

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED FINANCIAL STATEMENTS AND
RELATED DISCLOSURES AT JUNE 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 consolidated balance sheet of QNB Finansbank Anonim Şirketi (“the Bank”) and its consolidated subsidiaries (collectively referred to as “the Group”) at June 30, 2023 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the six-month-period then ended. The Group 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 November 1, 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 these interim consolidated 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 mentioned in Section Five Part II 9.4 of Explanations and Notes to the Consolidated Financial Statements; the accompanying consolidated financial statements as of June 30, 2023 include a free provision amounting to TRY 6,000,000 thousand which consist of TRY 5,400,000 thousand provided in prior year and TRY 600,000 thousand recognized in the current year by the Group 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 consolidated 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 consolidated financial information do not present fairly in all material respects the consolidated financial position of QNB Finansbank A.Ş. and its consolidated subsidiaries at June 30, 2023 and its consolidated operations and its consolidated cash flows for the six-months 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 consolidated 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 June 30, 2023. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated financial position, results of operations, changes in equity and cash flows of the Group in accordance with IFRS.

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

Talar Gül, SMMM
Partner

Istanbul, July 27, 2023

**THE CONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş.
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

The Parent Bank's;

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

The consolidated financial report for the six months period ended June 30, 2023, designed by the Banking Regulation and Supervision Agency in line with the Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES OF THE PARENT BANK
- INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP
- FOOTNOTES AND EXPLANATIONS ON CONSOLIDATED FINANCIAL STATEMENTS
- INTERIM REVIEW REPORT
- INTERIM CONSOLIDATED ACTIVITY REPORT

Within the context of this financial report for the six months period, the consolidated subsidiaries and structured entities are as follows. There is no associate consolidated in the financial statements of the Parent Bank.

Subsidiaries

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

Structured Entities

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

The consolidated financial statements and related disclosures and footnotes for the six months period ended June 30, 2023, are prepared in accordance with the Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying consolidated financial statements are presented in **thousands of Turkish Lira (TRY)**.

Mehmet Ömer Arif Aras
Chairman of
the Board of Directors

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
Member of the Board of
Directors and of the
Audit Committee

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

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

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

Ercan Sakarya
Director of Financial, Statutory
Reporting and
Treasury Control

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

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

INDEX

Page No

SECTION ONE

General Information About the Parent Bank

I.	Explanatory Note on the Establishment Date, Nature of Activities and History of the Parent Bank	1
II.	Information About the Parent Bank's Shareholding Structure, Shareholders Who Individually or Jointly Have the Power to Control the Management and Audit Directly or Indirectly, Changes Regarding These Subjects During the Year, If Any, and Information About the Controlling Group of the Parent Bank	1
III.	Information About the Chairman and Members of Board of Directors, Members of Audit Committee, Managing Director and Executive Vice Presidents; Any Changes, and the Information About the Parent Bank Shares They Hold and Their Responsibilities	2
IV.	Information About the Persons and Institutions That Have Qualified Shares on the Parent Bank	2
V.	Explanations on the Parent Bank's Services and Activities	2
VI.	Current or Likely Actual or Legal Barriers to Immediate Transfer of Shareholders' Equity or Repayment of Debts Between the Parent Bank and Its Subsidiaries	2

SECTION TWO

Consolidated Financial Statements

I.	Consolidated Balance Sheet (Consolidated Statement of Financial Position)	4-5
II.	Consolidated Statement of Off-Balance Sheet Commitments and Contingencies	6
III.	Consolidated Statement of Profit or Loss	7
IV.	Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
V.	Consolidated Statement of Changes in Shareholders' Equity	9
VI.	Consolidated Statement of Cash Flows	10

SECTION THREE

Accounting Policies

I.	Basis of Presentation	11-13
II.	Strategy for the Use of Financial Instruments and the Foreign Currency Transactions	14-15
III.	Information on Associates, Subsidiaries and Entities Under Common Control	15-16
IV.	Explanations on Derivative Financial Assets and Liabilities	16-18
V.	Explanations on Interest Income and Expenses	18
VI.	Explanations on Fees and Commission Income and Expenses	19
VII.	Explanations and Disclosures on Financial Instruments	19-21
VIII.	Explanations on Expected Credit Losses	22-25
IX.	Explanations on Netting of Financial Instruments	25
X.	Derecognition of Financial Instruments	25-27
XI.	Explanations on Sales and Repurchase Agreements and Lending of Securities	27
XII.	Explanations on Assets Held for Sale and Discontinued Operations	27
XIII.	Explanations on Goodwill and Other Intangible Assets	28
XIV.	Explanations on Tangible Assets	28
XV.	Explanations on Leasing Transactions	28-30
XVI.	Explanations on Factoring Receivables	30
XVII.	Explanations on Provisions and Contingent Liabilities	30
XVIII.	Explanations on Obligations of the Group for Employee Benefits	30
XIX.	Explanations on Taxation	31-33
XX.	Additional Explanations on Borrowings	33
XXI.	Explanations on Share Issues	33
XXII.	Explanations on Confirmed Bills of Exchange and Acceptances	34
XXIII.	Explanations on Government Incentives	34
XXIV.	Explanations on Segment Reporting	34-35
XXV.	Explanations on Profit Reserves and Profit Distribution	35
XXVI.	Earnings per Share	35
XXVII.	Explanations on Other Matters	35

SECTION FOUR

Information Related to Financial Position and Risk Management of the Group

I.	Explanations on Consolidated Equity	36-40
II.	Explanations on Consolidated Risk Management	41-48
III.	Explanations on Consolidated Foreign Exchange Risk	49-50
IV.	Explanations on Consolidated Interest Rate Risk	51-53
V.	Explanations on Consolidated Position Risk of Equity Securities in Banking Book	53
VI.	Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio	54-58
VII.	Explanations on Consolidated Leverage Ratio	59-60

SECTION FIVE

Explanations and Disclosures on Consolidated Financial Statements

I.	Explanations and Disclosures Related to Consolidated Assets	61-74
II.	Explanations and Disclosures Related to Consolidated Liabilities	74-81
III.	Explanations and Disclosures Related to Consolidated Off-Balance Sheet Items	82-88
IV.	Explanations and Disclosures Related to Consolidated Statement of Profit or Loss and Other Comprehensive Income	88-92
V.	Explanations and Disclosures Related to Consolidated Statement of Changes in Shareholders' Equity	93
VI.	Explanations and Disclosures Related to Consolidated Statement of Cash Flows	93
VII.	Explanations and Disclosures Related to the Parent Bank's Risk Group	93-95
VIII.	Explanations on the Parent Bank's Domestic, Foreign and Off-Shore Banking Branches and Foreign Representatives of the Group	96

SECTION SIX

Interim Review Report

I.	Explanations on the Interim Review Report	97
II.	Explanations and Notes Prepared by Independent Auditor	97

SECTION SEVEN

Consolidated Interim Activity Report

I.	Interim Consolidated Activity Report that Includes the Assessment of the Chairman of the Board of Directors and General Manager of Operations	98-101
----	---	--------

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

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

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

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 Parent Bank are controlled by Qatar National Bank as of June 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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

GENERAL INFORMATION ABOUT THE PARENT BANK (Continued)**III. Information about the Chairman and Members of Board of Directors, Members of Audit Committee, Managing Director and Executive Vice Presidents; Any Changes, and the Information about the Parent Bank Shares They Hold and Their Responsibilities**

Name	Title	Date of Appointment	Education
Dr. Ömer A. Aras	Chairman	April 16, 2010	PhD
Yousef Mahmoud H. N. Al-Neama	Deputy Chairman and Executive Member	May 28, 2019	Masters
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
Fatma Abdulla S.S. Al-Suwaidi	Board Member	June 16, 2016	Masters
Durmuş Ali Kuzu	Board Member and Audit Committee Member	August 25, 2016	PhD
Osman Ömür Tan	Board Member and General Manager	January 1, 2022	Masters
Temel Güzelöğlu	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 Diner	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 Erzen	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 shares of the persons mentioned above in the Parent Bank are insignificant.

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

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

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

The Parent Bank's activities include trade finance and corporate banking, private and retail banking, SME banking, currency, money markets, securities operations and credit card operations. In addition, the Parent Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of June 30, 2023, the Parent Bank operates through 434 domestic (December 31, 2022 – 434), 1 foreign (December 31, 2022 – 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2022 – 1) branches. As of June 30, 2023, the Group has 14,137 employees (December 31, 2022 – 13,021 employees).

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

None.

QNB FİNANSBANK ANONİM ŞİRKETİ

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEET – ASSETS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023

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

I. CONSOLIDATED BALANCE SHEET – ASSETS

		Current Period 30.06.2023			Prior Period 31.12.2022			
		Section 5 Part I	TRY	FC	TOTAL	TRY	FC	TOTAL
I.	FINANCIAL ASSETS (Net)		85,780,772	132,466,839	218,247,611	68,912,958	109,703,251	178,616,209
I.1	Cash and Cash Equivalents		41,242,187	112,604,999	153,847,186	20,873,217	93,254,542	114,127,759
1.1.1	Cash and Balances with The Central Bank	(1)	12,102,495	91,651,560	103,754,055	9,719,857	84,817,934	94,537,791
1.1.2	Banks	(3)	14,948,376	20,976,052	35,924,428	3,127,925	8,015,778	11,143,703
1.1.3	Receivables From Money Market	(4)	14,214,976	-	14,214,976	8,040,936	427,044	8,467,980
1.1.4	Expected Credit Losses (-)		23,660	22,613	46,273	15,501	6,214	21,715
1.2	Financial Assets Measured at Fair Value through Profit/Loss	(2)	930,843	826,085	1,756,928	1,069,093	549,922	1,619,015
1.2.1	Public Sector Debt Securities		174,331	168,245	342,576	436,626	239,920	676,546
1.2.2	Equity Securities		612,458	168,428	780,886	535,326	-	535,326
1.2.3	Other Financial Assets		144,054	489,412	633,466	97,141	310,002	407,143
1.3	Financial Assets Measured at Fair Value through Other Comprehensive Income	(5)	24,267,991	13,084,073	37,352,064	29,672,154	10,585,327	40,257,481
1.3.1	Public Sector Debt Securities		24,258,798	13,084,073	37,342,871	29,662,961	10,468,015	40,130,976
1.3.2	Equity Securities		9,193	-	9,193	9,193	117,312	126,505
1.3.3	Other Financial Assets		-	-	-	-	-	-
1.4	Derivative Financial Assets	(12)	19,339,751	5,951,682	25,291,433	17,298,494	5,313,460	22,611,954
1.4.1	Derivative Financial Assets at Fair Value Through Profit/Loss		16,046,247	3,166,633	19,212,880	12,467,643	3,275,585	15,743,228
1.4.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		3,293,504	2,785,049	6,078,553	4,830,851	2,037,875	6,868,726
II.	FINANCIAL ASSETS MEASURED AT AMORTIZED COST(Net)		367,830,221	192,115,219	559,945,440	289,882,206	135,165,998	425,048,204
2.1	Loans	(6)	312,950,333	157,522,927	470,473,260	247,116,343	109,023,513	356,139,856
2.2	Lease Receivables	(11)	6,288,402	13,935,101	20,223,503	4,588,489	10,018,732	14,607,221
2.3	Factoring Receivables	(7)	9,267,911	497,183	9,765,094	9,129,082	464,403	9,593,485
2.4	Other Financial Assets Measured at Amortized Cost	(8)	56,498,296	27,007,190	83,505,486	41,598,971	20,364,334	61,963,305
2.4.1	Government Debt Securities		56,498,296	26,903,569	83,401,865	41,598,971	19,872,597	61,471,568
2.4.2	Other Financial Assets		-	103,621	103,621	-	491,737	491,737
2.5	Expected Credit Losses (-)		17,174,721	6,847,182	24,021,903	12,550,679	4,704,984	17,255,663
III.	ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(15)	-	-	-	-	-	-
3.1	Held for sale		-	-	-	-	-	-
3.2	Discontinued Operations		-	-	-	-	-	-
IV.	INVESTMENTS		179,685	-	179,685	462,086	-	462,086
4.1	Investment in Associates (Net)	(9)	48,839	-	48,839	45,477	-	45,477
4.1.1	Equity Method Associates		-	-	-	-	-	-
4.1.2	Unconsolidated		48,839	-	48,839	45,477	-	45,477
4.2	Investment in Subsidiaries (Net)		128,046	-	128,046	128,046	-	128,046
4.2.1	Unconsolidated Financial Investments		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Investments		128,046	-	128,046	128,046	-	128,046
4.3	Equity Under Common Control (Joint Ventures) (Net)	(10)	2,800	-	2,800	288,563	-	288,563
4.3.1	Equity method associates		-	-	-	285,763	-	285,763
4.3.2	Unconsolidated		2,800	-	2,800	2,800	-	2,800
V.	TANGIBLE ASSETS (Net)		5,381,758	484	5,382,242	4,790,853	94	4,790,947
VI.	INTANGIBLE ASSETS (Net)		3,435,358	-	3,435,358	1,054,534	-	1,054,534
6.1	Goodwill		-	-	-	-	-	-
6.2	Others		3,435,358	-	3,435,358	1,054,534	-	1,054,534
VII.	INVESTMENT PROPERTIES (Net)	(13)	-	-	-	-	-	-
VIII.	CURRENT TAX ASSET		79,734	-	79,734	101,935	-	101,935
IX.	DEFERRED TAX ASSET	(14)	3,785,894	-	3,785,894	563,762	-	563,762
X.	OTHER ASSETS (Net)	(16)	14,895,476	1,847,489	16,742,965	9,502,136	1,004,001	10,506,137
TOTAL ASSETS			481,368,898	326,430,031	807,798,929	375,270,470	245,873,344	621,143,814

