Hatay and surrounding cities in February, the Bank took measures to maintain its existing banking services uninterruptedly. The Bank offered general banking services free of charge and postponed loan and credit card debt payments on an interest-free basis for its customers affected by the earthquake in addition to its supports to the earthquake region. In order to reflect the possible effects of the earthquake disaster in its financial statements, the Bank allocated additional expected loan loss provision for its existing loans in the earthquake region, taking into account the reasonable and supportable information it has.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

(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**

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.

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. On the other hand; Overnight, USD LIBOR rates for 1M, 3M, 6M and 1Y grades, which continue to be announced until June 2023, are renewed with SOFR+spread as the interest renewal periods of the transactions come, and all changes have been completed within the scope of the relevant reform.

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.

<b>Current Period</b>	<b>Derivative</b>	<b>Non-Derivative Financial Instruments</b>
USD LIBOR	212,540,455	39,330,804
Hedge Accounting Instruments	101,934,305	-
<b>Total</b>	<b>314,474,761</b>	<b>39,330,804</b>

<b>Prior Period</b>	<b>Derivative</b>	<b>Non-Derivative Financial Instruments</b>
USD LIBOR	163,431,174	31,878,547
Hedge Accounting Instruments	89,029,911	-
<b>Total</b>	<b>252,461,085</b>	<b>31,878,547</b>

**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 September 30, 2023.

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, 2024. 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 September 30, 2023.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

(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)**

Regarding the partnership share in QNB Sağlık Hayat ve Emeklilik A.Ş., whose 49% capital is owned by the Parent Bank, with the decision of Bank's Board of Directors, 22,950,000 shares with a total nominal value of TRY 22,950,000 which is owned by Cigna Nederland Gamma BV and corresponds to 51% of the capital of QNB Sağlık Hayat ve Emeklilik A.Ş., was decided to be purchased with a price of TRY 981,000,000 (in full TRY). In this context, a Share Purchase Agreement was signed with Cigna Nederland Gamma BV on October 21, 2022. 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 fact that the original of the document subject to the transfer could not be found, the decision was made by the Bank for the cancellation of the document. The registration of the General Assembly regarding the share transfer was completed on January 13, 2023.

QNB Sağlık Hayat ve Emeklilik A.Ş., which has been a "Joint Venture" and has been accounted for using the equity method in the accompanying unconsolidated financial statements as of December 31, 2022, became a "Subsidiary" as of the reporting date and accounted for using the equity method in the accompanying unconsolidated financial statements.

As explained in detail above, 51% of the Bank's subsidiary QNB Sigorta shares were purchased on December 21, 2022. Turkish Financial Reporting Standard No. 3 ("TFRS 3"), which is about business combinations, requires the acquisition price to be accounted for by distributing the identifiable assets and assumed identifiable liabilities, including the intangible assets of the acquired business, to their fair values at the acquisition date. The studies initiated by the Bank by appointing independent valuation companies in order to determine the fair value, distribution of the purchase price and the determination of the goodwill amount that may occur have not been completed at the report date of the approval of these unconsolidated financial statements, additionally, in the unconsolidated financial statements, provisional amounts are reported for items that have not been accounted for in accordance with TFRS 3 paragraph 45.

The profit/loss calculation arising from the change of control is as follows:

Purchase price of additional QNB Sigorta shares (51%)	981,000
Fair value of QNB Sigorta shares held by the Bank before the acquisition (49%)	1,275,521
	<b>2,256,521</b>
Fair value of net assets controlled (100%)	2,603,105
<b>Gain from bargaining purchase</b>	<b>346,584</b>
Carrying value of QNB Sigorta shares held by the Bank before the acquisition (49%)	285,763
Fair value of QNB Sigorta shares held by the Bank before the acquisition (49%)	1,275,521
<b>Value increase in shares owned before the acquisition</b>	<b>989,758</b>
<b>Net profit resulting from the change of control</b>	<b>1,336,342</b>

The temporary determined fair values of the identifiable assets and liabilities arising from the acquisition within the scope of TFRS 3 are as follows:

<b>Assets</b>	<b>4,340,559</b>
Cash and Cash Equivalents	1,124,051
Agency Contract	2,130,246
Other Assets	1,086,262
<b>Liabilities</b>	<b>1,737,454</b>
Trade Payables	96,264
Insurance Technical Provisions	1,443,976
Tax Liability	68,541
Other Liabilities	128,673
<b>Net Assets Defined at Fair Value</b>	<b>2,603,105</b>
Carrying value of QNB Sigorta shares held by the Bank before the acquisition (49%)	(285,763)
Net profit as a result of control transfer	(1,336,342)
<b>Purchase price of additional QNB Sigorta shares (51%)</b>	<b>981,000</b>

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

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

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**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 September 30, 2023 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 September 30, 2023, derivative financial transactions loss amounting to TRY 3,065,193 (September 30, 2022 – TRY 5,996,547 derivative financial transactions loss) and net foreign exchange gain amounting to TRY 15,887,672 (September 30, 2022 – TRY 5,222,112 net foreign exchange gain), excluding net interest expense amounting to TRY 572,046 (September 30, 2022 – TRY 4,080,127 net interest expense) arising from derivative transactions, the net profit on foreign currency transactions is TRY 13,394,525 (September 30, 2022 – TRY 3,305,692 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, under common control 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, under common control 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/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 September 30, 2023, fair value exchange difference adjustment amounting to TRY 1,121,742 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.

**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 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 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 profit 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 profit 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 September 30, 2023, 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, 2023. 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 the third quarter of 2023, 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 with a probability of default above the absolute threshold value are evaluated in Stage 2, regardless of the relative change.

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 9,333 (December 31, 2022 – TRY 361,940) and the effect on the NPL ratio of the Bank is 0.00% (December 31, 2022 – 0.10%). While the NPL ratio is 1.61% (December 31, 2022 – 2.50%) with the current period non-performing loan figures, the calculated rate including the loans written off during the year is 1.61-% (December 31, 2022 – 2.59%).

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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 38,325,285 (December 31, 2022 – TRY 30,168,346).

As of September 30, 2023 the Bank has no securities that are subject to lending transactions (December 31, 2022 – 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 September 30, 2023 the Bank has assets held for sale and discontinued operations and it is explained in footnote 1.15. 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. At the beginning of the lease, the Bank calculates the right-of-use amount based on the present value of the lease payments of the fixed asset and shows it under “Tangible Fixed Assets”. In liabilities, on the other hand, it measures the unpaid lease payments as of the relevant date over their present value and records them as “Financial Lease Payables”. Lease payments are discounted using the borrowing interest rate. 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.

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**ACCOUNTING POLICIES (Continued)**

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

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

**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 September 30, 2023 amounted to TRY 855,741 (December 31, 2022 – TRY 746,576), lease liability amounted to TRY 741,541 (December 31, 2022 – TRY 738,360), financing expense amounted to TRY 99,420 (September 30, 2022 - TRY 72,404), and depreciation expense amounted to TRY 258,053 (September 30, 2022 – TRY 201,069).

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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**

According to the Corporate Tax Law No. 5520 published in the Official Gazette No. 26205 dated June 21, 2006, it is stated that; “While corporate tax is calculated at a rate of 20% on corporate profits, Corporate tax is collected at a rate of 25% on the corporate earnings of 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”.

Law No. 7456, which entered into force after being published in the Official Gazette No. 32249 dated July 15, 2023, on the Issue of Additional Motor Vehicle Tax to Compensate the Economic Losses Caused by the Earthquakes that Occurred on February 6, 2023 and in the 21st article of Amending Certain Laws and the Decree Law No. 375 with in the first paragraph of the 32nd article of the Law No. 5520 the phrase “20%” has been changed to “25%” and the phrase “25%” to “30%”. This change is valid to be applied to the earnings earned in 2023 and subsequent taxation periods, starting from the returns that must be submitted as of October 1, 2023. Prepaid taxes are tracked in the “Current Tax Liability” or “Current Tax Asset” accounts to be offset with 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. With the 19th article of Law No. 7456, the exemption for the transfer and delivery of immovable properties that have been in the assets of institutions for at least two full years has been abolished. With the 22nd article of the same Law, it has been regulated that the 50% exception rate in paragraph 5/1-(e) of Law No. 5520 will be applied as 25% in the sales of immovable properties that were in the assets of the institutions before the date of entry into force of the said regulation, as of the date of entry into force of this article.

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**ACCOUNTING POLICIES (Continued)**

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

**1. Corporate Tax (Continued)**

Companies calculate provisional tax at the rate of 30% on their quarterly financial profits to be applied to their profits earned in 2023 and subsequent taxation periods, starting from the declarations that must be submitted as of October 1, 2023 for the 2023 taxation periods, and they declare and pay it 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. The temporary tax paid during the year belongs to that year and is deducted from the corporate tax to be calculated on the corporate tax return to be submitted in the following year. If the amount of temporary tax paid remains despite the deduction, this amount can be refunded in cash or deducted.

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 15th and 30th of the Corporate Tax Law No. 5520. Natural 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 natural 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 natural 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)**

**1. Corporate Tax (Continued)**

A regulation has been introduced regarding the calculation of additional tax at a rate of 10% on the exemption and deduction amounts applied from the corporate income in accordance with the arrangements in the Law No. 5520 and other laws, and the discounted tax base subject to corporate income tax under Article 32/A of the same Law, without being related to the period earnings, which are to be shown in the corporate tax return for 2022 as per the Law No. 7440 on the Restructuring of Some Receivables and Amendments to Some Laws published in the Official Gazette on March 12, 2023, paragraph 27 of Article 10. Additionally, a regulation has been made for the calculation of an additional tax at a rate of 5% on the exempt gains specified in the first paragraph (a) of Article 5 of the Law No. 5520, and foreign-sourced gains confirmed to be subject to at least 15% tax burden.

Temporary Article 32 was added to the Tax Procedure Law with Article 52 of Law No. 7338. Taxpayers who can perform revaluation under the (Ç) paragraph added to Article 298 of the same Law with the Law that introduced this article may revalue their immovable properties and other depreciable assets (excluding immovable and depreciable assets subject to sale-leaseback transactions or lease certificate issuances, as long as they maintain their qualification) recorded in their balance sheets as of the end of the previous fiscal period before the fiscal period in which they will perform revaluation, subject to the conditions specified in the law. Revaluation under this article can only be performed once, prior to the revaluation to be made under the (Ç) paragraph of the aforementioned Law. In order to perform the revaluation within the scope of this article, a tax of 2% must be calculated on the value increase amount shown in a special fund account in the liabilities.

Article 31 of Law No. 7338 and additional paragraph Ç to article 298 of Law No. 213 have been added, which provides for taxpayers subject to full income or corporation tax and who keep their books on the basis of balance sheet accounting (including partnerships, ordinary limited partnerships, and ordinary companies, except for those who make inflation adjustments regardless of the conditions set forth in item (1) of the paragraph (9) of the item (A), and those who are allowed to keep their records in a currency other than the Turkish lira), to reevaluate their amortizable economic assets that are included in their balance sheets at the end of the fiscal year in which the conditions for making inflation adjustments under item (1) of paragraph (A) are not met, provided that such assets retain their qualities as such (except for those that are subject to sale-leaseback transactions or issuance of lease certificates), and their amortizations shown in the balance sheet's liabilities section, in accordance with the conditions stipulated by the law.

Explanations on the subject of revaluation of economic assets within the scope of reiterated article 298/ç and Provisional Article 32, added by Law No. 7338, were made in the Communiqué of Tax Procedure Law with serial number 537.

In this context, as of the end of the 2022 accounting period, the economic assets registered in the assets of our Bank were revalued within the scope of Provisional Article 32 and Reiterated Article 298/ç of the Tax Procedure Law.

With the "Draft Law on the Amendment of Additional Motor Vehicles Tax for Compensation of Economic Losses Caused by the Earthquakes on 6 February 2023, and Amendments to Some Laws and the Decree Law No. 375", which entered the agenda of the Grand National Assembly of Turkey on 5 July 2023, as a result of increasing the corporate tax rate by 5 points, the corporate tax rate has been increased from 25% to 30%, and it was proposed to terminate the regulation that exempts the income from the sale of real estate from corporate tax. The said bill was enacted on 15 July 2023.

**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 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.

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**ACCOUNTING POLICIES (Continued)**

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

**2. Deferred Taxes (Continued)**

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 30%, starting from the declarations that must be submitted as of October 1, 2023, and will also be applied to the profits earned in 2023 and subsequent taxation periods. As of September 30, 2023, deferred tax calculation has been made for assets and liabilities at a rate of 30%.

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.

**XX. Explanations on Share Issues**

There are no shares issued in 2023. (December 31, 2022 – 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 September 30, 2023 the Bank does not have any government incentives or grants (December 31, 2022 – None).

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**ACCOUNTING POLICIES (Continued)****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 2,5 billion or more, multinational companies operating in Türkiye, and commercial firms with an annual turnover of TRY 250 million – 2,5 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.

<b>Current Period (January 1 - September 30, 2023)</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury and Head Office</b>	<b>Total Operations of the Bank</b>
<b>Operating income</b>	<b>30,396,223</b>	<b>16,785,027</b>	<b>2,959,095</b>	<b>50,140,345</b>
Dividend Income	-	-	11,227	11,227
Gain/(Loss) on joint venture accounted for at equity method	-	-	2,507,175	2,507,175
<b>Profit Before Taxes</b>	<b>15,886,722</b>	<b>10,313,736</b>	<b>1,768,760</b>	<b>27,969,218</b>
<b>Provision Tax (-)(*)</b>	<b>-</b>	<b>-</b>	<b>3,330,146</b>	<b>3,330,146</b>
<b>Net Profit/Loss</b>	<b>15,886,722</b>	<b>10,313,736</b>	<b>(1,561,386)</b>	<b>24,639,072</b>
<b>Total Assets</b>	<b>229,824,689</b>	<b>272,246,707</b>	<b>312,241,807</b>	<b>861,923,282</b>
Segment Assets	229,824,689	272,246,707	312,241,807	814,313,203
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	8,842,771
Undistributed Assets	-	-	-	38,767,308
<b>Total Liabilities</b>	<b>367,680,071</b>	<b>174,294,816</b>	<b>196,228,026</b>	<b>861,923,282</b>
Segment Liabilities	367,680,071	174,294,816	196,228,026	738,202,913
Undistributed Liabilities	-	-	-	57,531,288
Equity	-	-	-	66,189,081
<b>Other Segment Accounts</b>	<b>2,122,129</b>	<b>1,481,968</b>	<b>(413,416)</b>	<b>3,190,681</b>
Capital Expenditures	1,486,179	1,037,858	(286,102)	2,237,935
Amortization	635,950	444,110	(127,314)	952,746

(\*) Provision tax is not distributed.

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**ACCOUNTING POLICIES (Continued)**

**XXIII. Explanations on Segment Reporting (Continued)**

	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Bank
<b>Prior Period (January 1 – September 30, 2022)</b>				
<b>Operating Income</b>	<b>8,316,115</b>	<b>7,466,171</b>	<b>14,201,540</b>	<b>29,983,826</b>
Dividend Income	-	-	14,889	14,889
P/L from Equity Applied Partnerships	-	-	980,889	980,889
<b>Profit Before Taxes</b>	<b>2,739,930</b>	<b>3,035,604</b>	<b>10,243,546</b>	<b>16,019,080</b>
<b>Provision Tax (-) (*)</b>	<b>-</b>	<b>-</b>	<b>4,547,942</b>	<b>4,547,942</b>
<b>Net Profit/Loss</b>	<b>2,739,930</b>	<b>3,035,604</b>	<b>5,695,604</b>	<b>11,471,138</b>
<b>Total Assets</b>	<b>105,291,103</b>	<b>199,570,917</b>	<b>226,399,812</b>	<b>555,143,826</b>
Segment Assets	105,291,103	199,570,917	226,399,812	531,261,832
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	3,487,593
Undistributed Assets	-	-	-	20,394,401
<b>Total Liabilities</b>	<b>219,793,176</b>	<b>120,961,037</b>	<b>132,476,503</b>	<b>555,143,826</b>
Segment Liabilities	219,793,176	120,961,037	132,476,503	473,230,716
Undistributed Liabilities	-	-	-	43,592,292
Equity	-	-	-	38,320,818
<b>Other Segment Accounts</b>	<b>808,090</b>	<b>551,882</b>	<b>(75,925)</b>	<b>1,284,047</b>
Capital Expenditures	439,659	300,263	(38,119)	701,803
Amortization	368,431	251,619	(37,806)	582,244

(\*) Provision tax is not distributed.