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

QNB FİNANSBANK ANONİM ŞİRKETİ
**CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

I. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

		Current Period 30.06.2023			Prior Period 31.12.2022			
		Section 5 Part II	TRY	FC	TOTAL	TRY	FC	TOTAL
I.	DEPOSITS	(1)	317,786,653	200,584,390	518,371,043	234,983,599	157,779,523	392,763,122
II.	FUNDS BORROWED	(3)	5,938,585	86,142,419	92,081,004	6,196,254	49,021,103	55,217,357
III.	MONEY MARKET BORROWINGS	(4)	1,992,878	19,042,502	21,035,380	1,344,833	21,733,804	23,078,637
IV.	SECURITIES ISSUED (NET)	(5)	5,359,833	28,271,136	33,630,969	8,732,587	23,284,322	32,016,909
4.1	Bills		4,360,363	8,522,176	12,882,539	8,418,087	5,911,335	14,329,422
4.2	Asset Backed Securities		999,470	-	999,470	314,500	-	314,500
4.3	Bonds		-	19,748,960	19,748,960	-	17,372,987	17,372,987
V.	FUNDS		-	-	-	-	-	-
5.1	Borrowers' Funds		-	-	-	-	-	-
5.2	Others		-	-	-	-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT & LOSS (NET)		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES		4,005,578	4,369,024	8,374,602	3,008,663	3,706,325	6,714,988
7.1	Derivative Financial Liabilities at Fair Value Through Profit & Loss (Net)	(2)	3,997,699	3,657,469	7,655,168	3,008,663	3,260,937	6,269,600
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	7,879	711,555	719,434	-	445,388	445,388
VIII.	FACTORING PAYABLES		-	-	-	-	-	-
IX.	LEASE PAYABLES (Net)	(7)	833,625	2,663	836,288	741,286	336	741,622
X.	PROVISIONS	(9)	10,994,775	880,981	11,875,756	8,803,052	293,969	9,097,021
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		2,217,778	26,293	2,244,071	2,578,626	18,146	2,596,772
10.3	Insurance Technical Provisions (Net)		1,331,093	767,953	2,099,046	-	-	-
10.4	Other Provisions		7,445,904	86,735	7,532,639	6,224,426	275,823	6,500,249
XI.	CURRENT TAX LIABILITY	(10)	317,462	-	317,462	2,843,483	-	2,843,483
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)	-	24,281,874	24,281,874	-	17,127,724	17,127,724
14.1	Subordinated Loans		-	24,281,874	24,281,874	-	17,127,724	17,127,724
14.2	Other Debt Instruments		-	-	-	-	-	-
XV.	OTHER LIABILITIES		22,199,295	19,752,669	41,951,964	19,815,961	17,450,858	37,266,819
XVI.	SHAREHOLDERS' EQUITY		55,982,079	(939,492)	55,042,587	44,948,075	(671,943)	44,276,132
16.1	Paid-in Capital	(13)	3,350,000	-	3,350,000	3,350,000	-	3,350,000
16.2	Capital Reserves		714	-	714	714	-	714
16.2.1	Share Premium	(14)	714	-	714	714	-	714
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		-	-	-	-	-	-
16.3	Other Comprehensive Income/Expense Items not to be Reclassified to Profit or Loss		(708,882)	-	(708,882)	(672,157)	-	(672,157)
16.4	Other Comprehensive Income/Expense Items to be Reclassified to Profit or Loss		1,130,469	(939,492)	190,977	4,054,334	(671,943)	3,382,391
16.5	Profit Reserves		38,203,368	-	38,203,368	20,979,569	-	20,979,569
16.5.1	Legal Reserves		839,457	-	839,457	771,685	-	771,685
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		37,363,911	-	37,363,911	20,207,884	-	20,207,884
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit/Loss		13,992,204	-	13,992,204	17,223,799	-	17,223,799
16.6.1	Prior Periods' Profit/Loss		-	-	-	-	-	-
16.6.2	Current Period's Net Profit/Loss		13,992,204	-	13,992,204	17,223,799	-	17,223,799
16.7	Minority Interest		14,206	-	14,206	11,816	-	11,816
TOTAL LIABILITIES			425,410,763	382,388,166	807,798,929	331,417,793	289,726,021	621,143,814

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

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023

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

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

		Current Period 30.06.2023			Prior Period 31.12.2022		
		Section 5 Part III					
		TRY	FC	TOTAL	TRY	FC	TOTAL
A.	OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I-II-III)	566,989,890	655,915,835	1,222,905,725	480,095,115	600,797,641	1,080,892,756
I.	GUARANTEES	40,899,088	48,401,376	89,300,464	29,655,581	35,538,119	65,193,700
1.1.	Letters of guarantee	35,604,573	27,518,918	63,123,491	25,589,026	20,031,380	45,620,406
1.1.1.	Guarantees subject to State Tender Law	917,128	255,981	1,173,109	884,755	188,383	1,073,138
1.1.2.	Guarantees given for foreign trade operations	16,233,247	27,262,937	43,496,184	12,326,430	19,842,997	32,169,427
1.1.3.	Other letters of guarantee	18,454,198	-	18,454,198	12,377,841	-	12,377,841
1.2.	Bank loans	5,256,013	9,531,981	14,787,994	4,028,331	9,696,287	13,724,618
1.2.1.	Import letter of acceptance	5,256,013	9,531,981	14,787,994	4,028,331	9,696,287	13,724,618
1.2.2.	Other bank acceptances	-	-	-	-	-	-
1.3.	Letters of credit	38,502	11,350,477	11,388,979	38,224	5,810,452	5,848,676
1.3.1.	Documentary letters of credit	38,502	10,468,735	10,507,237	38,224	5,228,027	5,266,251
1.3.2.	Other letters of credit	-	881,742	881,742	-	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	-	-	-	-	-	-
II.	COMMITMENTS	386,787,212	8,746,556	395,533,768	252,607,322	24,746,561	277,353,883
2.1.	Irrevocable commitments	303,264,922	6,938,170	310,203,092	172,054,958	23,241,741	195,296,699
2.1.1.	Forward asset purchase commitments	541,047	5,816,368	6,357,415	4,018,129	10,831,566	14,849,695
	Forward deposit purchase and sales commitments	-	-	-	-	-	-
2.1.2.		-	-	-	-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries	-	-	-	-	-	-
2.1.4.	Loan granting commitments	60,115,036	2,583	60,117,619	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	6,550,864	-	6,550,864	3,895,823	-	3,895,823
2.1.8.	Tax and fund liabilities from export commitments	210,095	-	210,095	118,666	-	118,666
2.1.9.	Commitments for credit card expenditure limits	229,805,666	-	229,805,666	111,928,372	-	111,928,372
2.1.10.	Commitments for promotions related with credit cards and banking activities	248,635	-	248,635	109,533	-	109,533
	Receivables from short sale commitments	-	-	-	-	-	-
2.1.11.		-	-	-	-	-	-
2.1.12.	Payables for short sale commitments	-	-	-	-	-	-
2.1.13.	Other irrevocable commitments	5,793,579	1,119,219	6,912,798	4,640,630	12,408,305	17,048,935
2.2.	Revocable commitments	83,522,290	1,808,386	85,330,676	80,552,364	1,504,820	82,057,184
2.2.1.	Revocable loan granting commitments	82,293,593	-	82,293,593	79,347,287	-	79,347,287
2.2.2.	Other revocable commitments	1,228,697	1,808,386	3,037,083	1,205,077	1,504,820	2,709,897
III.	DERIVATIVE FINANCIAL INSTRUMENTS	139,303,590	598,767,903	738,071,493	197,832,212	540,512,961	738,345,173
3.1	Derivative financial instruments for hedging purposes	10,826,219	151,613,811	162,440,030	22,065,418	128,742,067	150,807,485
3.1.1	Fair value hedge	638,494	24,983,682	25,622,176	6,235,235	36,659,431	42,894,666
3.1.2	Cash flow hedge	10,187,725	126,630,129	136,817,854	15,830,183	92,082,636	107,912,819
3.1.3	Hedge of net investment in foreign operations	-	-	-	-	-	-
3.2	Held for trading transactions	128,477,371	447,154,092	575,631,463	175,766,794	411,770,894	587,537,688
3.2.1	Forward foreign currency buy/sell transactions	13,514,060	25,535,199	39,049,259	10,544,244	19,818,125	30,362,369
3.2.1.1	Forward foreign currency transactions-buy	11,918,436	6,793,169	18,711,605	10,071,714	5,490,339	15,562,053
3.2.1.2	Forward foreign currency transactions-sell	1,595,624	18,742,030	20,337,654	472,530	14,327,786	14,800,316
3.2.2	Swap transactions related to foreign currency and interest rates	103,745,754	402,868,173	506,613,927	105,687,546	326,800,908	432,488,454
3.2.2.1	Foreign currency swap-buy	661,991	156,607,455	157,269,446	6,624,797	132,828,947	139,453,744
3.2.2.2	Foreign currency swap-sell	61,058,365	85,437,322	146,495,687	60,927,351	75,886,225	136,813,576
3.2.2.3	Interest rate swaps-buy	21,012,699	80,411,698	101,424,397	19,067,699	59,042,868	78,110,567
3.2.2.4	Interest rate swaps-sell	21,012,699	80,411,698	101,424,397	19,067,699	59,042,868	78,110,567
3.2.3	Foreign currency, interest rate and securities options	8,080,876	10,486,301	18,567,177	58,709,719	58,732,290	117,442,009
3.2.3.1	Foreign currency options-buy	8,045,028	742,776	8,787,804	45,910,391	13,322,787	59,233,178
3.2.3.2	Foreign currency options-sell	35,848	9,743,525	9,779,373	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	3,136,681	3,156,542	6,293,223	825,285	792,923	1,618,208
3.2.4.1	Foreign currency futures-buy	3,136,681	-	3,136,681	-	792,923	792,923
3.2.4.2	Foreign currency futures-sell	-	3,156,542	3,156,542	825,285	-	825,285
3.2.5	Interest rate futures	-	3,816,722	3,816,722	-	3,570,022	3,570,022
3.2.5.1	Interest rate futures-buy	-	1,908,361	1,908,361	-	1,785,011	1,785,011
3.2.5.2	Interest rate futures-sell	-	1,908,361	1,908,361	-	1,785,011	1,785,011
3.2.6	Other	-	1,291,155	1,291,155	-	2,056,626	2,056,626
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)	2,517,866,389	1,022,950,650	3,540,817,039	2,121,542,054	716,989,813	2,838,531,867
IV.	ITEMS HELD IN CUSTODY	409,942,433	61,018,500	470,960,933	400,872,053	33,839,097	434,711,150
4.1.	Assets under management	25,209,895	23,307	25,233,202	15,019,765	7,963	15,027,728
4.2.	Investment securities held in custody	201,869,217	30,824,645	232,693,862	237,790,076	12,787,625	250,577,701
4.3.	Checks received for collection	36,140,767	3,007,477	39,148,244	32,048,284	2,269,091	34,317,375
4.4.	Commercial notes received for collection	4,889,327	2,437,619	7,326,946	3,714,274	1,470,469	5,184,743
4.5.	Other assets received for collection	-	-	-	-	-	-
4.6.	Assets received for public offering	-	-	-	-	-	-
4.7.	Other items under custody	141,833,227	24,725,452	166,558,679	112,299,654	17,303,949	129,603,603
4.8.	Custodians	-	-	-	-	-	-
V.	PLEDGED ITEMS	1,187,230,438	538,246,079	1,725,476,517	994,474,840	388,564,158	1,383,038,998
5.1.	Marketable securities	6,144,999	27,256,889	33,401,888	5,758,007	25,835,961	31,593,968
5.2.	Guarantee notes	807,511	1,296,620	2,104,131	754,876	505,077	1,259,953
5.3.	Commodity	1,042,989	-	1,042,989	1,005,497	-	1,005,497
5.4.	Warranty	-	-	-	-	-	-
5.5.	Properties	282,815,561	250,438,339	533,253,900	223,359,270	180,431,706	403,790,976
5.6.	Other pledged items	896,419,378	259,254,231	1,155,673,609	763,597,190	181,791,414	945,388,604
5.7.	Pledged items-depository	-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	920,693,518	423,686,071	1,344,379,589	726,195,161	294,586,558	1,020,781,719
TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)		3,084,856,279	1,678,866,485	4,763,722,764	2,601,637,169	1,317,787,454	3,919,424,623

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

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023

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

III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Current Period 01.01- 30.06.2023	Current Period 3 Months 01.04- 30.06.2023	Prior Period 01.01- 30.06.2022	Prior Period 3 Months 01.04- 30.06.2022
	Section 5 Part IV	30.06.2023	30.06.2023	30.06.2022	30.06.2022
I. INTEREST INCOME	(1)	44,602,401	24,176,643	25,098,360	15,155,212
1.1 Interest income on loans		29,687,799	16,175,377	16,005,051	9,174,760
1.2 Interest income on reserve deposits		238,188	68,405	130,135	18,641
1.3 Interest income on banks		538,641	366,237	31,470	21,768
1.4 Interest income on money market transactions		513,119	371,723	37,572	19,948
1.5 Interest income on securities portfolio		10,602,836	5,398,389	7,652,461	5,226,365
1.5.1 Financial assets measured at FVTPL		59,421	42,970	38,215	23,210
1.5.2 Financial assets measured at FVOCI		2,914,367	1,405,519	2,001,900	1,261,807
1.5.3 Financial assets measured at amortized cost		7,629,048	3,949,900	5,612,346	3,941,348
1.6 Financial lease income		1,271,493	731,974	620,595	333,961
1.7 Other interest income		1,750,325	1,064,538	621,076	359,769
II. INTEREST EXPENSE (-)	(2)	32,378,550	18,849,475	10,654,194	5,969,938
2.1 Interest on deposits		26,205,318	15,135,838	6,369,988	3,599,758
2.2 Interest on funds borrowed		3,637,381	2,254,999	1,580,055	873,603
2.3 Interest on money market transactions		951,890	565,618	1,365,926	937,244
2.4 Interest on securities issued		1,466,638	838,568	1,258,292	640,145
2.5 Interests on leasing		72,092	41,461	47,407	25,005
2.6 Other interest expenses		45,231	12,991	32,526	(105,817)
III. NET INTEREST INCOME/EXPENSE (I - II)		12,223,851	5,327,168	14,444,166	9,185,274
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		5,521,924	3,122,108	2,788,773	1,616,029
4.1 Fees and commissions received		8,309,878	4,642,518	3,702,408	2,130,764
4.1.1 Non-cash loans		383,911	208,907	178,714	94,639
4.1.2 Others		7,925,967	4,433,611	3,523,694	2,036,125
4.2 Fees and commissions paid (-)		2,787,954	1,520,410	913,635	514,735
4.2.1 Non-cash loans		5,841	3,031	2,108	807
4.2.2 Others		2,782,113	1,517,379	911,527	513,928
V. DIVIDEND INCOME	(3)	11,823	7,964	16,571	2,240
VI. TRADING INCOME / LOSS (Net)	(4)	12,179,110	8,588,936	(115,160)	255,038
6.1 Trading gains / losses on securities		1,258,628	(302,356)	186,467	130,104
6.2 Gain/losses from derivative transactions		(2,681,021)	(3,152,447)	(3,346,469)	(1,754,101)
6.3 Foreign exchange gain/losses		13,601,503	12,043,739	3,044,842	1,879,035
VII. OTHER OPERATING INCOME	(5)	1,710,819	76,649	196,381	133,810
VIII. TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII)		31,647,527	17,122,825	17,330,731	11,192,391
IX. EXPECTED CREDIT LOSSES (-)	(6)	7,065,159	3,020,540	3,082,669	2,056,105
X. OTHER PROVISION LOSSES (-)		1,239,922	226,654	146,977	57,686
XI. PERSONNEL EXPENSES (-)		3,962,096	2,036,821	1,921,791	1,059,203
XII. OTHER OPERATING EXPENSES (-)	(7)	5,101,256	2,631,197	2,249,367	1,215,937
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		14,279,094	9,207,613	9,929,927	6,803,460
XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-	-	-
XV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-	90,999	57,735
XVI. GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
XVII. OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)	(8)	14,279,094	9,207,613	10,020,926	6,861,195
XVIII. PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)	(9)	284,500	1,845,826	2,404,225	1,627,872
18.1 Current tax charge		2,402,859	47,791	3,384,356	1,145,922
18.2 Deferred tax charge (+)		2,572,484	1,806,057	501,872	54,046
18.3 Deferred tax credit (-)		(4,690,843)	(8,022)	(1,482,003)	427,904
XIX. NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)	(10)	13,994,594	7,361,787	7,616,701	5,233,323
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
20.1 Income from assets held for sale		-	-	-	-
20.2 Income from sale of associates, subsidiaries and joint-ventures		-	-	-	-
20.3 Others		-	-	-	-
XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1 Expenses on assets held for sale		-	-	-	-
21.2 Expenses on sale of associates, subsidiaries and joint-ventures		-	-	-	-
21.3 Others		-	-	-	-
PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX+XXI)		-	-	-	-
XXIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)		-	-	-	-
23.1 Current tax charge		-	-	-	-
23.2 Deferred tax charge (+)		-	-	-	-
23.3 Deferred tax credit (-)		-	-	-	-
XXIV. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXII±XXIII)		-	-	-	-
XXV. NET PROFIT/LOSS (XIX+XXIV)	(11)	13,994,594	7,361,787	7,616,701	5,233,323
25.1 Group's profit/loss		13,992,204	7,360,321	7,615,645	5,232,710
25.2 Minority interest		2,390	1,466	1,056	613
Earnings Per Share		0.4177	0.2197	0.2273	0.1562

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

QNB FİNANSBANK ANONİM ŞİRKETİ**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

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

	Current Period 01.01 - 30.06.2023	Prior Period 01.01 - 30.06.2022
I. CURRENT PERIOD PROFIT/LOSS	13,994,594	7,616,701
II. OTHER COMPREHENSIVE INCOME	(3,228,139)	1,503,053
2.1 Other Income/Expense Items not to be Reclassified to Profit or Loss	(36,725)	16,110
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	(48,967)	4,696
2.1.4 Other Income/Expense Items not to be Reclassified to Profit or Loss	-	829
2.1.5 Deferred Taxes on Other Comprehensive Income not to be Reclassified to Profit or Loss	12,242	10,585
2.2 Other Income/Expense Items to be Reclassified to Profit or Loss	(3,191,414)	1,486,943
2.2.1 Translation Differences	-	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(4,109,678)	408,264
2.2.3 Gains/losses from Cash Flow Hedges	(152,107)	1,396,635
2.2.4 Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5 Other Income/Expense Items to be Reclassified to Profit or Loss	-	-
2.2.6 Deferred Taxes on Other Comprehensive Income to be Reclassified to Profit or Loss	1,070,371	(317,956)
III. TOTAL COMPREHENSIVE INCOME (I+II)	10,766,455	9,119,754

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

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Other Comprehensive Income/Expense Items not to be Reclassified to Profit or Loss										Other Comprehensive Income/Expense Items to be Reclassified to Profit or Loss										Shareholders' Equity Before Minority Interest				Total Shareholders' Equity
	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others (*)	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others ^(**)	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Shareholders' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity							
Prior Period- 01.01 – 30.06.2022																								
I. Balances at Beginning of Period		3,350,000	714	-	-	-	(223,943)	-	-	(1,583,528)	(379,998)	17,072,922	-	3,906,647	22,142,814	9,395	22,152,209							
II. Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
2.1 Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
III. Adjusted Balances at Beginning of Period (I+II)		3,350,000	714	-	-	-	(223,943)	-	-	(1,583,528)	(379,998)	17,072,922	-	3,906,647	22,142,814	9,395	22,152,209							
IV. Total Comprehensive Income		-	-	-	-	-	15,281	829	-	352,305	1,134,638	-	-	7,615,645	9,118,698	1,056	9,119,754							
V. Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
VI. Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
VII. Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
IX. Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
X. Others Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	3,906,647	-	(3,906,647)	-	-	-							
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	3,906,647	-	(3,906,647)	-	-	-							
11.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Balances at end of the period (III+IV+.....+X+XI)		3,350,000	714	-	-	-	(208,662)	829	-	(1,231,223)	754,640	20,979,569	-	7,615,645	31,261,512	10,451	31,271,963							
Other Comprehensive Income/Expense Items not to be Reclassified to Profit or Loss										Other Comprehensive Income/Expense Items to be Reclassified to Profit or Loss										Shareholders' Equity Before Minority Interest				Total Shareholders' Equity
	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others (*)	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others ^(**)	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Shareholders' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity							
Current Period- 01.01 – 30.06.2023																								
I. Balances at Beginning of Period		3,350,000	714	-	-	-	(673,188)	1,031	-	1,851,783	1,530,608	20,979,569	-	17,223,799	44,264,316	11,816	44,276,132							
II. Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
2.1 Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
III. Adjusted Balances at Beginning of Period (I+II)		3,350,000	714	-	-	-	(673,188)	1,031	-	1,851,783	1,530,608	20,979,569	-	17,223,799	44,264,316	11,816	44,276,132							
IV. Total Comprehensive Income		-	-	-	-	-	(36,725)	-	-	(3,094,400)	(97,014)	-	-	13,992,204	10,764,065	2,390	10,766,455							
V. Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
VI. Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
VII. Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
IX. Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
X. Others Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	17,223,799	-	(17,223,799)	-	-	-							
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	17,223,799	-	(17,223,799)	-	-	-							
11.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-							
Balances at end of the period (III+IV+.....+X+XI)		3,350,000	714	-	-	-	(709,913)	1,031	-	(1,242,617)	1,433,594	38,203,368	-	13,992,204	55,028,381	14,206	55,042,587							

(*) Accumulated amounts of share of investments accounted for by the equity method that can not be classified as profit/loss from other comprehensive income with other comprehensive income that will not be reclassified to other profit or loss.

(**) Accumulated amount of cash flow hedge gains/losses, equity attributable to equity holders of the Group for profit or loss from other comprehensive income and other comprehensive income to be reclassified to other profit or loss.