**XXIV. Profit Reserves and Profit Distribution**

The General Assembly Meeting of the Bank was held on March 30, 2023. In the Board of Directors meeting, it was decided that profit from 2022 operations to be distributed as follows.

**2022 profit distribution table**

<b>Current Year Profit</b>	<b>17,223,766</b>
A – First Legal Reserves (Turkish Commercial Code 519/A) 5%	28,298
C – Extraordinary Reserves	17,195,468

**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.

	<b>Current Period</b>	<b>Prior Period</b>
Net Profit for the Period	24,639,072	11,471,138
Weighted Average Amount of Shares Issued (Thousands)	33,500,000	33,500,000
<b>Earnings Per Share</b>	<b>0.7355</b>	<b>0.3424</b>

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 2023 is none (Amount of issued bonus shared in 2022 is none).

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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**ACCOUNTING POLICIES (Continued)**

**XXVI. Explanations on Other Matters**

As stated in the PDP statement made on November 25, 2022, it was decided to continue the Enpara banking services, which are offered under the "Enpara" trademark within the Bank, under a separate legal entity independent from the Bank in order to ensure maximum value creation for the Bank's shareholders. In order to implement this decision, it is planned to establish a deposit bank under the name of Enpara Bank A.Ş. and transfer the Bank's Enpara banking services to the newly established bank by partial separation. The application for establishment permit made by the founding partners for the new bank establishment in question was finalized on August 5, 2023 and the establishment permit was obtained for the Enpara Bank A.Ş.

After the establishment permit and the establishment of Enpara Bank A.Ş., works will begin to obtain an operating permit as required by the legislation, and after obtaining the operating permit, an application will be made to BRSA, CMB and other institutions and organizations that require permission in order to carry out partial separation transactions in a structure where the shareholder status and current share ratios of the Bank's controlling shareholder (QNB Group) and minority shareholders are preserved.

As of September 30, 2023, Enpara's banking activities to be separated represent 9.2% of the Bank's unconsolidated assets and liabilities. Assets and liabilities that will be removed from the balance sheet will not create any change in the Bank's equity. If such a separation had occurred on September 30, 2023, the Bank's capital adequacy ratio would have increased by 154 basis points to 16.73%. If such a separation had occurred on December 31, 2022, the Bank's net profit in the first nine months of 2023 would have been 11.9% lower.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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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 September 30, 2023 Bank’s total capital has been calculated as TRY 94,358,593 (December 31, 2022 – TRY 64,881,289), capital adequacy ratio is 15.19% (December 31, 2022 – 15.11%).

In the calculation of the amount subject to credit risk, in accordance with the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks (Regulation) published in the Official Gazette dated October 23, 2015, as stated in the Board Decision dated April 28, 2022 and numbered 9996, with the decision dated January 31, 2023 and numbered 10496; when calculating the values of monetary assets and non-monetary assets, other than items in foreign currency measured in historical cost, pursuant to TAS and related special provisions; the application for the use of the Central Bank of the Republic of Türkiye foreign exchange buying rate as of December 31, 2021 has been decided to continue using the CBRT's foreign exchange buying rate as of December 30, 2022, until a BRSA Decision to the contrary is taken.

In accordance with the BRSA's decision numbered 9996, dated December 21, 2021, if the net fair value gain/loss of the securities held by banks in the "Securities at Fair Value Through Other Comprehensive Income" portfolio are negative as of this decision date, the option is provided to not take into account these losses in the calculation of the equity amount to be used for the calculation of capital adequacy ratio, to be calculated in accordance with the Regulation on Banks' Equity published in the Official Gazette dated September 5, 2013. It is also decided to continue the application of the current provisions of the Regulation for the "Securities at Fair Value Through Other Comprehensive Income" acquired after the date of this decision.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

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

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

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

Explanations on Equity	Current Period September 30, 2023	Prior Period December 31, 2022
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
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	38,204,582	20,980,816
Gains recognized in equity as per TAS	2,054,372	3,460,024
Profit	24,639,072	17,223,766
Current Period Profit	24,639,072	17,223,766
Prior Period Profit	-	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	1,602	1,031
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>68,250,342</b>	<b>45,016,351</b>
<b>Deductions from Common Equity Tier 1 Capital</b>		
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	2,287,404	1,100,811
Improvement costs for operating leasing	151,375	108,497
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	3,427,124	922,029
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	-	-
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>5,865,904</b>	<b>2,131,337</b>
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	-	-
<b>Total Common Equity Tier 1 Capital</b>	<b>62,384,438</b>	<b>42,885,014</b>

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

**I. Explanations on Equity (Continued)**

	Current Period September 30, 2023	Prior Period December 31, 2022
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	14,372,768	9,815,715
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	<b>14,372,768</b>	<b>9,815,715</b>
<b>Deductions from Additional Tier I Capital</b>		
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	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>14,372,768</b>	<b>9,815,715</b>
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>76,757,206</b>	<b>52,700,729</b>
<b>TIER II CAPITAL</b>		
Debt instruments and premiums deemed suitable by the BRSA	-	-
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	10,540,030	7,198,191
Provisions (Article 8 of the Regulation on the Equity of Banks)	7,132,574	5,023,213
<b>Tier II Capital Before Deductions</b>	<b>17,672,604</b>	<b>12,221,404</b>
<b>Deductions From Tier II Capital</b>		
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 (-)	-	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>17,672,604</b>	<b>12,221,404</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>94,429,810</b>	<b>64,922,133</b>
<b>Deductions from Total Capital</b>		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	8,897	8,049
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 (-)	62,320	32,795
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
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 September 30, 2023	Prior Period December 31, 2022
<b>TOTAL CAPITAL</b>		
Total Capital	94,358,593	64,881,289
Total Risk Weighted Amounts	621,177,197	429,487,393
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	10.04	9.99
Tier I Capital Adequacy Ratio (%)	12.36	12.27
Capital Adequacy Ratio (%)	15.19	15.11
<b>BUFFERS</b>		
Bank specific total common equity tier 1 capital ratio (%)	2.50	2.50
a) Capital conservation buffer requirement (%)	2.50	2.50
b) Bank specific counter-cyclical buffer requirement (%)	-	-
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 (%)	4.04	3.99
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
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	2,800	288,563
Amount arising from mortgage-servicing rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	18,279,343	9,718,573
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	7,132,574	5,023,213
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	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between Januar 1, 2018 and January 1, 2023)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	14,372,768	9,815,715
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	10,540,030	7,198,191
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

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

### 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)	14,725	3,612	7,382
Par value of instrument (Currency in million)	14,725	3,612	6,7382
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 26, 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	-	-

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

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

### 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.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

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

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

**II. Explanations on Risk Management**

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about RWA flow statements of credit risk exposures under IRB Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on October 23, 2015 and became effective as of March 31, 2016. The following tables, which must be disclosed quarterly in accordance with the relevant declaration, are not presented as of September 30, 2023, as the standard approach is used in the Bank's capital adequacy calculation:

- RWA flow statements of credit risk exposures under IRB
- RWA flow statements of CCR exposures under the Internal Model Method (IMM)
- IRB (stock investment subject to specialized loans and simple risk weight approach)
- RWA flow statements of market risk exposures under an IMA
- Comparing VaR estimations with profit/loss

**1. GB1 – Overview of Risk Weighted Assets**

	Risk Weighted Amount		Minimum Capital Requirement	
	30.09.2023	31.12.2022	30.09.2023	31.12.2022
1 Credit Risk (excluding counterparty Credit Risk)	545,354,967	383,252,539	43,628,397	30,660,203
2 Standardized approach	545,354,967	383,252,539	43,628,397	30,660,203
3 Internal rating-based approach	-	-	-	-
4 Counterparty credit risk	25,250,946	18,604,519	2,020,076	1,488,362
5 Standardized approach for counterparty credit Risk	25,250,946	18,604,519	2,020,076	1,488,362
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	10,423,075	8,757,963	833,846	700,637
17 Standardized approach	10,423,075	8,757,963	833,846	700,637
18 Internal model approaches	-	-	-	-
19 Operational Risk	40,148,209	18,872,372	3,211,857	1,509,790
20 Basic Indicator Approach	40,148,209	18,872,372	3,211,857	1,509,790
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	-	-	-	-
<b>25 TOTAL(1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>621,177,197</b>	<b>429,487,393</b>	<b>49,694,176</b>	<b>34,358,992</b>

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

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

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

**III. Explanations on 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	27.3767
Euro purchase rate at the date of the balance sheet	29.0305

<u>Date</u>	<u>US Dollar</u>	<u>Euro</u>
September 29, 2023	27.3767	29.0305
September 28, 2023	27.3752	28.8083
September 27, 2023	27.2640	28.7853
September 26, 2023	27.2108	28.8183
September 25, 2023	27.1751	28.9027

**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 September, 2023 are TRY 26.9748 and TRY 28.8210 respectively

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

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

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

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

**5. Information on the foreign currency exchange rate risk**

Current Period	EUR	USD	Other FC	Total
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank <sup>(1)</sup>	36,607,604	53,468,405	7,875,167	97,951,176
Due From Banks <sup>(2)</sup>	5,079,903	6,390,489	656,393	12,126,785
Financial Assets at Fair Value through Profit/Loss <sup>(3)</sup>	1,422,976	3,860,216	-	5,283,192
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2,275	11,391,585	-	11,393,860
Loans and Receivables <sup>(4)</sup>	92,181,085	66,142,235	570,753	158,894,073
Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	1,994,399	26,470,296	-	28,464,695
Derivative Financial Assets Hedging Purposes	197,374	2,646,690	-	2,844,064
Tangible Assets	-	-	524	524
Intangible Assets	-	-	-	-
Other Assets <sup>(5)</sup>	112,802	105,089	4,828	222,719
<b>Total Assets</b>	<b>137,598,418</b>	<b>170,475,005</b>	<b>9,107,665</b>	<b>317,181,088</b>
<b>Liabilities</b>				
Bank Deposits	3,849,388	13,451,724	768,543	18,069,655
Foreign Currency Deposits <sup>(6)</sup>	56,531,992	113,655,331	34,931,229	205,118,552
Money Market Borrowings	-	17,829,055	-	17,829,055
Funds Provided from Other Financial Institutions	22,254,257	83,546,307	-	105,800,564
Securities Issues	2,485,251	22,509,908	3,869,388	28,864,547
Sundry Creditors	4,901,755	6,043,302	70,599	11,015,656
Derivative Fin. Liabilities for Hedging Purposes	-	838,120	-	838,120
Other Liabilities <sup>(7)</sup>	2,176,743	3,480,297	29,566	5,686,606
<b>Total Liabilities</b>	<b>92,199,386</b>	<b>261,354,044</b>	<b>39,669,325</b>	<b>393,222,755</b>
<b>Net Balance Sheet Position</b>	<b>45,399,032</b>	<b>(90,879,039)</b>	<b>(30,561,660)</b>	<b>(76,041,667)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(45,415,171)</b>	<b>96,939,004</b>	<b>30,540,157</b>	<b>82,063,990</b>
Financial Derivative Assets	44,288,609	280,888,930	34,282,929	359,460,468
Financial Derivative Liabilities	89,703,780	183,949,926	3,742,772	277,396,478
Non-Cash Loans <sup>(8)</sup>	23,849,422	23,716,310	1,426,698	48,992,430
<b>Prior Period</b>				
Total Assets	111,844,219	117,106,125	6,847,243	235,797,587
Total Liabilities	66,887,180	183,055,000	32,629,358	282,571,538
<b>Net Balance Sheet Position</b>	<b>44,957,039</b>	<b>(65,948,875)</b>	<b>(25,782,115)</b>	<b>(46,773,951)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(44,727,420)</b>	<b>68,298,664</b>	<b>26,048,445</b>	<b>49,619,689</b>
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	18,043,661	17,030,918	463,540	35,538,119

<sup>(1)</sup> Cash and Balances with TR Central Bank; Other FC include TRY 7,451,307 (December 31, 2022 – TRY 5,494,682) precious metal deposit account.

<sup>(2)</sup> There are foreign bank guarantees amounting to TRY 2,823,356 (December 31, 2022 – TRY 4,516,091).

<sup>(3)</sup> Does not include TRY 170,383 (December 31, 2022 – TRY 369,444) of currency income accruals arising from derivative transactions.

<sup>(4)</sup> Includes TRY 194,781 (December 31, 2022 – TRY 232,939) FC indexed loans..

<sup>(5)</sup> Does not include FC prepaid expenses amounting to TRY 674,891 (December 31, 2022 – TRY 224,639) as per BRSA's Communique published in Official Gazette no 26085 on February 19, 2006.

<sup>(6)</sup> Other foreign currency includes TRY 29,804,072 (December 31, 2022 – TRY 22,159,406) of precious metal deposit account.

<sup>(7)</sup> Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TRY 897,702 (December 31, 2022 – TRY 151,702)

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

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

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

**Interest rate sensitivity of assets, liabilities and off-balance sheet items***(Based on repricing dates)*

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing <sup>(1)</sup>	Total
<b>End of Current Period</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank <sup>(2)</sup>	51,202,921	-	-	-	-	90,003,169	141,206,090
Due from Banks <sup>(3)</sup>	12,152	-	-	-	-	12,140,076	12,152,228
Financial Assets at Fair Value Through Profit/Loss <sup>(4)</sup>	87,917	2,671,101	42,350	199,368	70,200	14,290,212	17,361,148
Money Market Placements <sup>(5)</sup>	6,060,000	-	-	-	-	(8,027)	6,051,973
Financial Assets at Fair Value Through Other Comprehensive Income <sup>(5)</sup>	12,291,977	14,725,831	3,216,950	4,595,275	13,096,644	4,673,759	52,600,436
Loans and Receivables	163,613,943	111,042,981	167,906,902	50,571,424	14,391,430	(5,455,284)	502,071,396
Inv. Securities Held to Maturity <sup>(6)</sup>	42,395,775	2,097,884	3,545,166	26,344,232	13,746,583	6,676,684	94,806,324
Other Assets	-	-	-	-	-	35,673,687	35,673,687
<b>Total Assets</b>	<b>275,664,685</b>	<b>130,537,797</b>	<b>174,711,368</b>	<b>81,710,299</b>	<b>41,304,857</b>	<b>157,994,276</b>	<b>861,923,282</b>
<b>Liabilities</b>							
Bank Deposits	7,837,319	10,330,081	1,552,784	-	-	472,097	20,192,281
Other Deposits	181,777,825	122,427,232	24,793,750	641,792	739	212,333,549	541,974,887
Money Market Borrowings	17,970,793	5,608,934	8,631,336	-	-	326,657	32,537,720
Sundry Creditors	11,015,656	-	-	-	-	21,255,048	32,270,704
Securities Issued	3,449,696	7,835,563	19,397,611	-	-	-	30,682,870
Funds Borrowed	18,910,895	47,787,362	22,036,933	1,035,413	14,372,768	1,913,398	106,056,769
Other Liabilities <sup>(7)</sup>	234	842	11,125	733,070	717	97,462,063	98,208,051
<b>Total Liabilities</b>	<b>240,962,418</b>	<b>193,990,014</b>	<b>76,423,539</b>	<b>2,410,275</b>	<b>14,374,224</b>	<b>333,762,812</b>	<b>861,923,282</b>
On Balance Sheet Long Position	34,702,267	-	98,287,829	79,300,024	26,930,633	-	239,220,753
On Balance Sheet Short Position	-	(63,452,217)	-	-	-	(175,768,536)	(239,220,753)
Off-Balance Sheet Long Position	11,785,079	12,193,115	23,345,174	-	-	-	47,323,368
Off-Balance Sheet Short Position	-	-	-	(40,221,790)	-	-	(40,221,790)
<b>Total Position</b>	<b>46,487,346</b>	<b>(51,259,102)</b>	<b>121,633,003</b>	<b>39,078,234</b>	<b>26,930,633</b>	<b>(175,768,536)</b>	<b>7,101,578</b>

<sup>(1)</sup> Non-Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.<sup>(2)</sup> 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 17,454 expected loss provisions.<sup>(3)</sup> Banks include balance of expected loss provisions amounting to TRY 5,784<sup>(4)</sup> Financial Assets at Fair Value Through Profit/Loss include TRY 13,073,545 derivative financial assets used for hedging purposes.<sup>(5)</sup> Financial Assets at Fair Value Through Other Comprehensive Income include TRY 4,467,545 derivative financial assets used for hedging purposes.<sup>(6)</sup> Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TRY 23,008.<sup>(7)</sup> Other Liabilities includes Derivative Financial Assets amounting to TRY 6,758,386.