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

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023

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

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

	Section 5 Part VI	Current Period 01.01 - 30.06.2023	Prior Period 01.01 - 30.06.2022
A. CASH FLOWS FROM/(TO) BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities (+)		21,048,036	11,215,229
1.1.1 Interest received		35,531,069	18,195,911
1.1.2 Interest paid		(28,285,302)	(11,076,542)
1.1.3 Dividend received		11,823	16,571
1.1.4 Fees and commissions received		8,328,928	3,737,817
1.1.5 Other income		374,477	196,381
1.1.6 Collections from previously written off loans		1,165,742	1,338,580
1.1.7 Payments to personnel and service suppliers		(4,248,249)	(1,809,862)
1.1.8 Taxes paid		(664,814)	(2,561,759)
1.1.9 Other		8,834,362	3,178,132
1.2 Changes in Assets and Liabilities		3,550,292	17,281,733
1.2.1 Net (increase) decrease in financial assets measured at fair value through profit/loss		(117,724)	(276,180)
1.2.2 Net (increase) decrease in due from banks		(4,661,364)	(2,945,306)
1.2.3 Net (increase) decrease in loans		(65,576,122)	(61,590,933)
1.2.4 Net (increase) decrease in other assets		(3,972,449)	(2,304,787)
1.2.5 Net increase (decrease) in bank deposits		9,517,698	(3,120,205)
1.2.6 Net increase (decrease) in other deposits		72,412,770	49,447,565
1.2.7 Net (increase) decrease in financial liabilities measured at fair value through profit and loss		-	-
1.2.8 Net increase (decrease) in funds borrowed		14,185,905	2,160,656
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		(18,238,422)	35,910,923
I. Net Cash Provided from Banking Operations (+/-)		24,598,328	28,496,962
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided from/(Used In) Investing Activities (+/-)		(5,119,985)	(14,875,767)
2.1 Purchase of entities under common control, associates and subsidiaries		-	-
2.2 Sale of entities under common control, associates and subsidiaries		-	-
2.3 Fixed assets purchases		(1,145,140)	(365,927)
2.4 Fixed assets sales		109,839	4,726
2.5 Purchase of financial assets measured at fair value through other comprehensive income		(16,899,972)	(9,045,156)
2.6 Sale of financial assets measured at fair value through other comprehensive income		22,175,937	2,960,350
2.7 Purchase of Financial Assets Measured at Amortized Cost		(18,761,118)	(9,038,407)
2.8 Sale of Financial Assets Measured at Amortized Cost		10,628,255	901,285
2.9 Other		(1,227,786)	(292,638)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from/(Used In) Financing Activities		3,411,646	(3,318,775)
3.1 Cash obtained from funds borrowed and securities issued		1,913,027	11,863,113
3.2 Cash used for repayment of funds borrowed and securities issued		1,472,652	(15,147,239)
3.3 Capital increase		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	(34,649)
3.6 Other		25,967	-
IV. Effect of Foreign Currency Translation Differences on Cash and Cash Equivalents (+/-)		12,273,752	2,059,047
V. Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)		35,163,741	12,361,467
VI. Cash and Cash Equivalents at the Beginning Of The Period (+)		73,255,713	47,798,834
VII. Cash and Cash Equivalents at End of the Period (V+VI)		108,419,454	60,160,301

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

**SECTION THREE
ACCOUNTING POLICIES**

I. Basis of Presentation

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

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

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

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

The accounting policies and valuation principles used in the preparation of the interim financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2022. The accounting policies and valuation principles related with current period are explained in Notes II to XXVII below.

Consolidated financial statements are prepared on the historical cost basis, excluding financial assets and liabilities at fair value through profit or loss and financial assets and liabilities at fair value through other comprehensive income.

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

Due to the earthquake disaster occurred in Kahramanmaraş, Hatay and surrounding cities in February, the Parent Bank took measures to maintain its existing banking services uninterruptedly. The Parent 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 Parent 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.

2.1. Changes in Accounting policies and disclosures

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

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

Within the scope of the said reform; The Bank has operations in the field of loans, securities, borrowing and derivative products, as well as hedge accounting applications. With this; A significant portion of bank transactions are indexed to EURIBOR and USD LIBOR reference interest rates, and EURIBOR continues to be used after the transition. 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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 consolidated financial statements (Continued)

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

Current Period (Full TRY)	Non-Derivative	
	Derivative	Financial Instruments
USD LIBOR	212,753,955	38,079,325
Hedge Accounting Instruments	115,913,891	-
Total	328,667,846	38,079,325

Prior Period (Full TRY)	Non-Derivative	
	Derivative	Financial Instruments
USD LIBOR	163,431,174	31,984,554
Hedge Accounting Instruments	89,029,911	-
Total	252,461,085	31,984,554

2.2. Other

In TAS 29 Financial Reporting Standard in Hyperinflationary Economies, the threshold value to be taken as a basis for determining whether there is hyperinflation in an economy by considering the economies with high inflation and the financial statements of the enterprises whose functional currency is the currency of a hyperinflationary economy are related to inflation. explains how to fix it. On January 20, 2022, the Public Oversight Authority ("POA") made a statement on the Implementation of Financial Reporting in High Inflation Economies within the Scope of Turkish Financial Reporting Standards, Financial Reporting Standard for Large and Medium Sized Enterprises. Accordingly, it has been stated that businesses applying TFRS do not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29 Financial Reporting in High Inflation Economies. As of the preparation date of these financial statements, no new disclosure has been made by POA within the scope of TAS 29, and no inflation adjustment has been made according to TAS 29 while preparing the financial statements dated June 30, 2023.

TFRS 17 Insurance Contracts Standard was published in the Official Gazette dated February 16, 2019 and No. 30688 by the Public Oversight Accounting and Auditing Standards Authority and is valid for annual reporting periods beginning on or after January 1, 2024. This standard replaces TFRS 4, which currently allows for a wide variety of applications. As of June 30, 2023, the related standard has no significant effect on the unconsolidated financial statements of the Parent Bank.

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, a lawsuit was filed 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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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 consolidated financial statements (Continued)

As explained in detail above, 51% of the Parent 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 Parent 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 consolidated financial statements, additionally, in the consolidated 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 Parent Bank before the acquisition (49%)	1,275,521
	2,256,521
Fair value of net assets controlled (100%)	2,603,105
Gain from bargaining purchase	346,584
Carrying value of QNB Sigorta shares held by the Parent Bank before the acquisition (49%)	285,763
Fair value of QNB Sigorta shares held by the Parent Bank before the acquisition (49%)	1,275,521
Value increase in shares owned before the acquisition	989,758
Net profit resulting from the change of control	1,336,342

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

ACCOUNTING POLICIES (Continued)

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

1. Strategy for the use of financial instruments

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

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

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

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

2. Foreign currency transactions

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

The Group accounts for the transactions denominated in foreign currencies in accordance with TAS 21 “The Effects of Changes in Foreign Exchange Rates”. Foreign exchange gains and losses arising from transactions that are completed, As of June 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 Parent Bank for the period end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency nonmonetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement.

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

The foreign currency position of the Parent Bank and the profit/loss from the foreign exchange transactions realized are included in the statement of profit or loss comprehensive foreign exchange gains/losses and income/losses from derivative financial instruments in the statement of profit or loss comprehensive. While gain/loss from spot foreign exchange transactions are included in the profit/loss item of foreign exchange gain/loss on balance sheet, profit/loss from derivative transactions (forward, option etc.) for the purpose of hedging related transactions are included in income/loss statement of derivative financial instruments. Therefore, in order to determine the net profit/loss effects of foreign exchange transactions, two balances should be assessed together.

As of June 30, 2023, derivative financial transactions loss amounting to TRY 2,681,021 (June 30, 2022 – TRY 3,346,469 derivative financial transactions loss) and net foreign exchange gain amounting to TRY 13,601,503 (June 30, 2022 – TRY 3,044,842 net foreign exchange gain), excluding net interest expense amounting to TRY 153,212 (June 30, 2022 – TRY 2,662,633 net interest expense) arising from derivative transactions, the net profit on foreign currency transactions is TRY 11,073,694 (June 30, 2022 – TRY 2,361,006 net profit on foreign currency transactions).

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023

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

ACCOUNTING POLICIES (Continued)

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

2. Foreign currency transactions (Continued)

2.3. Foreign associates

None.

III. Information on Subsidiaries and Entities Under Common Control

The accompanying consolidated financial statements are prepared in accordance with TFRS 10 “Turkish Financial Reporting Standard in regards to Consolidated Financial Statements” and BRSA’s “Regulation on Preparation of Consolidated Financial Statements of Banks” published on the Official Gazette No. 26340 and dated November 8, 2006.

The corporations included in consolidation and their places of incorporation, nature of activities and shareholding percentages are as follows:

	Consolidation Method	Place of Establishment	Subject of Operations	Effective Share of the Group (%)	
				June 30, 2023	December 31, 2022
1. QNB Finans Yatırım Menkul Değerler A.Ş. (Finans Yatırım)	Full Consolidation	Türkiye	Securities Intermediary Services	100.00	100.00
2. QNB Finans Portföy Yönetimi A.Ş. (Finans Portföy)	Full Consolidation	Türkiye	Portfolio Management	100.00	100.00
3. QNB Finans Finansal Kiralama A.Ş. (Finans Leasing)	Full Consolidation	Türkiye	Financial Leasing	99.40	99.40
4. QNB Finans Faktoring A.Ş. (Finans Faktoring)	Full Consolidation	Türkiye	Factoring Services	100.00	100.00
5. QNB Finans Varlık Kiralama Şirketi A.Ş.	Full Consolidation	Türkiye	Asset Lease	100.00	100.00
6. QNBeyond Ventures B.V.	Full Consolidation	Netherlands	Financial Holding	100.00	100.00
7. QNB Sağlık Hayat Sigorta ve Emeklilik A.Ş. (QNB Sigorta)	Full Consolidation	Türkiye	Private Pension and Insurance	100.00	49.00

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

Differences between the accounting policies of subsidiaries and entities under common control and those of the Parent Bank are adjusted, if material. The financial statements of the subsidiaries and entities under common control are prepared as of June 30, 2023.

1. Subsidiaries

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

ACCOUNTING POLICIES (Continued)

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

1. Subsidiaries (Continued)

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

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

2. Associates and entities under common control

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

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

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

IV. Explanations on Derivative Financial Assets and Liabilities

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

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

The Parent Bank's derivative instruments held for trading and derivative instruments hedging purpose are classified, measured and accounted in accordance with "TFRS 9" and TAS 39 "Financial Instruments: Recognition and Measurement", respectively. Derivative instruments held for trading and derivative instruments hedging purpose are initially recognized at fair value and subsequently measured at fair value. Also, the liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual values.

The derivative transactions are accounted for at fair value subsequent to initial recognition and are presented in the "Derivative Financial Assets at Fair Value Through Profit/Loss", "Derivative Financial Liabilities at Fair Value Through Profit & Loss" or "Derivative Financial Assets at Fair Value Through Other Comprehensive Income" and "Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income" items of the balance sheet depending on the resulting positive or negative amounts of the computed value. These amounts of derivative transactions presented on the balance sheet, represent the fair value differences based on the valuation.

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

Fair values of option contracts are calculated with option pricing models.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

In cash flow hedge accounting

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

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

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

In fair value hedge accounting

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

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

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

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

ACCOUNTING POLICIES (Continued)

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

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

QNB Finans Finansal Kiralama A.Ş., the subsidiary of the Parent Bank applies hedge accounting by means of swaps for the purpose of hedging the changes in interest and exchange rates regarding securities issued, borrowings and financial leasing receivables.

Fair value hedge accounting effects are accounted under “Derivative Financial Transactions Profit/Loss from Derivative Financial Transactions” in the statement of profit or loss.

QNB Finans Finansal Kiralama A.Ş., the subsidiary, conducts efficiency tests on every balance sheet date for transactions where fair value hedge accounting is applied.

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

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

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

As of September 30, 2018, the Bank terminated the hedge accounting for the fair value hedge of the fair value risk arising from the changes in the exchange rates for the real estates purchased in previous periods in foreign currency and the fair value of which is in foreign currency in the market and as of June 30, 2023, fair value exchange difference adjustment amounting to TRY 1,128,721 which is shown intangible assets in the balance sheet, is amortized over the economic life of the property subject to hedging.

V. Explanations on Interest Income and Expenses

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

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

ACCOUNTING POLICIES (Continued)

VI. Explanations on Fees and Commission Income and Expenses

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

VII. Explanations and Disclosures on Financial Instruments

Initial recognition of financial instruments

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

Initial measurement of financial instruments

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

Classification of financial instruments

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

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

Assessment of business model

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

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

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Instruments (Continued)

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

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

Other business models

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

Measurement categories of financial assets and liabilities

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

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

Financial assets at the fair value through profit or loss

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the statement of profit or loss and other comprehensive income.

According to uniform chart of accounts explanations interest income earned on financial asset and the difference between their acquisition costs and amortized costs are recorded as interest income in the statement of profit or loss. The differences between the amortized costs and the fair values of such assets are recorded under trading account income/losses in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

The Parent Bank has stocks, bills and bonds in portfolios of financial assets at fair value through profit and loss that are accounted in accordance with the Group' business model.

Financial assets at fair value through other comprehensive income

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Instruments (Continued)

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

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

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

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

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

Financial assets measured at amortized cost

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

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses

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

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

Stage 1

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of expected credit losses on the 12-month default risk. It is calculated 12-month expected credit loss based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate. As of June 30, 2023, minimum probability of default rate of Basel II is used in the expected credit loss calculation of receivables from public institutions and organizations. Such calculation is performed for each of three scenarios explained below.

Stage 2

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

Stage 3

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses (Continued)

Calculation of expected credit losses

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

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

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

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

Probability of default ("PD")

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

Loss Given Default ("LGD")

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

Exposure at default ("EAD")

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses (Continued)

Consideration of the macroeconomic factors

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

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

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

The Parent Bank revised its macroeconomic expectations and weights in the calculation of expected credit losses on March 31, 2023. Due to the nature of the model effects, events that cause changes and their effects occur at different times. For this reason, the Bank has made individual valuations in order to eliminate the timing difference and provided additional provisions for the sector and customers that are considered to have a high impact.

This approach, which is preferred in provision calculations for the second quarter of 2023, will be revised in the following reporting periods, taking into account the existing portfolio and future expectations.

Calculating the expected loss period

Lifetime ECL is calculated by taking into account maturity extensions, repayment options and the period during which the Parent 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 Parent 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 Parent Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk of financial assets to be classified as stage 2 (Significant Increase in Credit Risk).

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

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses (Continued)

Write-Off Policy

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

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

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

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

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

Within the scope of TFRS 9, the amount written off by the Parent Bank during the period is TRY 2,912 (December 31, 2022: TRY 361,940) and the effect on the NPL ratio of the Parent Bank is 0.00% (December 31, 2022: 0.10%). While the NPL ratio is 2.03% (December 31, 2022: 2.66%) with the current period non-performing loan figures, the calculated rate including the loans written off during the year is 2.03% (December 31, 2022: 2.76%).

IX. Explanations on Netting of Financial Instruments

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

X. Derecognition of Financial Instruments

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

Based on TFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset could lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered as 'new' financial asset. When the Parent Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss. Where all risks and rewards of ownership of the asset have not been transferred to another party and the Parent Bank retains control of the asset, the Parent Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the Parent Bank retains substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognized in its entirety and the consideration received is recognized as a liability.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

ACCOUNTING POLICIES (Continued)

X. Derecognition of Financial Instruments (Continued)

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

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

c) Derecognition of financial liabilities

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

d) Reclassification of financial instruments

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

e) Restructuring and refinancing of financial instruments

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

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

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

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

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

ACCOUNTING POLICIES (Continued)

X. Derecognition of Financial Instruments (Continued)

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

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

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

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

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

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TRY 29,189,933 (December 31, 2022 – TRY 30,168,346).

As of June 30, 2023 the Parent Bank has no securities that are subject to lending transactions (December 31, 2022 – None).

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

XII. Explanations on Assets Held for Sale and Discontinued Operations

In accordance with IFRS 5 (“Assets Held for Sale and Discontinued Operations”), assets classified as held for sale are measured at lower of carrying value or fair value less costs to sell. Amortization on subject asset is ended and these assets are presented separately on financial statements. An asset (or a disposal group) is regarded as “asset held for sale” only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset (or a disposal group) should be actively marketed at a price consistent with its fair value. Various events and conditions may prolong the sale procedures for more than one year. In case subject delay is caused by the events and conditions beyond the Group’s control and there is enough evidence that plans to sell subject asset (or a disposal group) continue subject assets continue to be classified as assets held for sale. As of June 30, 2023, the Group has assets held for sale and discontinued operations explained in footnote 1.15. of Section Five.

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

ACCOUNTING POLICIES (Continued)

XIII. Explanations on Goodwill and Other Intangible Assets

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

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

The useful life of softwares is determined as 3-5 years.

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

XIV. Explanations on Tangible Assets

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

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

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

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

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

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

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

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

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

XV. Explanations on Leasing Transactions

With the TFRS 16 Leases Standard, the difference between operating leases and financial leases has disappeared, and fixed assets acquired under finance lease contracts are presented under "Tangible Fixed Assets" on the asset side and under "Financial Lease Payables" on the liability side at the initial date of the lease. At the beginning of the lease, the Parent 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%.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

ACCOUNTING POLICIES (Continued)

XV. Explanations on Leasing Transactions (Continued)

TFRS 16 Leases

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

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

Right of use assets

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

The right use includes the presence of:

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

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

Lease Liabilities

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

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

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

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

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

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

ACCOUNTING POLICIES (Continued)

XV. Explanations on Leasing Transactions (Continued)

Short-Term Leases And Leases Of Low-Value Assets

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

Due to the Group's implementation of TFRS 16, assets classified under tangible assets as of June 30, 2023 amounted to TRY 892,222 (December 31, 2022 – TRY 763,013), lease liability amounted to TRY 842,318 (December 31, 2022 – TRY 755,012), financing expense amounted to TRY 63,590 (June 30, 2022 – TRY 46,464) and depreciation expense amounted to TRY 156,092 (June 30, 2022 – TRY 124,375).

XVI. Explanations on Factoring Receivables

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

XVII. Explanations on Provisions and Contingent Liabilities

Provisions, other than specific and general provisions for loans and other receivables, and contingent liabilities are provided for in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Provisions are accounted for immediately when obligations arise as a result of past events and a reliable estimate of the obligation is made by the Parent Bank. A provision is recorded in the financial statements if there is a present obligation as a result of past events, it is probable that the obligation will be settled and the amount of the obligation can be measured reliably. If the mentioned criteria are not met, the Group explains the said issues in the explanations and footnotes 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.

XVIII. Explanations on Obligations of the Group for Employee Benefits

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

In accordance with the existing social legislation in Türkiye, the Group is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Group over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Group.

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

The Group does not have any employees who work under limited period contracts with remaining terms longer than 12 months after the balance sheet date.

Provision for the employees' unused vacations has been booked in accordance with TAS 19 and reflected to the financial statements.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

ACCOUNTING POLICIES (Continued)

XIX. Explanations on Taxation

1. Corporate tax

According to the Corporate Tax Law No. 5520 published in the Official Gazette dated June 21, 2006 and numbered 26205; while the corporate tax is calculated at the rate of 20% on the corporate income, with Law No. 7394 on Evaluation of Immovable Property Owned by the Treasury and Amending the Value Added Tax Law, which was published in the Official Gazette No. 31810 and dated April 15, 2022, Article 26 of the Law on Amending Certain Laws and Decree-Laws and the paragraph added to the temporary 13th article of the Corporate Tax Law No. 5520, the Corporate Tax rate for the 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 has been applied as 25% for the corporate earnings of the 2022 taxation period. This amendment has been valid in the taxation of corporate income for the periods starting from January 1, 2022, beginning with the declarations that must be submitted as of July 1, 2022. Prepaid taxes are followed in "Current Tax Liability" or "Current Tax Asset" accounts to be deducted from the corporate tax liability of the relevant year.

With the 75% of the profits arising from the sale of the participation shares held in the Parent 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 Parent 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.

For the 2023 taxation period, companies calculate and pay provisional tax at a rate of 25% based on their quarterly financial profits, and declare and pay it until the 17th day of the second month following the relevant 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 No. 27130, and articles 15 and 30 of the Corporate Tax Law No. 5520. Real persons who are fully taxpayers, those who are not liable for corporate tax and income tax, those who are exempt from corporate tax and income tax, non-resident corporations (except for those who receive dividends through a workplace or permanent representative in Türkiye) and non-resident taxpayers while profit distribution to real persons is subject to withholding tax at the rate of 15%, this rate has been changed to 10% with the Presidential Decision published in the Official Gazette dated December 22, 2021 and No. 31697. In the application of withholding tax rates for profit distributions to non-resident companies and real persons, the practices included in the relevant Double Taxation Agreements are also taken into consideration.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

ACCOUNTING POLICIES (Continued)

XIX. Explanations on Taxation (Continued)

1. Corporate tax (Continued)

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.

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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

ACCOUNTING POLICIES (Continued)

XIX. Explanations on Taxation (Continued)

1. Corporate tax (Continued)

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. Deffered Tax

The Group calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12"). In the calculation of the Parent Bank's deferred tax, the enacted tax rates that are valid in accordance with the current tax legislation are used in accordance with the tax period for the related items.

With the Law No. 7394 published in the Official Gazette No. 31810 and dated April 15, 2022 on Evaluation of Immovable Property Owned by the Treasury and Amending the Value Added Tax Law, Article 26 of the Law on Amending Certain Laws and Decree-Laws and the paragraph added to the temporary 13th article of the Corporate Tax Law No. 5520, the Corporate Tax rate for banks, companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies will be applied as 25%. Deferred tax calculations have been made based on the 25% rate for assets and liabilities as of June 30, 2023.

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 Parent 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.

XX. Additional Explanations on Borrowings

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

XXI. Explanations on Share Issues

There are no shares issued in the current year (December 31, 2022 – None).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

ACCOUNTING POLICIES (Continued)**XXII. Explanations on Confirmed Bills of Exchange and Acceptances**

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

XXIII. Explanations on Government Incentives

As of June 30, 2023, the Group does not have any governmental incentives or support (December 31, 2022 – None).

XXIV. 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 that have operational units designated as the main profit centers, have been made according to the product and customer types. During the profitability calculations, the pricing of transfers among these units and treasury unit are made by using cost/return ratios that are determined by the Parent Bank's senior management and which are updated periodically. In this pricing method, general market conditions and the Parent Bank's internal policies are considered.

Corporate and Commercial Banking serves corporate firms with an annual turnover of TRY 2,5 billion (full TRY) or more, multinational companies operating in Türkiye, and commercial firms with an annual turnover of TRY 250 million – 2,5 billion (full TRY). In addition to the financing and investment needs of its customers, it offers products that will facilitate the payment and collection processes in both domestic and foreign trade. It produces solutions that will create added value for all the needs of its customers with its customer-oriented service approach, company-specific solution approach and strategy to establish long-term business partnerships.

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

	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Current Period (January 1 – June 30, 2023)				
Operating Income	17,645,014	11,187,042	2,815,471	31,647,527
Dividend Income	-	-	11,823	11,823
Gain/(Loss) on joint venture accounted for at equity method	-	-	-	-
Profit Before Taxes	7,599,926	6,162,611	516,557	14,279,094
Provision Tax (-) (*)	-	-	284,500	284,500
Net Profit/Loss	7,599,926	6,162,611	232,057	13,994,594
Total Assets	189,513,934	286,926,020	286,607,222	807,798,929
Segment Assets	189,513,934	286,926,020	286,607,222	763,047,176
Associates, Subsidiaries and Entities Under Common Control	-	-	-	179,685
Undistributed Assets	-	-	-	44,572,068
Total Liabilities	345,570,271	156,198,286	196,006,315	807,798,929
Segment Liabilities	345,570,271	156,198,286	196,006,315	697,774,872
Undistributed Liabilities	-	-	-	54,981,470
Equity	-	-	-	55,042,587
Other Segment Accounts	1,299,155	875,073	(208,461)	1,965,767
Capital Expenditures	872,580	587,744	(135,597)	1,324,727
Depreciation and Amortization	426,575	287,329	(72,864)	641,040

(*) No tax provision has been distributed.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

ACCOUNTING POLICIES (Continued)**XXIV. Explanation on Segment Reporting (Continued)**

Prior Period (January 1– June 30, 2022)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Operating Income	4,735,003	4,332,110	8,354,617	17,421,730
Dividend Income	-	-	16,571	16,571
Gain/(Loss) on joint venture accounted for at equity method	-	-	90,999	90,999
Profit Before Taxes	1,336,581	848,624	7,835,721	10,020,926
Provision Tax (-) ^(*)	-	-	2,404,225	2,404,225
Net Profit/Loss	1,336,581	848,624	5,431,496	7,616,701
Total Assets	88,031,345	206,002,269	193,498,663	511,391,719
Segment Assets	88,031,345	206,002,269	193,498,663	487,532,277
Associates, Subsidiaries and Entities Under Common Control	-	-	-	229,985
Undistributed Assets	-	-	-	23,629,457
Total Liabilities	188,694,757	106,677,881	148,970,140	511,391,719
Segment Liabilities	188,694,757	106,677,881	148,970,140	444,342,778
Undistributed Liabilities	-	-	-	35,776,978
Equity	-	-	-	31,271,963
Other Segment Accounts	674,830	461,610	(33,775)	1,102,665
Capital Expenditures	435,323	297,737	(11,725)	721,335
Depreciation and Amortization	239,507	163,873	(22,050)	381,330

(*) No tax provision has been distributed.