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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 <sup>(1)</sup>	Total
<b>End of Prior Period</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank <sup>(2)</sup>	36,498,079	-	-	-	-	58,029,097	94,527,176
Due from Banks <sup>(3)</sup>	2,870,720	-	-	-	-	7,791,698	10,662,418
Financial Assets at Fair Value Through Profit/Loss <sup>(4)</sup>	212,289	104,379	113,413	190,798	34,143	16,426,133	17,081,155
Money Market Placements <sup>(5)</sup>	4,427,376	4,040,604	-	-	-	(5,082)	8,462,898
Financial Assets at Fair Value Through Other Comprehensive Income <sup>(5)</sup>	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 <sup>(6)</sup>	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
<b>Total Assets</b>	<b>157,634,428</b>	<b>78,803,621</b>	<b>138,785,312</b>	<b>81,855,218</b>	<b>25,432,633</b>	<b>119,243,964</b>	<b>601,755,176</b>
<b>Liabilities</b>							
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 <sup>(7)</sup>	379	1,113	17,767	726,060	-	68,898,753	69,644,072
<b>Total Liabilities</b>	<b>187,614,680</b>	<b>129,973,445</b>	<b>47,924,281</b>	<b>13,664,131</b>	<b>9,816,219</b>	<b>212,762,420</b>	<b>601,755,176</b>
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)
<b>Total Position</b>	<b>(15,608,297)</b>	<b>(23,433,974)</b>	<b>87,809,919</b>	<b>60,463,165</b>	<b>(870,057)</b>	<b>(93,518,456)</b>	<b>14,842,300</b>

<sup>(1)</sup> Non-Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.<sup>(2)</sup> 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.<sup>(3)</sup> Banks include balance of expected loss provisions amounting to TRY 5,879.<sup>(4)</sup> Financial Assets at Fair Value Through Profit/Loss include TRY 15,808,676 derivative financial assets used for hedging purposes.<sup>(5)</sup> Financial Assets at Fair Value Through Other Comprehensive Income include TRY 6,868,484 derivative financial assets used for hedging purposes.<sup>(6)</sup> Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TRY 20,038.<sup>(7)</sup> 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)****Average interest rates applied to monetary financial instruments**

	EURO %	USD %	JPY %	TRY %
<b>End of Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	-	-	-
Due from Banks	-	-	-	-
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	5.38	7.88	-	19.15
Money Market Placements	-	-	-	34.98
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2.77	5.51	-	27.65
Loans and Receivables	7.34	9.21	4.92	31.60
Financial Assets Measured at Amortized Cost	4.73	5.67	-	38.63
<b>Liabilities</b>				
Bank Deposits	4.78	7.12	-	30.67
Other Deposits	0.89	2.21	0.05	21.37
Money Market Borrowings	-	6.34	-	30.49
Sundry Creditors	3.73	5.23	-	-
Securities Issued	7.17	7.23	-	34.91
Funds Borrowed	5.86	8.33	-	23.64
	EURO %	USD %	JPY %	TRY %
<b>End of Prior Period</b>				
<b>Assets</b>				
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
<b>Liabilities</b>				
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	1.52	-	-	-
Securities Issued	4.97	6.91	-	22.07
Funds Borrowed	4.14	7.36	-	18.81

**V. Explanations on Position Risk of Equity Securities**

Equity Securities (shares)	Comparison		
	Carrying Value	Fair Value	Market Value
<b>1. Investment in Shares- grade A</b>	-	-	-
Quoted Securities	-	-	-
<b>2. Investment in Shares- grade B</b>	-	-	-
Quoted Securities	-	-	-
<b>3. Investment in Shares- grade C</b>	2,299,957	2,299,957	-
Quoted Securities	2,299,957	2,299,957	-
<b>4. Investment in Shares- grade Other <sup>(*)</sup></b>	6,542,814	6,542,814	-

<sup>(\*)</sup> Includes associates and subsidiaries 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	137,765	-	-	-	-	-
3. Other Shares	-	-	-	-	-	-
<b>4. Total</b>	<b>137,765</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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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**

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.

Cautious liquidity management against possible financial fluctuations in the market has been one of the main 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 the cumulative cash outflows without any new funds from the market or by providing very low levels of funds. In scenarios created by observing financial movements in the past and using statistical analysis, it has been observed that 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 – September 30, 2023		Consideration Rate Unweighted Amounts <sup>(*)</sup>		Consideration Rate Weighted Amounts <sup>(*)</sup>	
		TRY+FC	FC	TRY+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				<b>190,297,444</b>	<b>93,821,570</b>
1	High Quality Liquid Assets			190,297,444	93,821,570
<b>CASH OUTFLOWS</b>					
2	Retail and Small Business Customers Deposits	384,942,591	143,990,832	34,964,718	14,399,083
3	Stable deposits	70,590,806	-	3,529,540	-
4	Less stable deposits	314,351,785	143,990,832	31,435,178	14,399,083
5	Unsecured Funding other than Retail and Small Business Customers Deposits	136,288,976	67,990,934	78,766,401	39,337,768
6	Operational deposits	4,818,159	1,005,688	1,204,540	251,422
7	Non-Operational Deposits	103,956,791	59,083,380	56,406,002	31,329,326
8	Other Unsecured Funding	27,514,026	7,901,866	21,155,859	7,757,020
9	Secured funding	-	-	64,292	64,292
10	Other Cash Outflows	48,686,330	11,379,766	48,686,330	11,379,766
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	48,686,330	11,379,766	48,686,330	11,379,766
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	136,034,890	47,746,350	6,801,745	2,387,317
15	Other irrevocable or conditionally revocable commitments	451,691,050	50,382,828	29,122,219	4,719,969
<b>16</b>	<b>TOTAL CASH OUTFLOWS</b>	<b>-</b>	<b>-</b>	<b>198,405,705</b>	<b>72,288,195</b>
<b>CASH INFLOWS</b>					
17	Secured Lending Transactions	1,440,576	-	-	-
18	Unsecured Lending Transactions	67,619,322	21,626,081	44,098,682	17,489,715
19	Other Cash Inflows	49,428,457	44,320,971	49,428,457	44,320,971
<b>20</b>	<b>TOTAL CASH INFLOWS</b>	<b>118,488,355</b>	<b>65,947,052</b>	<b>93,527,139</b>	<b>61,810,686</b>
		<b>Upper Limit Applied Values</b>			
<b>21</b>	<b>TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>190,297,444</b>	<b>93,821,570</b>
<b>22</b>	<b>TOTAL NET CASH OUTFLOWS</b>			<b>104,878,566</b>	<b>20,117,367</b>
<b>23</b>	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>181.45</b>	<b>466.37</b>

<sup>(\*)</sup> 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 Remarks regarding Liquidity Risk Management and Liquidity Coverage Ratio (Continued)****Liquidity Coverage Ratio (Continued)**

Prior Period – December 31, 2022		Consideration Rate Unweighted Amounts <sup>(*)</sup>		Consideration Rate Weighted Amounts <sup>(*)</sup>	
		TRY+FC	FC	TRY+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				<b>135,335,819</b>	<b>71,792,143</b>
1	High Quality Liquid Assets	-	-	135,335,819	71,792,143
<b>CASH OUTFLOWS</b>					
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	<b>TOTAL CASH OUTFLOWS</b>	-	-	<b>195,633,681</b>	<b>73,983,731</b>
<b>CASH INFLOWS</b>					
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	<b>TOTAL CASH INFLOWS</b>	<b>126,726,859</b>	<b>92,154,896</b>	<b>114,510,229</b>	<b>89,363,371</b>
				<b>Upper Limit Applied Values</b>	
21	<b>TOTAL HIGH QUALITY LIQUID ASSETS</b>	-	-	<b>135,335,819</b>	<b>71,792,143</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>	-	-	<b>81,123,452</b>	<b>18,495,933</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>	-	-	<b>166.83</b>	<b>388.15</b>

<sup>(\*)</sup> Basic arithmetic average calculated for the last three months of values calculated by taking the weekly basic arithmetic average.

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of 2023 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
<b>TRY+FC</b>	203.68	28/07/2023	163.19	25/08/2023	182.73
<b>FC</b>	549.43	11/08/2023	342.38	14/07/2023	480.41

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.

Almost 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 65% of total liabilities of the bank (December 31, 2022 – 63%) and also include repo, syndication, securitization, securities issued and other instruments including subordinated debts.

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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 Rate (Continued)**

**Liquidity Coverage Ratio (Continued)**

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 securized 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**

<b>Current Period</b>	<b>Demand</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Unallocated <sup>(1)</sup></b>	<b>Total</b>
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank <sup>(2)</sup>	90,020,622	51,202,922	-	-	-	-	(17,454)	141,206,090
Due from Banks <sup>(3)</sup>	9,322,504	2,835,508	-	-	-	-	(5,784)	12,152,228
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) <sup>(4)</sup>	964,508	834,180	3,463,223	2,190,132	5,800,964	4,108,141	-	17,361,148
Money Markets Placements <sup>(5)</sup>	-	6,060,000	-	-	-	-	(8,027)	6,051,973
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) <sup>(6)</sup>	7,674	912,040	636,040	2,990,958	33,410,973	14,642,751	-	52,600,436
Loans and Receivables	-	162,632,563	71,601,859	165,850,212	84,131,131	32,811,563	(14,955,932)	502,071,396
Financial Assets Measured at Amortized Cost <sup>(7)</sup>	-	-	3,203,821	8,590,617	51,882,631	31,152,263	(23,008)	94,806,324
Other Assets	-	12,777,075	-	-	669,913	-	22,226,699	35,673,687
<b>Total Assets</b>	<b>100,315,308</b>	<b>237,254,288</b>	<b>78,904,943</b>	<b>179,621,919</b>	<b>175,895,612</b>	<b>82,714,718</b>	<b>7,216,494</b>	<b>861,923,282</b>
<b>Liabilities</b>								
Bank Deposits	204,202	7,929,540	10,475,406	1,583,133	-	-	-	20,192,281
Other Deposits	205,375,268	185,073,075	125,304,158	25,548,045	673,598	743	-	541,974,887
Funds Borrowed	-	1,505,080	21,662,860	61,258,325	10,636,059	10,994,445	-	106,056,769
Money Market Borrowings	-	14,518,459	4,236,683	8,655,165	4,294,474	832,939	-	32,537,720
Securities Issued	-	3,449,696	6,461,600	20,771,574	-	-	-	30,682,870
Miscellaneous Payables	-	32,270,704	-	-	-	-	-	32,270,704
Other Liabilities <sup>(8)</sup>	-	9,582,460	788,639	1,739,107	2,602,158	1,583,712	81,911,975	98,208,051
<b>Total Liabilities</b>	<b>205,579,470</b>	<b>254,329,014</b>	<b>168,929,346</b>	<b>119,555,349</b>	<b>18,206,289</b>	<b>13,411,839</b>	<b>81,911,975</b>	<b>861,923,282</b>
<b>Liquidity Excess/(Gap)</b>	<b>(105,264,162)</b>	<b>(17,074,726)</b>	<b>(90,024,403)</b>	<b>60,066,570</b>	<b>157,689,323</b>	<b>69,302,879</b>	<b>(74,695,481)</b>	<b>-</b>
<b>Net Off Balance Sheet Position <sup>(9)</sup></b>								
Receivables from Financial Derivative Instruments	-	938,806	322,400	1,719,256	2,410,246	-	-	5,390,708
Liabilities from Derivatives	-	104,464,346	121,760,057	72,958,587	70,714,286	72,363,178	-	442,260,454
<b>Non-cash Loans <sup>(10)</sup></b>	<b>-</b>	<b>6,196,022</b>	<b>12,282,389</b>	<b>37,399,077</b>	<b>11,545,061</b>	<b>1,512,999</b>	<b>24,743,957</b>	<b>93,679,505</b>
<b>Prior period</b>								
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
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
<b>Liquidity Excess/(Gap)</b>	<b>(68,540,893)</b>	<b>(70,623,059)</b>	<b>(57,360,125)</b>	<b>83,672,386</b>	<b>103,001,188</b>	<b>54,194,749</b>	<b>(44,344,246)</b>	<b>-</b>
<b>Net-Off Balance Sheet Position <sup>(9)</sup></b>								
Receivables from Derivative Instruments	-	1,451,298	6,050,828	4,699,451	2,600,912	37	-	14,802,526
Liabilities from Derivative Instruments	-	138,454,055	74,488,201	40,445,173	62,708,472	58,949,274	-	375,045,175
<b>Non-cash Loans <sup>(10)</sup></b>	<b>-</b>	<b>3,167,528</b>	<b>7,830,151</b>	<b>27,464,272</b>	<b>9,713,322</b>	<b>922,518</b>	<b>16,131,398</b>	<b>65,229,189</b>

(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 66,189,081 (December 31, 2022 – TRY 44,265,529), unallocated provisions amounting to TRY 9,632,393 (December 31, 2022 – TRY 8,918,257) and current tax liabilities amounting to TRY 6,090,502 (December 31, 2022 – TRY 2,766,075).

(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 17,454 (December 31, 2022 – TRY 10,615).

(3) Banks include balance of expected loss provisions amounting to TRY 5,784 (December 31, 2022 – TRY 5,879).

(4) Financial Assets at Fair Value Through Profit/Loss include TRY 13,073,545 (December 31, 2022 – TRY 15,808,676) derivative financial assets used for hedging purposes.

(5) Receivables from Money Markets includes the balance of expected loss provisions amounting to TRY 8,027 (December 31, 2022 – TRY 5,082).

(6) Financial Assets at Fair Value Through Other Comprehensive Income include TRY 4,467,545 (December 31, 2022 – TRY 6,868,484) derivative financial assets used for hedging purposes.

(7) Financial assets measured at amortized cost include TRY 23,008 (December 31, 2022 – TRY 20,038) of expected loss provisions.

(8) Other Liabilities include Derivative Financial Assets amounting to TRY 6,758,386 (December 31, 2022 – TRY 6,396,238).