XXV. Explanations on Profit Reserves and Profit Distribution

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

2022 Profit Distribution Table

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

XXVI. Earnings per Share

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

	Current Period	Prior Period
Group's Net Profit for the Period	13,992,204	7,615,645
Weighted Average Amount of Shares Issued (Thousands)	33,500,000	33,500,000
Earnings per Share	0.4177	0.2273

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).

XXVII. Explanations on Other Matters

None.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

SECTION FOUR**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP****I. Explanations on Consolidated Equity**

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks.” As of June 30, 2023, Group’s total capital has been calculated as TRY 81,953,356 (December 31, 2022: TRY 65,069,913), capital adequacy ratio is 13.92% (December 31, 2022: 14.50%) calculated pursuant to former regulations.

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.

Components of consolidated shareholders' equity items

	Current Period June 30, 2023	Prior Period December 31, 2022
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3,350,000	3,350,000
Share issue premiums	714	714
Reserves	38,203,368	20,979,569
Gains recognized in equity as per TAS	1,202,266	3,460,024
Profit	13,992,204	17,223,799
Current Period Profit	13,992,204	17,223,799
Prior Period Profit	-	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	1,031	1,031
Minorities' Share	14,206	11,816
Common Equity Tier 1 Capital Before Deductions	56,763,789	45,026,953
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	1,524,109	1,099,566
Improvement costs for operating leasing	128,743	110,385
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	3,307,540	948,015
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions From Common Equity Tier 1 Capital	4,960,392	2,157,966
Positive difference between the amount of expected credit losses before implementation of TFRS 9 and expected credit losses from TFRS 9 adoption	-	-
Total Common Equity Tier 1 Capital	51,803,397	42,868,987

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 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)

I. Explanations on Consolidated Equity (Continued)

	Current Period June 30, 2023	Prior Period December 31, 2022
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	13,557,128	9,815,715
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Third parties' share in the Additional Tier I capital	-	-
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	-
Additional Tier I Capital before Deductions	13,557,128	9,815,715
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	65,360,525	52,684,702
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	-
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	9,941,894	7,198,191
Third parties' share in the Tier II Capital	-	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	6,699,466	5,227,864
Tier II Capital Before Deductions	16,641,360	12,426,055
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	16,641,360	12,426,055
Total Capital (The sum of Tier I Capital and Tier II Capital)	82,001,885	65,110,757
Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	7,996	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 (-)	40,533	32,795
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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)
I. Explanations on Consolidated Equity (Continued)

	Current Period June 30, 2023	Prior Period December 31, 2022
TOTAL CAPITAL		
Total Capital	81,953,356	65,069,913
Total risk weighted amounts	588,905,578	448,723,522
Capital Adequacy Ratios		
Consolidated Core Capital Adequacy Ratio (%)	8.80	9.55
Consolidated Tier I Capital Adequacy Ratio (%)	11.10	11.74
Consolidated Capital Adequacy Ratio (%)	13.92	14.50
BUFFERS		
Bank specific total common equity tier I capital ratio	3.50	3.51
a) Capital conservation buffer requirement (%)	2.50	2.50
b) Bank specific counter-cyclical buffer requirement (%)	0.00	0.01
c) Systemic significant bank buffer ratio (%)	1.00	1.00
The ratio of Additional Common Equity Tier I 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 (%)	2.80	3.55
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	2,800	288,563
Amount arising from mortgage-servicing rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before ten thousand twenty-five limitation)	17,316,485	10,030,638
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	6,699,466	5,227,864
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	13,557,128	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	9,941,894	7,198,191

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 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)

I. Explanations on Consolidated Equity (Continued)

Information on debt instruments included in the calculation of equity

Information on debt instruments included in the calculation of equity			
	1	2	3
Issuer	QATAR NATIONAL BANK Q.P.S.C.	QATAR NATIONAL BANK Q.P.S.C.	QATAR NATIONAL BANK Q.P.S.C.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA
Regulatory treatment	Additional Capital	Supplementary Capital	Supplementary Capital
Since 1.1.2015 10% reduction by being subject to the application	No	No	No
Eligible at stand-alone/consolidated	Standalone - Consolidated	Standalone - Consolidated	Standalone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	14,215	3,318	6,749
Par value of instrument (Currency in million)	14,215	3,318	6,749
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	Perpetual	Dated	Dated
Original maturity date	-	10 years	8 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	Every 5 years	5 years	3 years
Subsequent call dates, if applicable	-	-	-
Coupons/dividends	-	-	-
Fixed or floating dividend/coupon	Fixed	Floating	Floating
Coupon rate and any related index	First 5 years fixed at 9.50%, next 5 years fixed at MS + 7.08	6M LIBOR + 5.75%	SOFR + 5.10%
Existence of a dividend stopper	Interest will not be processed for the value reduced after the impairment date.	-	-
Fully discretionary, partially discretionary or mandatory	Discretionary	-	-

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 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)

I. Explanations on Consolidated Equity (Continued)

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

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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)**II. Explanations on Consolidated 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 June 30, 2022, 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 Assets		Minimum Capital Requirements	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
1 Credit risk (excluding counterparty credit risk)	513,847,545	399,456,740	41,107,804	31,956,540
2 Standardised approach	513,847,545	399,456,740	41,107,804	31,956,540
3 Internal rating-based approach	-	-	-	-
4 Counterparty credit risk	22,109,762	18,772,414	1,768,781	1,501,793
5 Standardised approach for counterparty credit risk	22,109,762	18,772,414	1,768,781	1,501,793
6 Internal model method	-	-	-	-
7 Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8 Investments made in collective investment companies – look-through approach	-	-	-	-
9 Investments made in collective investment companies – mandate-based approach	-	-	-	-
10 Investments made in collective investment companies – 1250% weighted risk approach	-	-	-	-
11 Settlement risk	-	-	-	-
12 Securitisation exposures in banking accounts	-	-	-	-
13 IRB ratings-based approach	-	-	-	-
14 IRB Supervisory Formula Approach	-	-	-	-
15 SA/simplified supervisory formula approach	-	-	-	-
16 Market risk	10,116,750	10,050,275	809,340	804,022
17 Standardised approach	10,116,750	10,050,275	809,340	804,022
18 Internal model approaches	-	-	-	-
19 Operational risk	42,831,521	20,444,093	3,426,521	1,635,527
20 Basic Indicator Approach	42,831,521	20,444,093	3,426,521	1,635,527
21 Standardised Approach	-	-	-	-
22 Advanced Measurement Approach	-	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-	-
24 Floor adjustment	-	-	-	-
25 TOTAL(1+4+7+8+9+10+11+12+16+19+23+24)	588,905,578	448,723,522	47,112,446	35,897,882

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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)

II. Explanations on Consolidated Risk Management (Continued)

2. Credit Risk Disclosures (Continued)

a) CR1 - Credit Quality of Assets

Current Period	Gross carrying values of as per TAS		Allowances/impairments	Net value
	Defaulted exposures	Non-defaulted exposures		
1 Loans	9,552,024	461,446,563	7,911,183	463,087,404
2 Debt Securities	-	120,848,357	-	120,848,357
3 Off-balance sheet exposures	55,705	393,090,436	59,631	393,086,510
4 Total	9,607,729	975,385,356	7,970,814	977,022,271

Prior Period	Gross carrying values of as per TAS		Allowances/impairments	Net value
	Defaulted exposures	Non-defaulted exposures		
1 Loans	9,494,520	347,114,930	7,829,036	348,780,414
2 Debt Securities	-	102,094,281	-	102,094,281
3 Off-balance sheet exposures	52,021	245,588,683	55,641	245,585,063
4 Total	9,546,541	694,797,894	7,884,677	696,459,758

b) CR2 - Changes in stock of defaulted loans and debt securities

	Current Period	Prior Period
1 Defaulted loans and debt securities at end of the previous reporting period	9,494,520	9,516,147
2 Loans and debt securities that have defaulted since the last reporting period	1,223,516	2,777,814
3 Returned to non-defaulted status	-	-
4 Amounts written-off	2,912	394,163
5 Other changes ^(*)	1,163,100	2,405,278
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	9,552,024	9,494,520

^(*) Includes collections from credits in default.

c) CR3 - Credit risk mitigation techniques – Overview

Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1 Loans	448,245,164	14,842,240	11,043,768	-	-	-	-
2 Debt securities	120,848,357	-	-	-	-	-	-
3 Total	569,093,521	14,842,240	11,043,768	-	-	-	-
4 Of which defaulted	1,621,588	15,329	787	-	-	-	-
Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1 Loans	334,526,954	14,253,460	9,470,250	-	-	-	-
2 Debt securities	102,094,281	-	-	-	-	-	-
3 Total	436,621,235	14,253,460	9,470,250	-	-	-	-
4 Of which defaulted	1,644,593	17,273	314	-	-	-	-

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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)**II. Explanations on Consolidated Risk Management (Continued)****d) CR4 – Standardised approach - Credit risk exposure and credit risk mitigation (CRM) effects**

Current Period		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Exposure Categories							
1	Exposures to central governments or central banks	184,726,851	-	185,868,474	-	-	-
2	Exposures to regional governments or local authorities	224,670	115	224,670	-	112,335	50%
3	Exposures to public sector entities	290,376	385,758	289,934	80,813	370,747	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	36,094,371	5,444,217	35,824,425	3,102,867	12,203,775	31%
7	Exposures to corporates	164,841,405	98,328,512	158,694,502	41,304,794	199,999,296	100%
8	Retail exposures	201,308,671	357,541,435	195,735,838	11,730,688	167,256,111	81%
9	Exposures secured by residential property	2,298,745	231,943	2,298,745	74,796	830,740	35%
10	Exposures secured by commercial real estate	10,277,790	3,615,306	10,277,790	2,034,312	8,248,430	67%
11	Past-due loans	1,391,297	-	1,390,513	-	834,183	60%
12	Higher-risk categories by the Agency Board	64,689,000	39,870	64,494,515	39,870	104,774,311	162%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	24,783,108	459,902	24,783,108	-	13,203,439	53%
17	Investments in equities	6,014,094	-	6,014,094	-	6,014,094	100%
18	Total	696,940,378	466,047,058	685,896,608	58,368,140	513,847,461	69%

Prior Period		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Exposure Categories							
1	Exposures to central governments or central banks	158,594,968	-	159,932,601	-	-	-
2	Exposures to regional governments or local authorities	241,732	115	241,732	-	120,866	50%
3	Exposures to public sector entities	788,967	160,548	787,710	35,695	823,404	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	13,775,238	3,648,585	13,770,672	2,089,021	4,949,804	31%
7	Exposures to corporates	142,242,834	103,403,298	135,956,690	39,716,961	175,673,650	100%
8	Retail exposures	129,352,594	217,461,119	125,375,301	6,650,760	105,828,690	80%
9	Exposures secured by residential property	1,760,178	173,017	1,760,178	54,521	635,145	35%
10	Exposures secured by commercial real estate	10,819,746	1,562,221	10,819,747	774,714	8,314,408	72%
11	Past-due loans	1,566,671	-	1,566,362	-	1,034,419	66%
12	Higher-risk categories by the Agency Board	54,495,857	30,173	53,957,546	30,173	88,019,427	163%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	19,265,004	56,194	19,265,004	-	10,096,920	52%
17	Investments in equities	3,959,964	-	3,959,964	-	3,959,964	100%
18	Total	536,863,753	326,495,270	527,393,507	49,351,845	399,456,697	69%

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 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)

II. Explanations on Consolidated Risk Management (Continued)

e) CR5 – Standard approach – exposures by asset classes and risk

Current Period											Total Credit Risk Exposure Amount ^(*)
	Exposure Categories/Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	
1	Exposures to central governments or central banks	185,868,474	-	-	-	-	-	-	-	-	185,868,474
2	Exposures to regional governments or local authorities	-	-	-	-	224,670	-	-	-	-	224,670
3	Exposures to public sector entities	-	-	-	-	-	-	370,747	-	-	370,747
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	24,926,707	-	13,564,303	-	436,282	-	-	38,927,292
7	Exposures to corporates	-	-	-	-	-	-	199,999,296	-	-	199,999,296
8	Retail exposures	-	-	-	-	-	160,841,660	46,624,866	-	-	207,466,526
9	Exposures secured by residential property	-	-	-	2,373,541	-	-	-	-	-	2,373,541
10	Exposures secured by commercial real estate	-	-	-	-	8,127,344	-	4,184,758	-	-	12,312,102
11	Past-due loans	-	-	-	-	1,112,660	-	277,853	-	-	1,390,513
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	48,880,810	15,653,575	64,534,385
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	6,014,094	-	-	6,014,094
17	Other Asset	11,578,098	-	1,963	-	-	-	13,203,047	-	-	24,783,108
18	Total	197,446,572	-	24,928,670	2,373,541	23,028,977	160,841,660	271,110,943	48,880,810	15,653,575	744,264,748

^(*) Amount after Credit Conversion Ratio ("CCR") and Credit Risk Reduction ("CRR")

Prior Period											Total Credit Risk Exposure Amount
	Exposure Categories/Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	
1	Exposures to central governments or central banks	159,932,601	-	-	-	-	-	-	-	-	159,932,601
2	Exposures to regional governments or local authorities	-	-	-	-	241,732	-	-	-	-	241,732
3	Exposures to public sector entities	-	-	-	-	-	-	823,405	-	-	823,405
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	10,096,273	-	5,665,736	-	97,684	-	-	15,859,693
7	Exposures to corporates	-	-	-	-	-	-	175,673,651	-	-	175,673,651
8	Retail exposures	-	-	-	-	-	104,789,489	27,236,572	-	-	132,026,061
9	Exposures secured by residential property	-	-	-	1,814,699	-	-	-	-	-	1,814,699
10	Exposures secured by commercial real estate	-	-	-	-	6,560,107	-	5,034,354	-	-	11,594,461
11	Past-due loans	-	-	-	-	1,063,835	-	502,527	-	-	1,566,362
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	41,090,648	12,897,071	53,987,719
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	3,959,964	-	-	3,959,964
17	Other Asset	9,168,110	-	-	-	-	-	10,096,894	-	-	19,265,004
18	Total	169,100,711	-	10,096,273	1,814,699	13,531,410	104,789,489	223,425,051	41,090,648	12,897,071	576,745,352

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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)

II. Explanations on Consolidated Risk Management (Continued)

3. Disclosures Regarding Counterparty Credit Risk

a) CCR1 – Analysis of counterparty credit risk (CCR) exposure by approach

Current Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1 Standard approach - CCR (for derivatives)	14,232,189	15,290,146	-	1.4	41,331,797	11,706,216
2 Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3 The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions,	-	-	-	-	-	-
4 Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	9,494,136	4,660,832
5 Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6 Total						16,367,048

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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)**II. Explanations on Consolidated Risk Management (Continued)****b) CCR2 – Credit valuation adjustment (CVA) capital charge**

	Exposure (After credit risk mitigation methods)		Risk Weighted Amounts	
	Current Period	Prior Period	Current Period	Prior Period
Total portfolio value with comprehensive approach				
CVA capital adequacy	-	-	-	-
1 (i) Value at risk component (3*multiplier included)	-	-	-	-
2 (ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3 Total portfolio value with simplified approach CVA capital adequacy	41,331,797	21,278,169	5,742,714	3,187,279
4 Total amount of CVA capital adequacy	41,331,797	21,278,169	5,742,714	3,187,279

c) CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk weights

Current Period									
Exposure Categories/Risk Weight	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk
1 Exposures from central governments or central banks	13,887,826	-	-	-	-	-	-	67,601	13,955,427
2 Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3 Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	15	-	-	15
4 Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5 Exposures from international organizations	-	-	-	-	-	-	-	-	-
6 Exposures from banks and brokerage houses	-	-	9,854,037	25,225,074	-	929,341	-	-	36,008,452
7 Exposures from corporates	-	-	-	-	-	825,859	-	-	825,859
8 Retail receivables	-	-	-	-	36,180	-	-	-	36,180
9 Mortgage receivables	-	-	-	-	-	-	-	-	-
10 Non performing receivables	-	-	-	-	-	-	-	-	-
11 High risk defined receivables	-	-	-	-	-	-	-	-	-
12 Mortgage backed securities	-	-	-	-	-	-	-	-	-
13 Securitization Positions	-	-	-	-	-	-	-	-	-
14 Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15 Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
16 Equity Investments	-	-	-	-	-	-	-	-	-
17 Other Receivables	-	-	-	-	-	-	-	-	-
18 Other Assets	-	-	-	-	-	-	-	-	-
19 Total	13,887,826	-	9,854,037	25,225,074	36,180	1,755,215	-	67,601	50,825,933

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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)**II. Explanations on Consolidated Risk Management (Continued)****d) CCR4 – Risk class and counterparty credit risk on the basis of possibility of default**

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

e) CCR5 – Composition of collateral for CCR exposure

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken Segregated	Collaterals Given Unsegregated
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Current Period						
Cash-Local Currency	-	-	-	-	8,183,232	-
Cash - Foreign Currency	-	9,472,999	-	5,736,999	18,637,057	-
Government bond-domestic	-	-	-	-	-	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	-	9,472,999	-	5,736,999	26,820,289	-

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

f) CCR6 – Credit derivatives

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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)**II. Explanations on Consolidated Risk Management (Continued)****g) CCR8 – Exposures to central counterparties**

	Current Period		Prior Period	
	Exposure at default (post-CRM)	RWA	Exposure at default (post-CRM)	RWA
1 Exposure to Qualified Central Counterparties (QCCPs)(total)	67,601	1,352	20,523	410
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
3 (i) OTC Derivatives	67,601	1,352	20,523	410
4 (ii) Other derivative financial instruments	-	-	-	-
5 (iii) Repo-reverse repo transactions, overdraft transactions, and lending or borrowing of securities or commodities	-	-	-	-
6 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
7 Segregated initial margin	-	-	-	-
8 Non-segregated initial margin	-	-	-	-
9 Pre-funded default fund contributions	-	-	-	-
10 Unfunded default fund contributions	-	-	-	-
11 Exposures ton on-QCCPs (total)	-	-	-	-
12 Exposures for trades at non- QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
13 (i) OTC Derivatives	-	-	-	-
14 (ii) Other derivative financial instruments	-	-	-	-
15 (iii) Repo-reverse repo transactions, overdraft transactions, and lending or borrowing of securities or commodities	-	-	-	-
16 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
17 Segregated initial margin	-	-	-	-
18 Non-segregated initial margin	-	-	-	-
19 Pre-funded default fund contributions	-	-	-	-
20 Unfunded default fund contributions	-	-	-	-

4. Securitization exposures

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

5. Disclosures regarding Market Risk

		RWA ^(**)	
		Current Period	Prior Period
1	Outright products ^(*)	9,566,825	9,120,888
2	Interest rate risk (general and specific)	2,187,088	3,931,938
3	Equity risk (general and specific)	697,938	1,057,475
4	Foreign exchange risk	6,243,363	3,810,275
5	Commodity risk	438,436	321,200
6	Options	549,925	929,388
7	Simplified approach	-	-
8	Delta-plus method	549,925	929,388
9	Scenario approach	-	-
10	Securitization	-	-
9	Total	10,116,750	10,050,276

^(*) Outright products refer to position in products that are not optional.^(**) The market Risk represents the capital requirement multiplied by 12.5 times Risk Weighted Amount.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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 Consolidated Foreign Exchange Risk

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

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

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

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

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

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

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

US Dollars purchase rate in the balance sheet date	TRY 25.8231
Euro purchase rate in the balance sheet date	TRY 28.1540

<u>Date</u>	<u>US Dollar</u>	<u>Euro</u>
June 27, 2023	25.8231	28.1540
June 26, 2023	25.8231	28.1540
June 23, 2023	25.2505	27.4579
June 22, 2023	23.6239	25.9732
June 21, 2023	23.5493	25.7113

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

The arithmetical average of the Parent Bank's US Dollar and Euro purchase rates for June 2023 are TRY 23.3361 and TRY 25.2651 respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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 Consolidated Foreign Exchange Risk (Continued)****5. Information on the consolidated foreign exchange risk**

Current Period	EUR	USD	Other	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R.Central Bank ⁽¹⁾	31,582,477	50,518,469	9,550,614	91,651,560
Due From Banks ⁽²⁾	11,213,779	8,479,263	1,260,397	20,953,439
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) ⁽³⁾	1,423,445	2,020,588	5,064	3,449,097
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2,145	13,081,928	-	13,084,073
Loans ⁽⁴⁾	100,750,005	63,984,750	596,853	165,331,608
Investments in Assoc., Subsidiaries and Entities under Common Control	-	-	-	-
Investment Assets Measured at Amortized Cost	1,911,765	25,095,425	-	27,007,190
Derivative Financial Assets Hedging Purposes	183,438	2,886,784	-	3,070,222
Tangible Assets	-	-	484	484
Intangible Assets	-	-	-	-
Other Assets ⁽⁵⁾	616,393	623,664	36,144	1,276,201
Total Assets	147,683,447	166,690,871	11,449,556	325,823,874
Liabilities				
Bank Deposits	3,937,442	11,389,010	973,934	16,300,386
Foreign Currency Deposits ⁽⁶⁾	46,983,285	102,265,900	35,034,819	184,284,004
Money Market Borrowings	-	19,042,502	-	19,042,502
Funds Provided from Other Financial Institutions	32,626,583	77,797,451	259	110,424,293
Securities Issued	2,814,469	21,833,110	3,623,557	28,271,136
Sundry Creditors	4,964,928	5,988,278	33,588	10,986,794
Derivative Fin. Liabilities Hedging Purposes	-	1,177,174	-	1,177,174
Other Liabilities ⁽⁷⁾	8,529,208	3,783,451	79,492	12,392,151
Total Liabilities	99,855,915	243,276,876	39,745,649	382,878,440
Net Balance Sheet Position	47,827,532	(76,586,005)	(28,296,093)	(57,054,566)
Net Off-Balance Sheet Position	(46,974,630)	81,302,120	28,362,475	62,689,965
Financial Derivative Assets	46,470,197	247,818,774	32,569,484	326,858,455
Financial Derivative Liabilities	93,444,827	166,516,654	4,207,009	264,168,490
Non-Cash Loans ⁽⁸⁾	23,736,109	24,023,804	641,463	48,401,376
Prior Period				
Total Assets	119,252,598	119,408,510	6,851,092	245,512,200
Total Liabilities	73,747,271	183,864,004	32,631,727	290,243,002
Net Balance Sheet Position	45,505,327	(64,455,494)	(25,780,635)	(44,730,802)
Net Off-Balance Sheet Position	(45,107,396)	66,570,093	26,048,445	47,511,142
Financial Derivative Assets	32,202,013	225,595,182	28,403,576	286,200,771
Financial Derivative Liabilities	77,309,409	159,025,089	2,355,131	238,689,629
Non-Cash Loans	18,043,661	17,030,918	463,540	35,538,119

⁽¹⁾ Cash and Balances with TR Central; Other FC include TRY 9,160,408 (December 31, 2022 – TRY 5,494,682) precious metal deposit account.⁽²⁾ Includes foreign bank guarantees amounting to TRY 5,197,570 (December 31, 2022 – TRY 4,516,091).⁽³⁾ Foreign exchange accruals of TRY 258,448 (December 31, 2022 – TRY 369,444) for derivative financial instruments are not included.⁽⁴⁾ Includes foreign currency indexed loans amounting to TRY 223,579 (December 31, 2022 – TRY 232,939) followed as TRY in the balance sheet. There are no repealed leasing receivables followed as FC in the balance sheet (31 December 2022 - None). There are no foreign currency indexed factoring receivables that are followed as TRY in the balance sheet (December 31, 2022 – None).⁽⁵⁾ Does not include FC prepaid expenses amounting to TRY 571,288 (December 31, 2022 – TRY 224,639) as per BRSA's Communique published in Official Gazette no 26085 on February 19, 2006.⁽⁶⁾ Foreign currency deposits include TRY 30,241,597 (December 31, 2022 – TRY 22,159,406) of precious metal deposit account.⁽⁷⁾ Other Liabilities do not include the Foreign Currency Index Factoring payables amounting to TRY 5,457 (December 31, 2022 – TRY 3,260).⁽⁷⁾ Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TRY 443,761 (December 31, 2022 – TRY 151,702).⁽⁸⁾ Does not have an effect on Net Off-balance Sheet Position.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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)
IV. Explanations on Consolidated Interest Rate Risk