(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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FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

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

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

**VII. Explanations on 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 5.53% (December 31, 2022 – 5.97%). 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:

	<b>Book Value</b>	
	<b>Current Period (*)</b>	<b>Prior Period (*)</b>
<b>Assets on Balance sheet</b>		
Assets on Balance sheet (except for derivative financial instruments and credit (Assets deducted from capital stock)	809,366,055	564,542,488
Total risk amount related to Assets on Balance sheet	3,498,203	988,572
<b>Derivative financial instruments and credit derivatives</b>	805,867,852	563,553,916
Replacement cost of derivative financial instruments and credit derivatives		
Potential credit risk amount of derivative financial instruments and credit derivatives	19,767,249	23,234,025
Total risk amount related to derivative financial instruments and credit derivatives	20,529,624	7,924,670
<b>Financial transactions having security or commodity collateral</b>	40,296,873	31,158,695
Risk amount of financial transactions having security or commodity collateral		
Risk amount sourcing from transactions mediated	3,227	49,485
Total risk amount related to financial transactions having security or commodity Collateral	607,252	849,565
<b>Off-Balance sheet Transaction</b>	610,479	899,050
Gross nominal amount of off-balance sheet transactions		
(Adjustment amount sourcing from multiplying to credit conversion rates)	619,507,879	362,571,207
Total risk amount related to off-balance sheet transactions	127,091,520	94,599,387
<b>Capital and Total Risk</b>	492,416,359	267,971,820
Core Capital		
Amount of total risk	74,002,062	51,567,778
<b>Financial leverage ratio</b>	1,339,191,563	863,583,481
Financial leverage ratio	5.53%	5.97%

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

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

**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	2,321,496	8,470,071	1,621,492	6,809,684
T.R. Central Bank	40,672,811	88,614,340	7,929,515	74,677,290
Other	278,061	866,765	168,850	3,330,960
<b>Total</b>	<b>43,272,368</b>	<b>97,951,176</b>	<b>9,719,857</b>	<b>84,817,934</b>

**b) Balances with the Central Bank of Türkiye**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Unrestricted Demand Deposits	40,672,811	37,411,418	7,929,515	34,202,891
Restricted Time Deposits	-	51,202,922	-	40,474,399
<b>Total</b>	<b>40,672,811</b>	<b>88,614,340</b>	<b>7,929,515</b>	<b>74,677,290</b>

As of September 30, 2023 amount of TRY 17,454 (December 31, 2022 – TRY 10,615) provision provided for the account T.R. Central Bank.

As of September 30, 2023, our bank has been appointed to CBRT depending on the maturity structure, the required reserve rates for TRY liabilities vary between 0% and 8% for TRY deposits and other liabilities according to their maturities. For exchange rate/price protection support, rates vary between 5% and 25% depending on the maturity structure. The reserve rates for foreign currency liabilities vary between 5% and 29% 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	2,055,387	-	-	-
Subject to repurchase agreements	-	-	-	-
<b>Total</b>	<b>2,055,387</b>	<b>-</b>	<b>-</b>	<b>-</b>

**b) Positive differences related to derivative financial assets held for trading**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward Transactions	488,144	-	457,631	-
Swap Transactions	4,113,281	4,216,854	4,694,578	2,272,253
Futures Transactions	-	893	-	514
Options	-	461,552	-	758,724
<b>Total</b>	<b>4,601,425</b>	<b>4,679,299</b>	<b>5,152,209</b>	<b>3,031,491</b>

**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	13,482	268,193	2,874,204	133,353
Foreign	-	11,876,337	-	7,660,740
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>13,482</b>	<b>12,144,530</b>	<b>2,874,204</b>	<b>7,794,093</b>

As of September 30, 2023 amount of TRY 5,784 provision provided for the Bank account (December 31, 2022 – TRY 5,879).

**b) Information on foreign bank accounts**

	Unrestricted Amount		Restricted Amount <sup>(**)</sup>	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	2,689,512	1,479,052	174,498	132,836
USA and Canada	5,522,348	892,625	-	-
OECD Countries <sup>(*)</sup>	542,404	644,395	2,648,858	4,383,255
Off-shore Banking Regions	-	-	-	-
Other	298,717	128,577	-	-
<b>Total</b>	<b>9,052,981</b>	<b>3,144,649</b>	<b>2,823,356</b>	<b>4,516,091</b>

<sup>(\*)</sup> Includes OECD countries other than the EU countries, USA and Canada.

<sup>(\*\*)</sup> 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
<b>Domestic Transactions</b>	-	-	<b>3,613,560</b>	-
T.R Central Bank	-	-	-	-
Banks	-	-	3,613,560	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organization	-	-	-	-
Natural Persons	-	-	-	-
<b>Foreign Transactions</b>	-	-	-	<b>427,044</b>
Central Banks	-	-	-	-
Banks	-	-	-	427,044
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Natural Persons	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>3,613,560</b>	<b>427,044</b>

**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)****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	21,815,619	-	12,462,239	-
Subject to repurchase agreements	11,748	5,283,681	9,095	10,279,690
<b>Total</b>	<b>21,827,367</b>	<b>5,283,681</b>	<b>12,471,334</b>	<b>10,279,690</b>

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

	Current Period	Prior Period
<b>Debt securities</b>	<b>51,859,472</b>	<b>41,939,468</b>
Quoted on a stock exchange (*)	51,859,472	41,939,468
Unquoted on a stock exchange	-	-
<b>Share certificates</b>	<b>7,781</b>	<b>7,781</b>
Quoted on a stock exchange	-	-
Unquoted on a stock exchange	7,781	7,781
<b>Impairment provision(-) (**)</b>	<b>(3,734,362)</b>	<b>(1,808,599)</b>
<b>Total</b>	<b>48,132,891</b>	<b>40,138,650</b>

(\*) The Eurobond Portfolio amounting to TRY 5,152,639 (December 31, 2022 – TRY 5,436,447) which is accounted for as financial assets measured at fair value through other comprehensive income were hedged under fair value hedge accounting starting from 2009.

(\*\*) As of September 30, 2023 amount of TRY 6,751 (December 31, 2022 – TRY 5,094) 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
<b>Direct Loans Granted to Shareholders</b>	<b>-</b>	<b>2,077,102</b>	<b>-</b>	<b>116,854</b>
Corporate Shareholders	-	2,077,102	-	116,854
Individual Shareholders	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Loans Granted to Employees (*)</b>	<b>602,592</b>	<b>-</b>	<b>333,147</b>	<b>-</b>
<b>Total</b>	<b>602,592</b>	<b>2,077,102</b>	<b>333,147</b>	<b>116,854</b>

(\*) 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**

	Loans Under Close Monitoring			
	Restructured Loans and Receivables			
	Loans and Receivables with Revised Contract Terms			
Cash Loans	Standard Loans and Other Receivables	Loans and Receivables Not Subject to restructuring	Refinance	
<b>Non-specialized Loans</b>	<b>453,197,672</b>	<b>46,207,568</b>	<b>135,834</b>	<b>17,486,254</b>
Enterprise Loans	26,156,163	47,270	-	-
Export Loans	41,594,701	948,431	-	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	7,565,841	1,097	-	-
Retail Loans	87,253,919	10,308,920	63,932	2,675,330
Credit Cards	117,624,342	17,819,350	-	2,011,322
Other	173,002,706	17,082,500	71,902	12,799,602
<b>Specialized Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>453,197,672</b>	<b>46,207,568</b>	<b>135,834</b>	<b>17,486,254</b>

**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)**

**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)**

	<b>Standard Loans</b>	<b>Loans Under Close Monitoring</b>
<b>Current Period</b>		
Provision for 12 Month Expected Credit Losses	6,513,335	-
Significant Increase in Credit Risk	-	10,083,042
<b>Prior Period</b>		
Provision for 12 Month Expected Credit Losses	3,485,429	-
Significant Increase in Credit Risk	-	5,609,232

**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, 2022 – None).

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

		<b>Loans Under Close Monitoring</b>	
	<b>Standard Loans</b>	<b>Loans Not Subject to Restructuring</b>	<b>Loans with Restructured Loans</b>
<b>Cash Loans</b>			
Short-term Loans	261,985,253	17,819,350	2,011,323
Medium and Long-term Loans	191,212,419	28,388,218	15,610,765
<b>Total</b>	<b>453,197,672</b>	<b>46,207,568</b>	<b>17,622,088</b>

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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
<b>Consumer Loans-TRY</b>	<b>10,470,812</b>	<b>75,911,104</b>	<b>86,381,916</b>
Housing Loans	3,700	3,525,257	3,528,957
Automobile Loans	1,277	37,361	38,638
Personal Need Loans	10,465,835	72,348,486	82,814,321
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>561</b>	<b>561</b>
Housing Loans	-	557	557
Automobile Loans	-	-	-
Personal Need Loans	-	4	4
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TRY</b>	<b>113,532,926</b>	<b>2,046,842</b>	<b>115,579,768</b>
Installment	38,237,979	1,303,285	39,541,264
Non- Installment	75,294,947	743,557	76,038,504
<b>Individual Credit Cards-FC</b>	<b>221,363</b>	<b>320</b>	<b>221,683</b>
Installment	-	-	-
Non- Installment	221,363	320	221,683
<b>Personnel Loans-TRY</b>	<b>53,131</b>	<b>219,628</b>	<b>272,759</b>
Housing Loans	-	23	23
Automobile Loans	-	-	-
Personal Need Loans	53,131	219,605	272,736
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TRY</b>	<b>315,023</b>	<b>3,148</b>	<b>318,171</b>
Installment	134,826	1,347	136,173
Non-Installment	180,197	1,801	181,998
<b>Personnel Credit Cards-FC</b>	<b>1,247</b>	<b>2</b>	<b>1,249</b>
Installment	-	-	-
Non-Installment	1,247	2	1,249
<b>Overdraft Accounts-TRY (Natural Persons)</b>	<b>13,132,374</b>	<b>514,491</b>	<b>13,646,865</b>
<b>Overdraft Accounts-FC (Natural Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>137,726,876</b>	<b>78,696,096</b>	<b>216,422,972</b>

**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)**

**6. Information related to loans (Continued)**

**e) Information on commercial loans with installments and corporate credit cards**

	Short Term	Medium and Long Term	Total
<b>Commercial Loans with Installment Facility – TRY</b>	<b>1,530,176</b>	<b>30,815,055</b>	<b>32,345,231</b>
Real Estate Loans	3,177	263,031	266,208
Automobile Loans	37,904	1,608,177	1,646,081
Personal Need Loans	1,489,095	28,943,847	30,432,942
Other	-	-	-
<b>Commercial Loans with Installment Facility - FC Indexed</b>	<b>-</b>	<b>190,893</b>	<b>190,893</b>
Real Estate Loans	-	1,132	1,132
Automobile Loans	-	-	-
Personal Need Loans	-	189,761	189,761
Other	-	-	-
<b>Commercial Loans with Installment Facility – FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards –TRY</b>	<b>21,074,853</b>	<b>234,399</b>	<b>21,309,252</b>
Installment	4,283,045	57,800	4,340,845
Non-Installment	16,791,808	176,599	16,968,407
<b>Corporate Credit Cards –FC</b>	<b>24,855</b>	<b>36</b>	<b>24,891</b>
Installment	-	-	-
Non-Installment	24,855	36	24,891
<b>Overdraft Accounts-TRY (Legal Entities)</b>	<b>2,616,544</b>	<b>16,609</b>	<b>2,633,153</b>
<b>Overdraft Accounts-FC (Legal Entities)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>25,246,428</b>	<b>31,256,992</b>	<b>56,503,420</b>

**f) Allocation of loans to customers <sup>(\*)</sup>**

	Current Period	Prior Period
Public	4,205,951	4,285,525
Private	512,821,377	348,170,521
<b>Total</b>	<b>517,027,328</b>	<b>352,456,046</b>

<sup>(\*)</sup> The table does not include non-performing loan amount.

**g) Allocation of domestic and foreign loans <sup>(\*)</sup>**

	Current Period	Prior Period
Domestic Loans	514,337,980	350,600,485
Foreign Loans	2,689,348	1,855,561
<b>Total</b>	<b>517,027,328</b>	<b>352,456,046</b>

<sup>(\*)</sup> 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	6,250,093	5,341,116
Indirect Loans Granted to Subsidiaries and Associates	-	-
<b>Total</b>	<b>6,250,093</b>	<b>5,341,116</b>

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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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
<b>Provisions</b>		
Loans and Receivables with Limited Collectability	588,117	631,345
Doubtful Loans and Other Receivables	746,325	455,337
Uncollectible Loans and Receivables	5,485,070	6,342,431
<b>Total</b>	<b>6,819,512</b>	<b>7,429,113</b>

**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
<b>Current Period</b>			
Gross Amounts Before the Provisions	3,141	3,222	360,214
Restructured Loans	3,141	3,222	360,214
<b>Prior Period</b>			
Gross Amounts Before the Provisions	46	9,865	393,631
Restructured Loans	46	9,865	393,631

**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
<b>Prior Period End Balance</b>	<b>874,620</b>	<b>636,382</b>	<b>7,513,924</b>
Additions (+)	2,103,203	112,509	120,406
Transfers from Other Categories of Non-Performing Loans (+)	-	1,766,202	1,243,543
Transfers to Other Categories of Non-Performing Loans (-)	1,766,202	1,243,543	-
Collections (-)	309,834	245,838	1,428,379
Write-offs (-)	-	-	9,333
<b>Debt Sales (-) (*)</b>	<b>-</b>	<b>-</b>	<b>907,703</b>
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	309,295
Credit Cards	-	-	350,789
Others	-	-	247,619
<b>Current Period End Balance</b>	<b>901,787</b>	<b>1,025,712</b>	<b>6,532,458</b>
Provision (-)	588,117	746,325	5,485,070
<b>Net Balances on Balance Sheet</b>	<b>313,670</b>	<b>279,387</b>	<b>1,047,388</b>

(\*) The bank sold TRY 907,703 of the non-performing loans portfolio to the asset management company for TRY 444,750.

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

None (December 31, 2022 – None).

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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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 Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
<b>Current Period (Net)</b>	<b>313,670</b>	<b>279,387</b>	<b>1,047,388</b>
Loans to Natural Persons and Legal Entities (Gross)	901,787	1,025,712	6,297,898
Provision (-)	588,117	746,325	5,250,510
Loans to Natural Persons and Legal Entities (Net)	313,670	279,387	1,047,388
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	234,560
Provision (-)	-	-	234,560
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>243,275</b>	<b>181,045</b>	<b>1,171,493</b>
Loans to Natural Persons and Legal Entities (Gross)	874,620	636,382	7,322,937
Specific provision (-)	631,345	455,337	6,151,444
Loans to Natural Persons and Legal Entities (Net)	243,275	181,045	1,171,493
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	190,987
Specific provision (-)	-	-	190,987
Other Loans and Receivables (Net)	-	-	-
	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
<b>Current Period (Net)</b>			
Interest Accruals and Valuation Differences	71,406	92,432	1,165,098
Provision (-)	29,432	51,935	798,948
<b>Prior Period (Net)</b>			
Interest Accruals and Valuation Differences	120,510	56,583	1,257,336
Provision (-)	86,990	40,486	1,060,843

**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.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

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

**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	19,011,503	6,133,405	7,436,978	-
Subject to repurchase agreements	13,078,925	19,950,931	234,667	19,644,899
<b>Total</b>	<b>32,090,428</b>	<b>26,084,336</b>	<b>7,671,645</b>	<b>19,644,899</b>

**b) Information on government debt securities measured at amortized cost**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Government Bond	66,364,637	27,815,760	41,598,971	19,504,773
Treasury Bill	-	-	-	-
Other Debt Securities	-	537,286	-	367,824
<b>Total</b>	<b>66,364,637</b>	<b>28,353,046</b>	<b>41,598,971</b>	<b>19,872,597</b>

**c) Information on investment securities measured at amortized cost**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
<b>Debt Securities</b>	<b>66,364,637</b>	<b>28,464,695</b>	<b>41,598,971</b>	<b>20,364,334</b>
Publicly-traded	66,364,637	28,464,695	41,598,971	20,364,334
Non-publicly traded	-	-	-	-
<b>Provision for losses (-)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>66,364,637</b>	<b>28,464,695</b>	<b>41,598,971</b>	<b>20,364,334</b>

**d) Movement of investments measured at amortized cost within the period**

	Current Period	Prior Period
<b>Value at the beginning of the period</b>	<b>61,963,305</b>	<b>29,856,976</b>
Exchange differences on monetary assets	8,944,407	6,288,072
Acquisitions during the year	33,404,616	12,898,683
Disposals through sales and redemptions	(19,692,196)	(10,005,623)
Provision for losses (-)	-	-
Valuation effect	10,209,200	22,925,197
<b>The sum of end of the period</b>	<b>94,829,332</b>	<b>61,963,305</b>

As of September 30, 2023, a provision amounting to TRY 23,008 (December 31, 2022 – TRY 20,038) is provided for the financial assets measured at amortized cost.

# QNB FİNANSBANK ANONİM ŞİRKETİ

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

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

### 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(%)
1.	Bankalararası Kart Merkezi (BKM) (*)	Istanbul/Turkey	4.52	4.52
2.	JCR Avrasya Derecelendirme A.Ş. (**)	Istanbul/Turkey	2.86	2.86
3.	İhracatı Geliştirme A.Ş. (İGE) (***)	Istanbul/Turkey	0.44	0.44

  

	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.	3,512,646	2,762,304	61,002	274,982	-	2,077,231	122,202	-
2.	181,747	142,869	10,448	15,355	-	100,751	58,825	-
3.	4,563,113	4,532,905	13,404	429,893	-	1,154,146	22,740	-

(\*) Current period information is based on June 30, 2023 financials. Prior period profit and loss amounts are based on June 30, 2022 financials.

(\*\*) Current period information is based on December 31, 2022 financials. Prior period profit and loss amounts are based on December 31, 2021 financials.

(\*\*\*) Total fixed assets consist of tangible and intangible assets.

##### b) Information on the consolidated subsidiaries

None (December 31, 2022 – None).

#### 8.2. Movements of investments in associates

	Current Period	Prior Period
Balance at the Beginning of Period	45,477	14,026
Movements During the Period	572	31,451
Purchases	-	-
Bonus Shares Received (*)	572	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	46,049	45,477
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

(\*) Capital participation fee is included in the item of Shares Acquired Free of Charge, JCR Avrasya Derecelendirme A.Ş. in the current period, İhracatı Geliştirme A.Ş. (İGE) in the previous 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	46,049	45,477
Total	46,049	45,477

#### 8.4. Quoted Associates

None (December 31, 2022 – None).

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

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

**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	46,049	45,477
Valued at Fair Value	-	-
Valued at Equity Method	-	-
<b>Total</b>	<b>46,049</b>	<b>45,477</b>

**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. İbtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.	Istanbul/Turkey	99.91	99.99
2. EFINANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	Istanbul/Turkey	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.	232,116	(2,389)	64,917	-	-	6,276	9,516	-
2.	259,224	187,736	25,709	18,266	-	49,656	16,679	-

**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
6. QNB Sağlık Hayat Sigorta ve Emeklilik A.Ş.	Istanbul/Türkiye	100.00	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(*)
1.	5,446,759	1,801,338	39,412	733,089	12,419	635,971	298,998	-
2.	24,117,966	2,313,841	34,414	2,135,875	1,371	635,942	283,674	2,299,957
3.	564,229	413,219	3,451	2,477	-	146,338	40,762	-
4.	14,421,531	1,320,039	20,209	2,683,181	-	768,019	193,047	-
5.	521,896	1,529	-	-	-	793	366	-
6.	4,333,717	1,134,451	85,908	285,035	71,159	637,244	347,793	-

**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)**

**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
<b>Balance at the beginning of the period</b>	<b>3,490,203</b>	<b>2,129,798</b>
<b>Movements during the period</b>	<b>5,175,673</b>	<b>1,360,405</b>
Purchases (*)	981,000	-
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Revaluation Increase (**)	4,194,673	1,360,405
Impairment Provision	-	-
<b>Balance at the End of the Period</b>	<b>8,665,876</b>	<b>3,490,203</b>
<b>Capital Commitments</b>	-	-
<b>Share Percentage at the end of the Period (%)</b>	-	-

(\*) Regarding the partnership share in QNB Sağlık Hayat Sigorta ve Emeklilik A.Ş., whose 49% capital is owned by the Bank, with the decision of Bank's Board of Directors, 22,950,000 shares with a total nominal value of TRY 22,950,000 which is owned by Cigna Nederland Gamma BV and corresponds to 51% of the capital of QNB Sağlık Hayat Sigorta ve Emeklilik A.Ş., was decided to be purchased with a price of TRY 981,000,000 (in full TRY). In this context, a Share Purchase Agreement was signed with Cigna Nederland Gamma BV on October 21, 2022. The Bank's shareholding in QNB Sağlık Hayat Sigorta ve Emeklilik A.Ş. has increased to 100% following the completion of the said share transfer transactions, obtaining the necessary permits, and the registration of the General Assembly regarding the share transfer on January 13, 2023.

(\*\*) Includes equity method accounting differences.

**b.3) Sectoral information on financial subsidiaries and the related carrying amounts**

	Current Period	Prior Period
Factoring Companies	1,320,039	551,597
Leasing Companies	2,299,957	1,622,787
Finance Companies	-	-
Other Subsidiaries	5,045,880	1,315,819
<b>Total</b>	<b>8,665,876</b>	<b>3,490,203</b>

**b.4) Consolidated subsidiaries quoted on stock exchange**

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	2,299,957	1,622,787
Quoted on International Stock Exchanges	-	-
<b>Total</b>	<b>2,299,957</b>	<b>1,622,787</b>

**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. Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. (*)	Istanbul/Türkiye	33.33	33.33

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	367,642	162,575	153,650	-	-	6,987	35,720	-

(\*) Current period information is presented as of August 31, 2023, and prior period profit and loss amounts are presented based on the financial statements prepared as of August 31, 2022.

**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)****I. Explanations and Disclosures Related to Assets (Continued)****11. Information on lease receivables (Net)**

None (December 31, 2022 – None).

**12. Information on the hedging derivative financial assets**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Fair Value Hedge <sup>(*)</sup>	3,319,958	472,863	7,407,026	217,950
Cash Flow Hedge <sup>(**)</sup>	2,096,344	2,371,201	4,830,851	2,037,633
Foreign Net Investment Hedges	-	-	-	-
<b>Total</b>	<b>5,416,302</b>	<b>2,844,064</b>	<b>12,237,877</b>	<b>2,255,583</b>

<sup>(\*)</sup> Derivative financial instruments for fair value hedging consist of swaps. As of September 30, 2023, TRY 3,319,958 (December 31, 2022 – TRY 7,407,026) from loans, TRY 472,863 (December 31, 2022 – TRY 217,950) 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, 2022 – None).

<sup>(\*\*)</sup> Represents the fair value of derivative financial instruments for cash flow hedge of deposits and floating interest borrowings.

**13. Information on assets held for sale and discontinued operations**

None (December 31, 2022 – None).

**14. Information on Tax Asset**

As of September 30, 2023, the Bank has TRY 5,994,093 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 September 30, 2023, the Bank has deferred tax assets amounting to TRY 11,092,971 and deferred tax liabilities amounting to TRY 5,098,878 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 938,058 has been netted under equity (December 31, 2022 – TRY 1,441,135 deferred tax liabilities).

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	30.09.2023	31.12.2022	30.09.2023	31.12.2022
Provision for Employee Rights	2,307,043	2,461,958	692,113	615,489
Difference Between the Book Value of Financial Assets and Tax Base	4,178,816	6,007,056	1,253,645	1,501,764
Other <sup>(*)</sup>	30,490,710	11,882,471	9,147,213	2,970,618
<b>Deferred Tax Assets</b>			<b>11,092,971</b>	<b>5,087,871</b>
Differences Between Carrying Value and Tax Value of Tangible Fixed Assets	(278)	(742,422)	(83)	(185,605)
Differences Between Carrying Value and Tax Basis of Financial Assets	(13,229,955)	(17,347,120)	(3,968,986)	(4,336,781)
Other	(3,766,026)	(844,634)	(1,129,809)	(211,158)
<b>Deferred Tax Liabilities</b>			<b>(5,098,878)</b>	<b>(4,733,544)</b>
<b>Deferred Tax Assets/(Liabilities), Net</b>			<b>5,994,093</b>	<b>354,327</b>

<sup>(\*)</sup> Includes expected loss provision and accumulated temporary differences for other provisions.

	Current Period 01.01-30.09.2023	Prior Period 01.01-30.09.2022
Deferred Tax as of January 1 Active/ Passive – Net	354,327	133,891
Deferred Tax (Loss) / Gain	4,701,708	1,398,337
Deferred Tax that is Realized Under Shareholder's Equity	938,058	(1,381,883)
<b>Deferred Tax Active/ (Passive) – Net</b>	<b>5,994,093</b>	<b>150,345</b>

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

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

**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, 2022 – None).

**16. 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 September 30, 2023, the Bank is provided provisions for other assets to TRY 17,714 (December 31, 2022 – TRY 13,215).

**17. 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	10,017,727	7,523,363	17,390,086	5,287,074
Loans	8,032,787	4,545,108	6,448,570	1,969,786
Financial Assets measured at amortized cost	2,483,599	(2,285,250)	6,046,279	(1,750,115)
Financial Assets at Fair Value Through Other Comprehensive Income	6,317,808	381,884	6,876,724	224,043
Central Bank of Turkey	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss	248,809	3,350	10,624	3,697
Banks	12,152	-	23,280	-
Other Accruals	828,851	19,868	38,319	18,593
<b>Total</b>	<b>27,941,733</b>	<b>10,188,323</b>	<b>36,833,882</b>	<b>5,753,078</b>

**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
<b>Saving Deposits</b>	27.181.444	-	38.520.630	29.099.678	128.520.216	10.048.560	6.006.876	1.292	239.378.696
<b>Foreign Currency</b>	127.575.106	-	18.291.798	23.191.809	3.707.012	1.248.594	1.293.626	6.535	175.314.480
Residents in Türkiye.	119.361.092	-	18.112.877	22.422.535	3.493.721	607.818	635.246	6.535	164.639.824
Residents Abroad	8.214.014	-	178.921	769.274	213.291	640.776	658.380	-	10.674.656
<b>Public Sector Deposits</b>	1.044.618	-	950	1.622	-	-	-	-	1.047.190
<b>Commercial Deposits</b>	19.932.228	-	22.128.527	14.963.464	21.031.766	7.417.941	9.283.418	-	94.757.344
<b>Other Ins. Deposits</b>	326.495	-	184.423	395.876	759.974	6.307	30	-	1.673.105
<b>Precious Metal Deposits</b>	29.315.377	-	-	19.884	-	-	468.811	-	29.804.072
<b>Bank Deposits</b>	204.202	-	7.699.303	10.549.844	1.478.911	260.021	-	-	20.192.281
T.R Central Bank.	-	-	-	-	-	-	-	-	-
Domestic Banks	5.155	-	2.085.253	10.030	-	-	-	-	2.100.438
Foreign Banks	199.047	-	5.614.050	10.539.814	1.478.911	260.021	-	-	18.091.843
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>205.579.470</b>	<b>-</b>	<b>86.825.631</b>	<b>78.222.177</b>	<b>155.497.879</b>	<b>18.981.423</b>	<b>17.052.761</b>	<b>7.827</b>	<b>562.167.168</b>

(\*) As of September 30, 2023, the balance of savings deposits includes the amount of TRY 22,400,874 Treasury Currency Protected Deposits and TRY 149,851,913 CBRT Currency Protected Deposits.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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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	17,850,909	-	28,462,849	30,209,586	76,800,432	2,528,154	2,095,541	1,273	157,948,744
Foreign Currency	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	-	-	-	-	-	-	-	-	-
Deposits	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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>126,496,579</b>	<b>-</b>	<b>66,885,092</b>	<b>71,931,112</b>	<b>107,487,221</b>	<b>13,091,848</b>	<b>8,386,005</b>	<b>6,176</b>	<b>394,284,033</b>

(\*) As of December 31, 2022, the balance of savings deposits includes the amount of TRY 15,313,257 Treasury Currency Protected Deposits and TRY 84,134,369 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	93,754,539	55,175,424	243,101,796	179,950,471
Foreign Currency Savings Deposits	53,437,467	29,307,602	151,681,085	119,624,761
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
<b>Total</b>	<b>147,192,006</b>	<b>84,483,026</b>	<b>394,782,881</b>	<b>299,575,232</b>

(\*) 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 16,701,398 (December 31, 2022 – 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	12,942	9,181
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close family members	838,424	515,786
Deposits obtained through illegal acts defined in the 282 <sup>nd</sup> 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	-	-
<b>Total</b>	<b>851,366</b>	<b>524,967</b>

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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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 <sup>(*)</sup>		Prior Period	
	TRY	FC	TRY	FC
Forwards transactions	886,097	-	421,525	-
Swaps transactions	900,032	3,991,115	2,556,751	2,100,139
Futures transactions	-	5,515	-	-
Options	-	111,248	30,387	483,367
Other	-	-	-	-
<b>Total</b>	<b>1,786,129</b>	<b>4,107,878</b>	<b>3,008,663</b>	<b>2,583,506</b>

(\*) 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	256,205	404,086	361,183	493,523
Foreign Bank, Institutions and Funds	-	79,677,511	-	40,798,611
<b>Total</b>	<b>256,205</b>	<b>80,081,597</b>	<b>361,183</b>	<b>41,292,134</b>

**b) Maturity information on funds borrowed**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-Term	256,205	16,828,926	361,183	15,378,977
Medium and Long-Term	-	63,252,671	-	25,913,157
<b>Total</b>	<b>256,205</b>	<b>80,081,597</b>	<b>361,183</b>	<b>41,292,134</b>

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 September 30, 2023 the Bank's liabilities comprise; 65% deposits (December 31, 2022 – 66%), 9% funds borrowed (December 31, 2022 – 7%), 4% issued bonds (December 31, 2022 – 5%) and 4% money market debts (December 31, 2022 – 4%).

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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
<b>From domestic transactions</b>	<b>14,505,451</b>	-	<b>16,101</b>	-
Financial institutions and organizations	14,491,416	-	116	-
Other institutions and organizations	6,675	-	8,772	-
Natural persons	7,360	-	7,213	-
<b>From foreign transactions</b>	<b>203,214</b>	<b>17,829,055</b>	<b>178,955</b>	<b>21,733,804</b>
Financial institutions and organizations	190,169	17,829,055	169,856	13,970,191
Other institutions and organizations	11,658	-	9,099	181,991
Natural persons	1,387	-	-	7,581,622
<b>Total</b>	<b>14,708,665</b>	<b>17,829,055</b>	<b>195,056</b>	<b>21,733,804</b>

**5. Information on securities issued (Net)**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Bank Bonds	1,818,323	8,937,910	4,655,384	5,911,335
Bills	-	19,926,637	-	17,372,987
<b>Total</b>	<b>1,818,323</b>	<b>28,864,547</b>	<b>4,655,384</b>	<b>23,284,322</b>

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, 2022- None).

**7.2. Explanations on financial lease liabilities**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	14,870	12,740	23,018	19,258
Between 1 - 4 years	849,488	733,249	865,856	726,060
More than 4 years	-	-	-	-
<b>Total</b>	<b>864,358</b>	<b>745,989</b>	<b>888,874</b>	<b>745,318</b>

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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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, 2022 – None).

**8. Information on liabilities arising from hedging purpose derivatives**

	Current Period <sup>(***)</sup>		Prior Period	
	TRY	FC	TRY	FC
Fair Value Hedge <sup>(*)</sup>	-	269,804	-	358,681
Cash Flow Hedge <sup>(**)</sup>	26,259	568,316	-	445,388
Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>26,259</b>	<b>838,120</b>	<b>-</b>	<b>804,069</b>

<sup>(\*)</sup> Derivative financial instruments for fair value hedge purposes consist of swaps. As of September 30, 2023, TRY 269,804 from securities (December 31, 2022 – TRY 222,653), TRY 269,804 (December 31, 2022 – TRY 222,653) of marketable securities issued represents the fair value of the derivative financial instruments used in the fair value hedging transaction. As of September 30, 2023, there is no derivative financial liability for hedging the fair value risk of securities (December 31, 2022 – TRY 136,028).

<sup>(\*\*)</sup> 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.

<sup>(\*\*\*)</sup> 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 <sup>(*)</sup>	-	-

<sup>(\*)</sup> 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	1,490,705	544,980
Stage 2	120,274	24,102
Stage 3	31,184	55,641
<b>Total</b>	<b>1,642,163</b>	<b>624,723</b>

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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 September 30, 2023 the Bank presented the provision for severance pay of TRY 967,971 (December 31, 2022 – TRY 1,145,986) under the “Reserves for Employee Benefits” item in its financial statements.

As of September 30, 2023, the Bank has shown a total vacation liability of TRY 200,777 (December 31, 2022 – TRY 137,977) under the “Reserves for Employee Benefits” in its financial statements.

As of September 30, 2023 TRY 1,138,295 (December 31, 2022 – TRY 1,177,995) 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**

	<b>Current Period 01.01-31.09.2023</b>	<b>Prior Period 01.01-31.09.2022</b>
As of January 1	1,145,986	469,457
Service Cost	91,981	42,470
Interest Cost	83,469	65,001
Settlement / curtailment / termination loss	23,815	20,750
Actuarial Difference	38,276	(2,673)
Paid during the period	(415,556)	(57,829)
<b>Total</b>	<b>967,971</b>	<b>537,176</b>

**9.4. Information on other provisions**

Except for those stated in footnote 9.3 above, other provisions amounting to TRY 283,187 (December 31, 2022 – TRY 431,576) 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.

Other provisions in the unconsolidated financial statements prepared as of September 30, 2023 include free provisions amounting to 5,400,000 TL, all of which were written off as expenses in the previous year by the Bank's management, outside the requirements of BRSA Accounting and Financial Reporting Legislation.

**10. Explanations on taxation**

**10.1. Informations on current taxes**

**10.1.1. Informations on current tax liability**

The Bank has a tax liability of TRY 6,090,502 as of September 30, 2023 (December 31, 2022 – 2,766,075). As of September 30, 2023, the Bank's prepaid tax is amounting to TRY 25,523 (December 31, 2022 – TRY 3,730).

**10.1.2. Information on taxes payable**

	<b>Current Period</b>	<b>Prior Period</b>
Corporate taxes payable	6,090,502	2,766,075
Banking and Insurance Transaction Tax (BITT)	827,405	371,255
Taxation on Securities Income	186,596	97,627
Taxation on Real Estates Income	7,481	4,333
Other	167,950	151,973
<b>Total</b>	<b>7,279,934</b>	<b>3,391,263</b>

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	99,104	48,021
Social Security Premiums - Employer Share	122,011	55,190
Unemployment Insurance - Employee Share	6,441	3,375
Unemployment Insurance - Employer Share	12,884	6,752
<b>Total</b>	<b>240,440</b>	<b>113,338</b>

**11. Information on payables related to assets held for sale**

None (December 31, 2022 – None).

**12. Information on subordinated loans**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
<b>To be included in the calculation of additional capital</b>	-	<b>14,724,523</b>	-	<b>9,826,193</b>
Subordinated Loans	-	14,724,523	-	9,826,193
Subordinated debt instruments	-	-	-	-
<b>Debt instruments to be included in contribution capital calculation</b>	-	<b>10,994,444</b>	-	<b>7,301,531</b>
Subordinated loans	-	10,994,444	-	7,301,531
Subordinated debt instruments	-	-	-	-
<b>Total</b>	-	<b>25,718,967</b>	-	<b>17,127,724</b>

**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, 2022 – None).

**13.4. Information on share capital increases from revaluation funds**

None (December 31, 2022 – 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, 2022 – None).

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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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, 2022 – 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
<b>Associates, Subsidiaries and Entities under Common Control</b>	-	-	-	-
Valuation Difference	-	-	-	-
Foreign Exchange Rate Difference	-	-	-	-
<b>Securities Measured at Fair Value Through Other Comprehensive Income (FVOCI)</b>	<b>1,042,812</b>	<b>(2,084,424)</b>	<b>3,697,815</b>	<b>(1,846,032)</b>
Valuation Difference	1,042,812	(2,084,424)	3,697,815	(1,846,032)
Foreign Exchange Rate Difference	-	-	-	-
<b>Total</b>	<b>1,042,812</b>	<b>(2,084,424)</b>	<b>3,697,815</b>	<b>(1,846,032)</b>

**16. Accrued interest and expenses**

The details of interest and expense accruals and rediscounts distributed on the related accounts and the details of the unrealized fair value increases (decreases) are presented in the table below.

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Derivative Financial Liabilities	1,812,388	4,945,998	3,008,663	3,387,575
Deposits	6,875,213	349,809	2,984,346	250,152
Funds Borrowed	6,264	1,906,915	17,494	416,789
Money Market Borrowings	47,584	279,074	2,767	139,542
Securities Issued	-	374,667	-	400,290
Other Accruals	1,367,641	1,180,255	1,273,478	368,615
<b>Total</b>	<b>10,109,090</b>	<b>9,036,718</b>	<b>7,286,748</b>	<b>4,962,963</b>

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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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**

	<b>Current Period</b>	<b>Prior Period</b>
Credit Cards Limit Commitments	308,710,671	111,928,372
Commitment For Use Guaranteed Credit Allocation	77,809,195	47,345,675
Forward, Asset Purchase Commitments	14,327,598	14,849,695
Other Irrevocable Commitments	6,164,102	17,048,935
Payment Commitments for Cheques	6,507,062	3,895,823
Commitments for Promotions Related with Credit Cards and Banking	181,797	109,533
Tax and Fund Liabilities due to Export Commitments	246,845	118,666
<b>Total</b>	<b>413,947,270</b>	<b>195,296,699</b>

**1.2. Type and amount of possible losses and commitments from off-balance sheet items**

A provision of TRY 1,642,163 (December 31, 2022 – TRY 624,723) 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**

	<b>Current Period</b>	<b>Prior Period</b>
Bank Loans	13,732,812	13,724,618
Letters of Credit	10,050,601	5,848,676
<b>Total</b>	<b>23,783,413</b>	<b>19,573,294</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Final Letters of Guarantee	25,213,111	17,059,240
Advance Letters of Guarantee	14,501,908	7,239,998
Provisional Letters of Guarantee	898,093	1,327,806
Letters of Guarantee Given to Customs Offices	1,245,113	1,073,138
Other Letters of Guarantee	28,037,867	18,955,713
<b>Total</b>	<b>69,896,092</b>	<b>45,655,895</b>

**2. Total amount of non-cash loans**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Non-Cash Loans granted for Obtaining Cash Loans</b>	<b>12,021,501</b>	<b>7,519,250</b>
Less Than or Equal to One Year with Original Maturity	330,183	578,172
More Than One Year with Original Maturity	11,691,318	6,941,078
<b>Other Non-Cash Loans</b>	<b>81,658,004</b>	<b>57,709,939</b>
<b>Total</b>	<b>93,679,505</b>	<b>65,229,189</b>

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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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	(%)
<b>Agricultural</b>	<b>222,099</b>	<b>0.50</b>	-	-	<b>165,630</b>	<b>0.56</b>	<b>596</b>	<b>0.00</b>
Farming and Raising Livestock	147,879	0.33	-	-	79,656	0.27	596	0.00
Forestry	27,075	0.06	-	-	45,255	0.15	-	-
Fishing	47,145	0.11	-	-	40,719	0.14	-	-
<b>Manufacturing</b>	<b>15,499,200</b>	<b>34.68</b>	<b>24,603,349</b>	<b>50.22</b>	<b>10,058,694</b>	<b>33.88</b>	<b>18,219,721</b>	<b>51.27</b>
Mining and Quarrying	211,194	0.47	35,754	0.07	161,862	0.55	33,296	0.09
Production	14,221,110	31.82	24,092,037	49.18	9,498,871	31.99	17,910,743	50.40
Electricity, gas and water	1,066,896	2.39	475,558	0.97	397,961	1.34	275,682	0.78
<b>Construction</b>	<b>8,430,329</b>	<b>18.87</b>	<b>9,064,342</b>	<b>18.50</b>	<b>6,222,108</b>	<b>20.96</b>	<b>6,167,027</b>	<b>17.35</b>
<b>Services</b>	<b>20,040,945</b>	<b>44.85</b>	<b>14,620,932</b>	<b>29.84</b>	<b>12,797,899</b>	<b>43.10</b>	<b>10,669,011</b>	<b>30.02</b>
Wholesale and Retail Trade	13,114,167	29.35	5,717,453	11.67	8,726,222	29.39	4,304,979	12.11
Hotel, Food and Beverage								
Services	1,252,524	2.80	623,613	1.27	609,706	2.05	1,135,063	3.19
Transportation&Communication	880,184	1.97	1,191,351	2.43	713,008	2.40	842,222	2.37
Financial Institutions	3,109,428	6.96	5,597,277	11.42	1,614,311	5.44	3,808,729	10.72
Real Estate and Renting								
Services	29,845	0.07	5,806	0.01	89,435	0.30	20,669	0.06
Self Employment Services	1,089,471	2.44	922,278	1.88	583,415	1.96	417,290	1.17
Educational Services	39,636	0.09	-	-	31,168	0.10	-	-
Health and Social Services	525,690	1.18	563,154	1.15	430,634	1.45	140,059	0.39
<b>Other</b>	<b>494,502</b>	<b>1.11</b>	<b>703,807</b>	<b>1.44</b>	<b>446,739</b>	<b>1.50</b>	<b>481,764</b>	<b>1.36</b>
<b>Total</b>	<b>44,687,075</b>	<b>100.00</b>	<b>48,992,430</b>	<b>100.00</b>	<b>29,691,070</b>	<b>100.00</b>	<b>35,538,119</b>	<b>100.00</b>

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

Current Period (*)	I. Group		II. Group	
	TRY	FC	TRY	FC
Letters of Guarantee	39,634,873	28,418,787	559,003	1,252,245
Bills of Exchange and Acceptances	4,368,038	8,930,202	44,500	390,072
Letters of Credit	49,292	9,991,678	185	9,446
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
<b>Non-Cash Loans</b>	<b>44,052,203</b>	<b>47,340,667</b>	<b>603,688</b>	<b>1,651,763</b>

(\*) The amount of TRY 31,184 excluded for non-cash loans and ECL provision of non-cash loans which are under off-balance accounts and not indemnified and unliquidated but provisioned.

Prior Period (*)	I. Group		II. Group	
	TRY	FC	TRY	FC
Letters of Guarantee	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	-	-	-	-
<b>Non-Cash Loans</b>	<b>29,209,406</b>	<b>35,392,942</b>	<b>426,023</b>	<b>145,177</b>

(\*) 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.

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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
<b>Types of trading transactions</b>		
<b>Foreign Currency Related Derivative Transactions (I)</b>	<b>443,846,351</b>	<b>440,112,742</b>
Forward transactions <sup>(*)</sup>	56,378,494	45,212,064
Swap transactions	355,117,025	275,840,461
Futures transactions	13,478,347	1,618,208
Option transactions	18,872,485	117,442,009
<b>Interest Related Derivative Transactions (II)</b>	<b>294,610,862</b>	<b>159,791,156</b>
Forward rate transactions	-	-
Interest rate swap transactions	287,214,698	156,221,134
Interest option transactions	-	-
Futures interest transactions	7,396,164	3,570,022
Security option transactions	-	-
<b>Other trading derivative transactions (III)</b>	<b>1,368,835</b>	<b>2,056,626</b>
<b>A.Total Trading Derivative Transactions (I+II+III)</b>	<b>739,826,048</b>	<b>601,960,524</b>
<b>Types of hedging transactions</b>		
Fair value hedges	33,553,057	41,217,628
Cash flow hedges	120,078,693	106,959,367
Net investment hedges	-	-
<b>B.Total Hedging Related Derivatives</b>	<b>153,631,750</b>	<b>148,176,995</b>
<b>Total Derivative Transactions (A+B)</b>	<b>893,457,798</b>	<b>750,137,519</b>

<sup>(\*)</sup> 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 <sup>(**)</sup>	Forward Sell <sup>(**)</sup>	Swap Buy <sup>(*)</sup>	Swap Sell <sup>(*)</sup>	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
<b>Current Period</b>									
TRY	21,356,785	1,751,789	49,198,057	154,290,698	6,297,005	3,110,525	6,958,403	-	-
USD	4,146,789	19,291,402	275,844,787	155,557,319	3,351,731	5,161,232	3,698,082	9,558,311	1,368,835
Euro	3,098,392	5,304,663	41,190,217	83,945,083	-	951,992	-	-	-
Other	227,839	1,200,835	34,055,091	1,882,221	-	-	-	659,715	-
<b>Total</b>	<b>28,829,805</b>	<b>27,548,689</b>	<b>400,288,152</b>	<b>395,675,321</b>	<b>9,648,736</b>	<b>9,223,749</b>	<b>10,656,485</b>	<b>10,218,026</b>	<b>1,368,835</b>

<sup>(\*)</sup> This column also includes hedging purpose derivatives.

<sup>(\*\*)</sup> This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

	Forward Buy <sup>(**)</sup>	Forward Sell <sup>(**)</sup>	Swap Buy <sup>(*)</sup>	Swap Sell <sup>(*)</sup>	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
<b>Prior Period</b>									
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	-	-	-
<b>Total</b>	<b>22,330,474</b>	<b>22,881,590</b>	<b>297,672,009</b>	<b>282,566,581</b>	<b>59,233,178</b>	<b>58,208,831</b>	<b>2,577,934</b>	<b>2,610,296</b>	<b>2,056,626</b>

<sup>(\*)</sup> This column also includes hedging purpose derivatives

<sup>(\*\*)</sup> 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. On September 30, 2023, the TRY installment loans amounting to TRY 1,903,575 (December 31, 2022 – TRY 2,113,014) were subject to hedge accounting by swaps with a nominal amount of TRY 1,102,305 (December 31, 2022 – TRY 4,808,155). On September 30, 2023, the net market valuation difference loss of TRY 48,038 arising from TRY 5,401 loss from the aforementioned loans (December 31, 2022 – TRY 196,115 gain) and TRY 42,637 loss from swaps (December 31, 2022 – TRY 301,175 loss), 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 251,229 (December 31, 2022 – TRY 67,268 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 212,671 Million (December 31, 2022 – USD 259,315 Million and EUR 44 Million) were subject to hedge accounting by interest swaps of the same nominal value. On September 30, 2023, net market valuation difference gain of TRY 10,663 arising from, TRY 372,205 loss from aforementioned eurobonds (December 31, 2022 – TRY 844,795 loss) and TRY 382,868 gain from swaps (December 31, 2022 – TRY 839,160 gain), 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, 2022 – 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 300 Million (December 31, 2022 – USD 330 Million) are subject to hedge accounting with the same nominal amount of swaps. As of September 30, 2023, a net market valuation difference loss of TRY 3,877 consisting of TRY 25,506 gain from the aforementioned securities (December 31, 2022 – TRY 417,088 gain) and TRY 29,383 loss from swaps (December 31, 2022 – TRY 414,503 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 and FX 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.

In this context; as of the balance sheet date, swaps with a nominal amount of USD 525 Million (December 31, 2022 – USD 525 Million) regarding the floating rate TRY loans extended by the Bank are subject to hedge accounting as hedging instruments. As a result of the aforementioned hedge accounting, the fair value gain before tax amounting to TRY 17,321 (December 31, 2022 – TRY 572,313 loss) has been accounted for under equity in the current period. The loss amounting to TRY 5 related to the ineffective portion is associated with the profit or loss statement (December 31, 2022 – TRY 4 loss).

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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)**

On the other hand; as of the balance sheet date, swaps with a nominal amount of TRY 2,943 Million (December 31, 2022 – TRY 5,472 Million) regarding the floating rate TRY loans extended by the Bank are subject to hedge accounting as a hedging instrument. As a result of the said hedge accounting, fair value gain before tax amounting to TRY 73,800 (December 31, 2022 – TRY 330,708 gain) has been accounted for under equity in the current period. The loss of the ineffective portion amounting to TRY 20 is associated with the statement of profit or loss (December 31, 2022 – TRY 75 gain).

**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 of the balance sheet date, swaps amounting to TRY 955,000 are subject to hedge accounting as hedging instruments (December 31, 2022 – TRY 50,000). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TRY 28,131 are accounted for under equity during the current period (December 31, 2022 – TRY 2,192 loss). The gain amounting to TRY 115 (December 31, 2022 – None.) related to the ineffective portion is associated with the statement of profit or loss and other comprehensive income.

As of the balance sheet date, swaps with a nominal amount of USD 1,025 Million (December 31, 2022 – USD 1,621 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 136 Million (December 31, 2022 – EUR 114 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 445,128 (December 31, 2022 – TRY 2,123,518 gain) are accounted for under equity during the current period. The gain amounting to TRY 89 (December 31, 2022 – TRY 13,216 gain) 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 through interest rate swaps in order to protect its subordinated loans with floating rate payments from changes in interest rates. In this context; bank applies effectiveness tests for hedge accounting at each balance sheet date, the effective parts are accounted for in the “Hedging Funds” account item under equity in the financial statements as defined in TAS 39, and the amount related to the ineffective part is associated with the profit or loss statement. As of the balance sheet date, swaps with a nominal amount of USD 400 Million (December 31, 2022 – USD 423 Million) are subject to hedge accounting as hedging instruments. As a result of the aforementioned hedge accounting, the fair value gain before tax amounting to TRY 138,357 (December 31, 2022 – TRY 423,008 gain) has been accounted for under equity in the current period. The gain amounting to TRY 1,133 (December 31, 2022 – TRY 8 gain) related to the ineffective portion is associated with the profit or loss statement.

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 43,063 (December 31, 2022 – TRY 39,964 loss) was transferred from the “Gain/losses from derivative transactions” to the statement of profit or loss and other comprehensive income.

In this context, in the current period, the Bank has transferred loss of TRY 37,506 (December 31, 2022 – TRY 12,357 loss) from equity to the profit or loss statement related to terminated hedge accounting practices.

The measurements as of September 30, 2023, 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 September 30, 2023, the Bank has no commitments "Credit Linked Notes" (As of December 31, 2022 – None).

As of September 30, 2023, "Other Derivative Financial Assets" with nominal amount of USD 50,000,000 (December 31, 2022 – 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 50,000,000.

**7. Information on contingent liabilities and assets**

The Bank has recorded a provision of TRY 70,606 (December 31, 2022 – TRY 280,929) 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 September 2023	
Long-Term Deposit Rating (FC)	B3	Long-Term Issuer Default Rating(FC)	B- (Stable)
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 (Stable)
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	B3		
Denominated Debt Rating(FC)			

**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	21,760,460	3,225,956	12,422,043	1,048,403
Medium and Long-Term Loans	20,048,309	6,023,106	10,910,620	3,113,913
Non-Performing Loans	560,739	-	476,632	-
Resource Utilization Support Fund Premiums	-	-	-	-
<b>Total (*)</b>	<b>42,369,508</b>	<b>9,249,062</b>	<b>23,809,295</b>	<b>4,162,316</b>

(\*) 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 (*)	41,979	-	-	-
Domestic Banks	186,128	61	6,185	276
Foreign Banks	3,205	396,428	785	143,299
Foreign Headquarters and Branches	-	-	-	-
<b>Total</b>	<b>231,312</b>	<b>396,489</b>	<b>6,970</b>	<b>143,575</b>

(\*) The interest income on Required Reserve amounting TRY 362,209 is not included into interest income on Banks (September 30, 2022 – TRY 130,135).

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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)	139,939	14,655
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	4,947,678	570,820
Financial Assets Measured at Amortized Cost	14,249,311	1,067,547
<b>Total</b>	<b>19,336,928</b>	<b>1,653,022</b>
	Prior Period	
	TRY	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	54,641	4,009
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	3,096,849	542,569
Financial Assets Measured at Amortized Cost	9,445,320	813,852
<b>Total</b>	<b>12,596,810</b>	<b>1,360,430</b>

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. In parallel with this, the Bank determines the estimated inflation rate used in the valuation of the related securities. The estimated inflation rate used is updated during the year when deemed necessary. As of September 30, 2023, an annual rate of 50% has been taken into account for the estimated inflation rate used in the valuation of these securities. If the valuation of these CPI-indexed securities were made according to the reference index valid for September 30, 2023, the Bank's securities valuation differences under shareholders' equity would have decreased by TRY 53,752 after tax, and the net profit for the period would have decreased by TRY 58,258 to TRY 24,580,814.

**d) Information on interest income received from associates and subsidiaries**

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	728,042	329,538

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
<b>Banks</b>	<b>42,306</b>	<b>5,056,042</b>	<b>60,981</b>	<b>1,833,905</b>
T.R. Central Bank	-	-	-	-
Domestic Banks	40,393	29,872	58,120	12,385
Foreign Banks	1,913	5,026,170	2,861	1,821,520
Foreign Head Offices and Branches	-	-	-	-
<b>Other Institutions</b>	-	-	-	-
<b>Total</b>	<b>42,306</b>	<b>5,056,042</b>	<b>60,981</b>	<b>1,833,905</b>

(\*) 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	107,094	14,604

**c) Information on interest expense paid to securities issued**

As of September 30, 2023 interest paid to securities issued is TRY 1,800,719 (September 30, 2022 – TRY 1,687,131).

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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		
<b>Turkish Lira</b>								
Bank Deposits	-	65,154	313	-	-	-	-	65,467
Saving Deposits	-	5,922,125	6,594,523	17,034,480	690,335	434,640	-	30,676,103
Public Sector Deposits	-	3,042	1,195	-	5	-	-	4,242
Commercial Deposits	-	3,766,898	3,494,104	3,141,496	951,091	639,572	-	11,993,161
Other Deposits	-	53,561	330,705	33,731	19,096	2	-	437,095
7 Days Call Accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>9,810,780</b>	<b>10,420,840</b>	<b>20,209,707</b>	<b>1,660,527</b>	<b>1,074,214</b>	<b>-</b>	<b>43,176,068</b>
<b>Foreign Currency</b>								
Deposits	-	21,169	138,288	370,087	21,367	42,219	-	593,130
Bank Deposits	1,158	329,926	591,562	74,360	14,648	-	-	1,011,654
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1,774	-	-	-	-	-	1,774
<b>Total</b>	<b>1,158</b>	<b>352,869</b>	<b>729,850</b>	<b>444,447</b>	<b>36,015</b>	<b>42,219</b>	<b>-</b>	<b>1,606,558</b>
<b>Grand Total</b>	<b>1,158</b>	<b>10,163,649</b>	<b>11,150,690</b>	<b>20,654,154</b>	<b>1,696,542</b>	<b>1,116,433</b>	<b>-</b>	<b>44,782,626</b>

**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		
<b>Turkish Lira</b>								
Bank Deposits	-	46,240	-	-	-	-	-	46,240
Saving Deposits	-	1,740,076	1,698,280	3,299,944	217,976	139,898	-	7,096,174
Public Sector Deposits	-	2,833	1,349	30	85	-	-	4,297
Commercial Deposits	-	893,411	512,439	337,025	1,083,035	127,697	-	2,953,607
Other Deposits	-	8,850	66,464	1,760	9,746	6	-	86,826
7 Days Call Accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>2,691,410</b>	<b>2,278,532</b>	<b>3,638,759</b>	<b>1,310,842</b>	<b>267,601</b>	<b>-</b>	<b>10,187,144</b>
<b>Foreign Currency</b>								
Deposits	-	150,930	769,778	254,119	33,199	42,201	-	1,250,227
Bank Deposits	109	49,914	89,242	6,624	211	-	-	146,100
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	9,548	-	-	-	-	-	9,548
<b>Total</b>	<b>109</b>	<b>210,392</b>	<b>859,020</b>	<b>260,743</b>	<b>33,410</b>	<b>42,201</b>	<b>-</b>	<b>1,405,875</b>
<b>Grand Total</b>	<b>109</b>	<b>2,901,802</b>	<b>3,137,552</b>	<b>3,899,502</b>	<b>1,344,252</b>	<b>309,802</b>	<b>-</b>	<b>11,593,019</b>

**e) Information on interest expense on repurchase agreements**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest Expense on Repurchase Agreements <sup>(*)</sup>	733,704	781,599	1,736,940	239,784

<sup>(\*)</sup> Includes "Interest on Money Market Transactions"

**f) Information on lease expenses**

	Current Period	Prior Period
Leasing Expenses	100,021	73,321

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

(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 Profit or Loss and Other Comprehensive Income (Continued)**

**2. g) Information on interest expense on factoring payables**

None (December 31, 2022 – None).

**3. Information on dividend income**

	Current Period	Prior Period
Financial Derivative Assets at Fair Value through Profit/Loss (FVTPL)	10,513	-
From Financial Assets at Fair Value through Other Comprehensive Income	-	-
Other	714	14,889
<b>Total</b>	<b>11,227</b>	<b>14,889</b>

**4. Information on trading gain/loss**

	Current Period	Prior Period
<b>Trading Gain</b>	<b>43,483,186</b>	<b>22,618,737</b>
Gains on Capital Market Transactions	2,571,028	739,984
From Derivative Financial Instruments	18,546,504	9,392,100
Foreign Exchange Gains	22,365,654	12,486,653
<b>Trading Loss (-)</b>	<b>29,386,161</b>	<b>23,081,126</b>
Losses on Capital Market Transactions	1,296,482	427,938
From Derivative Financial Instruments	21,611,697	15,388,647
Foreign Exchange Losses	6,477,982	7,264,541
<b>Net Trading Gain/Loss</b>	<b>14,097,025</b>	<b>(462,389)</b>

**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 cancellations in “Other Operating Income” account.

**6. Provision for losses and other provision expenses**

	Current Period	Prior Period
<b>Expected Credit Loss</b>	<b>8,211,089</b>	<b>4,099,277</b>
12 month expected credit loss (stage 1)	3,045,065	1,023,854
Significant increase in credit risk (stage 2)	4,474,777	1,852,659
Non-performing loans (stage 3)	691,247	1,222,764
<b>Marketable Securities Impairment Expense</b>	<b>1,656</b>	<b>2,508</b>
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	1,656	2,508
<b>Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease</b>	<b>-</b>	<b>-</b>
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
<b>Other (*)</b>	<b>1,113,363</b>	<b>3,596,446</b>
<b>Total</b>	<b>9,326,108</b>	<b>7,698,231</b>

(\*) Includes free provision expense for possible risks amounting to TRY 5,400,000 (September 30, 2022 – TRY 3,200,000) allocated in the current period.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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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)**

**7. Information on other operating expenses**

	<b>Current Period</b>	<b>Prior Period</b>
Reserve for Employee Termination Benefits(*)	199,160	70,391
Depreciation Expenses of Fixed Assets	673,449	418,820
Amortization Expenses of Intangible Assets	279,297	163,424
Other Operating Expenses	4,301,951	2,065,074
<i>Leasing Expenses Related to TFRS 16 Exemptions</i>	4,125	1,801
<i>Maintenance Expenses</i>	912,785	690,202
<i>Advertisement Expenses</i>	322,613	150,000
<i>Other Expenses</i>	3,062,428	1,223,071
Loss on Sales of Assets	81	61
Other	1,769,076	774,662
<b>Total</b>	<b>7,223,014</b>	<b>3,492,432</b>

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

**8. Information on profit/loss from continued and discontinued operations before taxes**

For the period ended September 30, 2023 net interest income in income items amounting to TRY 21,129,387 (September 30, 2022 – TRY 24,900,058), net fees and commission income amounting to TRY 10,131,398 (September 30, 2022 – TRY 4,290,903) and other operating income amounting to TRY 2,264,133 (September 30, 2022 – TRY 259,476) constitute an important part of the income.

**9. Explanations on tax provision for continued and discontinued operations**

**9.1. Current period taxation benefit or charge and deferred tax benefit or charge**

As of September 30, 2023, the Bank has recorded tax charge TRY 8,031,854 (September 30, 2022 – TRY 5,946,279) and a deferred tax loss of TRY 2,231,186 (September 30, 2022 – TRY 884,037) and a deferred tax income of TRY 6,932,894 (September 30, 2022 – TRY 2,282,374) from its continuing operations.

**9.2. Explanations on operating profit/loss after taxes**

None (December 31, 2022 – None).

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

Net profit of the Bank from continued operations is TRY 24,639,072 (September 30, 2022 – TRY 11,471,138)

**11. Explanations on net income/loss for the period**

**11.1. 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 (September 30, 2022 – None).

**11.2. The effect of the change in the estimates made by the Bank regarding the financial statement items on profit/loss**

None.

**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)**

**11.3. Profit/loss attributable to minority rights in the accompanying unconsolidated financial statements.**

None.

**11.4. 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.**

**12. 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**

Not prepared in compliance with the Article 25 of the Communiqué on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

**VI. Explanations And Disclosures Related Statement of Cash Flows**

Not prepared in compliance with the Article 25 of the Communiqué on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

**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 September 30, 2023, the Bank’s risk group has deposits amounting to TRY 3,210,000 (December 31, 2022 – TRY 2,093,536), cash loans amounting to TRY 6,256,379 (December 31, 2022 – TRY 5,345,218) and non-cash loans amounting to TRY 2,842,375 (December 31, 2022 – TRY 153,692).**

**Current Period**

Bank’s Risk Group (*)	Associates and Subsidiaries		Bank’s Direct and Indirect Shareholders		Other Legal and Natural Persons in Risk Group (**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and Other Receivables</b>						
Balance at the Beginning of the Period	5,341,116	35,489	-	116,854	4,102	1,349
Balance at the End of the Period	6,250,093	633,340	-	2,077,102	6,286	131,933
Interest and Commission Income	728,042	43,019	-	1,456	2,567	-

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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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 <sup>(*)</sup>	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Natural Persons in Risk Group <sup>(**)</sup>	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and Other Receivables</b>						
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	329,538	65	-	1,705	646	-

<sup>(\*)</sup> As described in the Article 49 of Banking Law No 5411.

<sup>(\*\*)</sup> Includes the loans given to the Bank's indirect subsidiaries.

<sup>(\*\*\*)</sup> Prior Period Balance Represents September 30, 2022 balance.

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

Bank's Risk Group <sup>(*)</sup>	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Natural Persons in Risk Group <sup>(**)</sup>	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Deposit</b>						
Balance at the Beginning of the Period	1,520,911	1,046,640	-	-	572,625	525,760
Balance at the End of the Period	2,044,277	1,520,911	-	-	1,165,723	572,625
Interest on deposits <sup>(***)</sup>	107,094	14,604	-	-	3,500	22,617

<sup>(\*)</sup> As described in the Article 49 of Banking Law No 5411.

<sup>(\*\*)</sup> Includes the loans given to the Bank's indirect subsidiaries.

<sup>(\*\*\*)</sup> Prior Period Balance Represents September 30, 2022 balance.

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

Bank's Risk Group <sup>(*)</sup>	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Natural Persons in Risk Group <sup>(**)</sup>	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Transactions for Trading Purposes</b>						
Beginning of the Period	747,471	1,473,687	-	-	-	-
End of the Period	1,947,224	747,471	-	-	-	-
Total Income/Loss <sup>(***)</sup>	(125,680)	(154,087)	-	-	48	-
<b>Transactions for Hedging Purposes</b>						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss <sup>(***)</sup>	-	-	-	-	-	-

<sup>(\*)</sup> As described in the Article 49 of Banking Law No 5411.

<sup>(\*\*)</sup> Includes the loans given to the Bank's indirect subsidiaries.

<sup>(\*\*\*)</sup> Prior Period Balance Represents September 30, 2022 balance.

**1.4. Information on benefits provided to top management**

As of September 30, 2023, the total amount of remuneration and bonuses paid to top management of the Bank is TRY 382,917 (September 30, 2022 – TRY 232,448).

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

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

**2. Disclosures of transactions with the Bank's risk group**

**2.1. Relations with entities in the risk group of/or controlled by the Bank regardless of the nature of relationship among the parties**

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

**2.2. In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other**

As of September 30, 2023, cash loans of the risk group represented 1.2% of the Bank's total cash loans (December 31, 2022 – 1.5%), the deposits represented 0.6% of the Bank's total deposits (December 31, 2022 – 0.5%) and derivative transactions represented 0.2% of the Bank's total derivative transactions (December 31, 2022 – 0.1%).

**2.3. Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agent contracts, financial lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts**

The Bank enters into finance lease agreements with QNB Finans Finansal Kiralama A.Ş. As of September 30, 2023, the Bank has net finance lease payables to QNB Finans Finansal Kiralama A.Ş. amounting to TRY 5,300 (December 31, 2022 – TRY 8,406) relating with finance lease agreements.

The bank provides agency services regarding insurance services to QNB Sağlık Hayat Sigorta ve Emeklilik A.Ş., one of the risk group companies it belongs to.

The Bank has signed an agreement with Ibttech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. regarding research, development, advisory and improvement services.

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., in which the Bank participated 33.33% shareholding, provides cash transfer services to the Bank.

Information about the Bank's subordinated loans is explained under Section 5, Part II. footnote 12.

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

**VIII. 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.

<b>Issue Date</b>	<b>Currency</b>	<b>Nominal Amount (Full TRY)</b>	<b>Maturity</b>
06/10/2023	TRY	250,100,000	147
13/10/2023	TRY	545,000,000	147

The Bank's application to the Capital Markets Board dated September 11, 2023 regarding debt instruments to be issued abroad has been approved by the Board, and the bond issuance program of USD 4 Billion (Global Medium Term Note Program), which will be valid for 1 year as of October 18, 2023, has been announced and the green and/or sustainable debt instrument issuance limit of USD 1 Billion has been updated.

**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**

None.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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**SECTION SIX**

**INTERIM REVIEW REPORT**

**I. Explanations on the Interim Review Report**

The unconsolidated financial statements for the period ended September 30, 2023 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The auditor's report dated October 26, 2023 is presented preceding the unconsolidated financial statements.

**II. Explanations and Notes Prepared by Independent Auditors**

None (December 31, 2022 – None).

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**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**  
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**SECTION SEVEN**

**UNCONSOLIDATED INTERIM ACTIVITY REPORT**

**I. Interim Unconsolidated Activity Report that Includes the Assessment of the Chairman of the Board of Directors and General Manager of Operations**

**Message by the Chairman**

Dear Shareholders,

2023 began with an intense agenda: the earthquake disaster of February 6, 2023, which affected 11 of our cities, followed by the parliamentary and presidential elections. As we continue to work to ensure relief following the earthquake in the Q3, we have monitored and revised our strategies as necessary under the influence of ever-changing global and local developments.

Following the pandemic, the war between Russia and Ukraine has reinforced the tension between the global powers. And the Q4 of 2023 started with a conflict between Israel and Palestine, which is both painstaking for the sake of humanity, and entails great risks in terms of geopolitics. Today, the issue between Israel and Palestine is far from a local conflict, and has transformed into a global crisis involving many countries.

Recent geopolitic developments will continue to pose risks on global growth and energy prices in the forthcoming period. The IMF estimates that the global economic growth rate, which realized at 3.5% in 2022, will drop to 3% in 2023 and 2.9% in 2024. It is projected that the core inflation rate will also gradually decline along with headline inflation. In this environment, although major central banks are closing in on end of rate hiking cycle, it seems likely that they will have to maintain interest rates at current high level for a long time.

Examining Türkiye's economic policies, we see that a stance that prioritizes macroeconomic balancing and stability has been adopted. This ongoing macroeconomic model will enable us to stand out as more resilient to developments in an environment where global risks arise.

We The tightening of monetary policy is expected to cause some slowdown in domestic demand in the short term. However, a gradual decline in inflation is forecast for the medium term.

We foresee a gradual slowdown in domestic demand in the short-term, due to tighter monetary policy and accordingly a gradual fall in inflation in the mid-term.

The restoration of macro balances will initiate capital inflows, direct financial markets into a stable course So, the growth will recover in the medium to long term and display a healthier outlook.

At QNB Finansbank, we completed the third quarter of 2023 with a robust performance in the face of economic and geopolitical events that have implications on both Türkiye and the world. As of September 30, 2023, our bank's total assets increased by 43%, compared to the end of 2022, reaching TRY 861 billion 923 million, as net loans rose by 46%, reaching TRY 502 billion 71 million. In the same period, our Bank's customer deposits reached TRY 541 billion 975 million, recording an increase of 41%, while our equity grew by 50% to reach TRY 66 billion 189 million. In the first nine months of 2023, our Bank's net profit was TRY 24 billion 639 million.

The success of the Digital Bridge Platform, one of our important initiatives for supporting the economy and digital transformation, has also had an influence in the international arena. Global Finance Magazine—one of the world's leading publications—selected QNB Finansbank as the Best Digital SME Bank of Turkey and of the Western European Region.

The year 2023 is of great importance for all of us. We are celebrating the 100th anniversary of the Republic of Türkiye, which is a modern, democratic, independent, secular regime that is based on science and humanity. QNB Finansbank acknowledges its responsibility as a financial institution in this country, and continues to work with the utmost ambition and commitment. We believe that children and youth of this nation will vouch for sustaining the Republic. And we carried out the "Renovation of 100 schools in the earthquake-affected region" project under a QNB Finansbank and UNICEF partnership, as part of the celebrations of the 100th anniversary of the Republic of Türkiye. Thanks to support of QNB Finansbank, the project saw the renovation of 100 schools providing education to 31,531 students in Adıyaman, Gaziantep, Hatay, Kahramanmaraş and Malatya provinces. Renovation was completed before the beginning of 2023-2024 academic year to ensure continuity of education.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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**SECTION SEVEN (Continued)**

**UNCONSOLIDATED INTERIM ACTIVITY REPORT (Continued)**

**I. Interim Unconsolidated Activity Report that Includes the Assessment of the Chairman of the Board of Directors and General Manager of Operations (Continued)**

QNB Finansbank took another very important step in September. We have adopted the main principle of working for a sustainable world in all our business operations, and established our "Becoming One with the World" vision to create a viable future through change. Thus, within the framework of our new "Becoming One with the World" vision, we announced to all our stakeholders that we are determined to create solutions to the environmental and social problems that endanger humanity and the planet.

I would like to thank all our financiers who continuously contribute to the growth of our bank through their selfless work, and our customers and business partners for the eternal trust they place in us.

**Message by the General Manager**

Dear Shareholders and Board Members,

The first 9 months of 2023 have marked significant events that deeply affected the Turkish economy. These include the earthquake disaster in the Q1, and presidential and general elections in the Q2. The third quarter of 2023 saw decisive actions of the new economy administration, with the aim to initiate the disinflation process and ensure economic normalization process. In this context, we have entered a period in which market expectations have begun to improve, confidence in the Turkish economy has increased, and financial stability has recovered. We observe that the gradual monetary tightening policy has been regarded positively both in domestic and international markets.

In the context of combating inflation across global markets, recession expectations have increased along with interest rate hikes and geopolitical risks. Global economic activities continued to remain relatively strong, even though they lost some momentum. Indeed, during this period, the IMF settled its economic growth forecast for 2023 for the global economy steady at 3% and reduced its growth forecast for 2024. In this environment, although major central banks are close to the end of their rate hiking cycles, it looks likely that they will have to maintain interest rates at current high levels for a long time. Increasing geopolitical risks may negatively affect the global economic growth outlook.

On the other hand, evaluations regarding Turkey's economic outlook continue to improve, thanks to the recent policy actions taken for the Turkish economy to recover macroeconomic balances. Considering global risks in the upcoming period, maintaining a firm stance within the current economy policies would be important to achieve disinflation and to attract capital flows.

QNB Finansbank completed the third quarter of the year with a strong performance by contributing to the Turkish economy with its banking activities: As of September 30, 2023, our bank's total assets increased by 43%, compared to the end of 2022, reaching TRY 861 billion 923 million; our net loans rose by 46%, reaching TRY 502 billion 71 million; and customer deposits grew by 41%, reaching TRY 541 billion 975 million. In the first nine months of 2023, our bank's net profit realized at TRY 24 billion 639 million.

Along with our stellar financial performance, we continued to make significant gains within the framework of our operational processes and sustainability activities.

Thanks to our Digital Bridge Platform, which pioneered the digital transformation in SME banking, Global Finance Magazine—one of the world's leading publications—named our bank the Best Digital SME Bank of Türkiye and of the Western European Region.

This year, we are celebrating the centenary of Turkish Republic. As QNB Finansbank, we focus on our children, who will vouch for our future by sustaining our Republic, and strive to create a better world for them by adding value to their lives.

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**SECTION SEVEN (Continued)**

**UNCONSOLIDATED INTERIM ACTIVITY REPORT (Continued)**

**I. Interim Unconsolidated Activity Report that Includes the Assessment of the Chairman of the Board of Directors and General Manager of Operations (Continued)**

To contribute to the education of our children in honor of the Centenary of our Republic, QNB Finansbank implemented the "Renovation of 100 schools in earthquake-affected regions" project in cooperation with UNICEF. Within the scope of the project, we completed the renovation of 100 schools in Adıyaman, Gaziantep, Hatay, Kahramanmaraş, and Malatya provinces, where a total of 31,531 students attend school, and contributed to their readiness for the 2023-2024 academic year.

We are bringing our activities to the next level with our "Becoming 1 with the World" vision, based on our aspiration to create a more livable future. As a bank, we have determined sustainability as the main principle for every activity and all the work we carry out with our employees and our customers.

In a world, where environmental and social challenges are constant, we adopt the protection of the nature, the defense of equal rights and freedoms, and being the spokesperson of children's future as firm principles and we proudly state that we are becoming one with the world. We are determined to create solutions to protect the future of our planet and society, and we will continue to take firm steps forward on this path.

We continue to accomplish highly significant results in the work we do in line with our sustainability principles and within the scope of our corporate social responsibility platform, the Small Hands, Big Dreams.

Thanks to the financial support provided by QNB Finansbank, WWF-Türkiye and the Turkish Ministry of National Education Directorate General for Basic Education implemented the 'Nature Pioneers Youth Program,' which offered 10,000 children across 10 provinces training sessions in the last academic year.

Children from 16 schools in six different provinces attended the National Youth Conference—which we organized at the end of these training sessions—where they worked in groups to present projects concerning the protection of the nature. With these projects, we saw once again how conscious our children are about creating a better world.

I would like to thank our financiers, who contribute to the profitable and sustainable growth of our bank, our customers who always provide their support to us, and all our business partners.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

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

**SECTION SEVEN (Continued)**

**UNCONSOLIDATED INTERIM ACTIVITY REPORT (Continued)**

**I. Interim Unconsolidated Activity Report that Includes the Assessment of the Chairman of the Board of Directors and General Manager of Operations (Continued)**

**Summary Financial Belonging to the Period of September 30, 2023**

<b>Principal Financial Indicators (Million TRY)</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Total Loans	502,071	344,957
Securities	147,227	103,354
Total Assets	861,923	601,755
Customer Deposits	541,975	384,058
Equity	66,189	44,266
	<b>September 30, 2023</b>	<b>September 30, 2022</b>
Net interest income	21,129	24,900
Net fees and commission income	10,131	4,291
Provision loans and other Receivables (-)	(9,326)	(7,698)
<b>Profit before tax</b>	<b>27,969</b>	<b>16,019</b>
Tax Provision	(3,330)	(4,548)
<b>Net profit for the period</b>	<b>24,639</b>	<b>11,471</b>

As of September 30, 2023, compared to 2022 year-end assets of the Bank increased by 43% and realized TRY 861 billion and 923 million. When compared with the end of year 2022, total loans increased by 46% and reached TRY 502 billion and 71 million while Customer Deposits increased by 41% and realized by TRY 541 billion and 975 million.

In the first nine months of 2023, the Bank's net interest income has reached TRY 21 billion 129 million, while its net fee and commission income has been TRY 10 billion 131 million. The Bank's profit before tax was TRY 27 billion 969 million and its net profit for the period was TRY 24 billion 639 million.

Total shareholders' equity increased by 50% compared with the end of the year and reached to TRY 66 billion 189 million. The capital adequacy ratio of the Bank has been realized as 15.19% as of September 30, 2023.

As of September 30, 2023 the Bank has 11,775 personnel and 436 branches.

**Information Regarding the Financial Status, Profitability and Solvency of the Bank**

**Assets**

The bank which is continuing its customer-oriented activities in 2023, sustained to grow especially in corporate and commercial loans. As of September 30, 2023, total performing loans increased by 46% and reached TRY 502 billion 71 million while total unconsolidated assets increased by 43% and reached TRY 861 billion and 923 million compared to the end of the prior year.

**Liabilities**

As of September 30, 2023, the Bank's total customer deposits increased by 41% compared to the end of 2022 and reached TRY 541 billion 975 million, while its shareholders' equity increased by 50% compared to the end of 2022 and reached TR 66 billion 189 million.

**Profitability**

In the first nine months of 2023, the Bank's net interest income reached TRY 21 billion 129 million, while its net fee and commission income was TRY 10 billion 131 million. Net profit for the period was TRY 24 billion 639 million.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2023**

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

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**SECTION SEVEN (Continued)**

**UNCONSOLIDATED INTERIM ACTIVITY REPORT (Continued)**

**I. Interim Unconsolidated Activity Report that Includes the Assessment of the Chairman of the Board of Directors and General Manager of Operations (Continued)**

**Solvency**

Due to its strong capital structure and high shareholders' equity profitability, the Parent Bank has a sound financial structure. Parent Bank has been utilizing of its capital efficiently for its banking activities and it maintains its profitability of shareholders' equity. When taking into consideration of its funding structure; Parent Bank is funding its credit facilities both by its large basis of deposits as well as by utilization of long-term external sources. Parent Bank has a quite great cost advantage due to benefiting from such various funding resources and at the same time it is minimizing the risks probable to occur due to differences in the maturity dates. As having a significant place in the Turkish financial markets; QNB Finansbank with its strong financial structure also proves its credibility by the high ratings it received from the independent rating firms.

**General Grants realized during the Period**

General grants realized as of September 30, 2023 was TRY 489,392.