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

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

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

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

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

(Based on repricing dates)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing ⁽¹⁾	Total
End of Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank ⁽²⁾	44,819,693	-	-	-	-	58,922,400	103,742,093
Due from Banks ⁽³⁾	14,511,846	15,000	-	-	-	21,369,997	35,896,843
Financial Assets at Fair Value Through Profit/Loss ⁽⁴⁾	248,642	18,409	7,267	144,132	45,963	20,505,395	20,969,808
Money Market Placements	14,033,601	181,376	-	-	-	(6,727)	14,208,250
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI) ⁽⁵⁾	8,715,151	9,593,845	2,676,330	4,084,322	12,637,616	5,723,353	43,430,617
Loans and Receivables	142,831,388	81,735,549	183,511,642	67,536,953	7,418,119	(6,573,973)	476,459,678
Financial Assets Measured at Amortized Cost ⁽⁶⁾	36,632,241	347,496	5,049,076	24,204,644	12,023,306	5,228,999	83,485,762
Other Assets	-	-	-	-	-	29,605,878	29,605,878
Total Assets	261,792,562	91,891,675	191,244,315	95,970,051	32,125,004	134,775,322	807,798,929
Liabilities							
Bank Deposits	6,412,821	6,162,206	3,556,709	-	-	470,750	16,602,486
Other Deposits	170,864,922	121,398,095	16,671,184	640,901	699	192,192,756	501,768,557
Money Market Borrowings	4,542,514	10,118,156	6,078,809	-	-	295,901	21,035,380
Miscellaneous Payables	10,208,255	-	-	-	-	18,316,445	28,524,700
Securities Issued	5,810,019	6,489,084	4,499,961	16,826,884	-	5,021	33,630,969
Funds Borrowed	25,729,808	39,304,677	37,097,923	5,599,466	6,735,293	1,895,711	116,362,878
Other Liabilities ⁽⁷⁾	54	1,135	18,302	797,199	-	89,057,269	89,873,959
Total Liabilities	223,568,393	183,473,353	67,922,888	23,864,450	6,735,992	302,233,853	807,798,929
On Balance Sheet Long Position	38,224,169	-	123,321,427	72,105,601	25,389,012	-	259,040,209
On Balance Sheet Short Position	-	(91,581,678)	-	-	-	(167,458,531)	(259,040,209)
Off-Balance Sheet Long Position	341,293	25,077,139	24,760,041	-	-	-	50,178,473
Off-Balance Sheet Short Position	(3,334,190)	-	(215,556)	(19,832,992)	(20,444,452)	-	(43,827,190)
Total Position	35,231,272	(66,504,539)	147,865,912	52,272,609	4,944,560	(167,458,531)	6,351,283

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

⁽²⁾ Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TRY 11,962 expected loss provisions.

⁽³⁾ Banks include balance of expected loss provisions amounting to TRY 27,585.

⁽⁴⁾ Financial Assets at Fair Value Through Profit/Loss includes Derivative Financial Assets at Fair Value Through Profit or Loss amounting to TRY 19,212,880.

⁽⁵⁾ Financial Assets Measured at Fair Value Through Other Comprehensive Income includes Derivative Financial Assets Through Other Comprehensive Income amounting to TRY 6,078,553.

⁽⁶⁾ Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TRY 19,724.

⁽⁷⁾ Other Liabilities includes Derivative Financial Liabilities amounting to TRY 8,374,602.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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)**IV. Explanations on Consolidated Interest Rate Risk (Continued)****Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (Continued)**

(Based on repricing dates)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing ⁽¹⁾	Total
End of Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency, Cash in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank ⁽²⁾	36,498,079	-	-	-	-	58,029,097	94,527,176
Due from Banks ⁽³⁾	2,941,212	-	-	-	-	8,196,473	11,137,685
Financial Assets at Fair Value Through Profit/Loss ⁽⁴⁾	302,530	104,379	118,529	191,795	34,143	16,610,867	17,362,243
Money Market Placements	4,427,376	4,040,604	-	-	-	(5,082)	8,462,898
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI) ⁽⁵⁾	7,070,186	5,959,770	3,354,114	9,825,209	9,624,704	11,292,224	47,126,207
Loans and Receivables	82,955,431	70,375,199	135,559,924	64,146,706	8,464,963	1,602,714	363,104,937
Financial Assets Measured at Amortized Cost ⁽⁶⁾	28,418,409	647,443	2,276,143	15,932,112	7,588,431	7,080,729	61,943,267
Other Assets	-	-	-	-	-	17,479,401	17,479,401
Total Assets	162,613,223	81,127,395	141,308,710	90,095,822	25,712,241	120,286,423	621,143,814
Liabilities							
Bank Deposits	4,246,561	2,763,128	2,476,493	-	-	739,595	10,225,777
Other Deposits	145,100,082	95,663,898	12,667,551	589,295	504	128,516,015	382,537,345
Money Market Borrowings	12,075,878	7,644,329	3,209,343	-	-	149,087	23,078,637
Miscellaneous Payables	15,775,865	-	-	-	-	13,926,779	29,702,644
Securities Issued	6,179,495	9,842,834	3,680,636	12,135,273	-	178,671	32,016,909
Funds Borrowed	9,627,502	17,463,759	30,434,536	3,873,655	10,162,444	783,185	72,345,081
Other Liabilities ⁽⁷⁾	397	1,161	21,331	726,580	-	70,487,952	71,237,421
Total Liabilities	195,709,749	133,899,424	52,500,464	17,324,803	10,162,948	211,546,426	621,143,814
On Balance Sheet Long Position	-	-	88,808,246	72,771,019	15,549,293	-	177,128,558
On Balance Sheet Short Position	(33,096,526)	(52,772,029)	-	-	-	(91,260,003)	(177,128,558)
Off-Balance Sheet Long Position	14,883,737	27,602,409	-	-	-	-	42,486,146
Off-Balance Sheet Short Position	-	-	(3,548,564)	(8,375,774)	(16,493,564)	-	(28,417,902)
Total Position	(18,212,789)	(25,169,620)	85,259,682	64,395,245	(944,271)	(91,260,003)	14,068,244

⁽¹⁾ Non-Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.⁽²⁾ Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TRY 10,615 expected loss provisions.⁽³⁾ Banks include balance of expected loss provisions amounting to TRY 6,018.⁽⁴⁾ Financial Assets at Fair Value Through Profit/Loss includes Derivative Financial Assets at Fair Value Through Profit or Loss amounting to TRY 15,743,228.⁽⁵⁾ Financial Assets Measured at Fair Value Through Other Comprehensive Income includes Derivative Financial Assets Through Other Comprehensive Income amounting to TRY 6,868,726.⁽⁶⁾ Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TRY 20,038.⁽⁷⁾ Other Liabilities includes Derivative Financial Liabilities amounting to TRY 6,714,988.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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)**IV. Explanations on Consolidated Interest Rate Risk (Continued)****Average interest rates applied to monetary financial instruments**

	EUR %	USD %	JPY %	TRY%
End of Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash in Transit, Cheques Purchased) and Balances with the T,R, Central Bank	-	-	-	-
Due from Banks	0.11	0.01	-	34.97
Financial Assets Measured at Fair Value through Profit/Loss	6.59	9.24	-	22.72
Money Market Placements	-	-	-	22.55
Financial Assets Measured at Fair Value through Other Comprehensive Income	2.77	5.68	-	19.56
Loans and Receivables	6.91	9.06	4.92	23.11
Financial Assets Measured at Amortized Cost	4.73	5.66	-	28.17
Liabilities				
Bank Deposits	5.32	7.37	-	26.38
Other Deposits	1.28	1.93	0.05	20.95
Money Market Borrowings	-	6.26	-	23.10
Miscellaneous Payables	1.81	-	-	-
Securities Issued	5.68	7.17	-	33.96
Funds Borrowed	5.40	8.15	-	24.28
	EUR %	USD %	JPY %	TRY%
End of Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash in Transit, Cheques Purchased) and Balances with the T,R, Central Bank	-	-	-	-
Due from Banks	-	0.08	-	9.73
Financial Assets Measured at Fair Value through Profit/Loss	5.32	7.22	-	24.01
Money Market Placements	-	2.92	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	2.87	5.42	-	31.34
Loans and Receivables	5.56	6.88	4.92	23.39
Financial Assets Measured at Amortized Cost	4.60	5.65	-	72.82
Liabilities				
Bank Deposits	3.79	5.65	-	25.86
Other Deposits	1.00	3.04	0.17	17.98
Money Market Borrowings	1.69	4.38	-	13.00
Miscellaneous Payables	1.15	-	-	-
Securities Issued	4.97	6.91	-	22.56
Funds Borrowed	4.00	7.36	-	17.60

V. Explanations on Consolidated Position Risk of Equity Securities in Banking Book

Equity Securities (shares)	Carrying Value	Comparison	
		Fair Value	Carrying Value
1. Equity Investments Group A	243,728	-	243,728
Quoted Securities	243,728	-	243,728
2. Equity Investments Group B	-	-	-
Quoted Securities	-	-	-
3. Equity Investments Group C	-	-	-
Quoted Securities	-	-	-
4. Equity Investments Group Other (*)	179,685	-	-

(*) Includes associates and subsidiaries not quoted to BIST and not classified as investment in shares by Capital Market Board.

Portfolio	Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses	
		Total	Amount under Supplementary Capital	Total	Amount under Core Capital
1. Private Equity Investments	-	-	-	-	-
2. Quoted Shares	101,605	-	-	42,464	-
3. Other Shares	-	-	-	-	-
4. Total	101,605	-	-	42,464	-

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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)

VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio

Liquidity Risk of the Parent Bank is monitored and managed in accordance with Liquidity Risk Management Policy. According to this policy, Board of Directors is responsible to review and approve risk profile and appetite of the Parent Bank periodically. Senior Management takes necessary measures to monitor aforementioned risk and controls liquidity risk in line with accepted strategies and policies.

Treasury Department is responsible to carry out liquidity strategy determined and approved by Board of Directors. Risk Management Department is responsible to define, measure, monitor and control liquidity risk besides developing internal and external methods and procedures which are in line with context and structure of applicable activities in The Parent Bank in order to monitor related limits. Senior management of The Parent Bank is informed periodically regarding current liquidity risk amount exposed in order to ensure being under the approved limits of the Parent Bank's liquidity risk profile. Assets and Liabilities Committee (ALCO) meetings, which ensure the necessary monitoring for liquidity risk, are held monthly. Risk Committee reviews the liquidity risk of the Parent Bank monthly in addition to aforementioned meetings and informs Board of Directors. The Parent Bank reviews its liquidity position daily. Internal and legal reports related to liquidity positions are examined in ALCO meetings monthly with the participation of senior management. Several decisions are taken related to management of short- and long-term liquidity in this scope. Internal metrics such as reserve liquidity and deposit concentration are monitored daily besides liquidity coverage rate related to measurement of liquidity coverage. Internal limit and warning level are periodically monitored and reported to related parties by the Board of Directors.

The liquidity management of the Parent Bank is decentralized; each partnership controlled by the Parent Bank is carried out independently from the Parent Bank by the authorities in charge of liquidity management. Each subsidiary subject to consolidation manages its own liquidity position separately from the Parent Bank. The amount of funds to be used by the subsidiaries from the Parent Bank is determined within the framework of the limits.

It is essential for the Parent Bank to monitor its liquidity position and funding strategy consistently. Funding management of the Parent Bank is carried out in line with limits and internal warning systems within the framework of ALCO decisions. Funding and placement strategies are developed through evaluating the liquidity of the Parent Bank. While developing this strategy, it is aimed to provide funding from long-term and stable sources as much as possible.

A large part of the Parent Bank's liabilities consists of TRY, USD and EUR. Gap reports issued based on the aforementioned three currencies are presented in ALCO meetings. Maturity mismatches based on currencies are managed through FX swap and FX forward.

The Parent Bank diversifies its funding sources as customer deposits, foreign loans and bond issuance in order to reduce its liquidity risk. Measures are taken through making investments to assets having higher capacity to generate cash against liquidity crisis. The Parent Bank watches over reducing customer deposit concentration and controls concentration level daily in line with warning level approved by the Board of Directors

Liquidity life cycle approach is determined as the liquidity risk stress test methodology. This approach is a stress test to measure the period in which the Parent Bank can meet its cumulative cash outflows without providing a fund from the market. Liquidity life cycle is calculated according to various scenarios and simulated in line with possible scenarios in crisis situation and the results are reported to Risk Committee and Board of Directors.

Emergency Funding Plan (EMP) of the Parent Bank regulates funding activities to be used in liquidity crisis periods specific to the Parent Bank or in liquidity crisis at financial markets. EMP defines components triggering the crisis and early warning indicators which help to evaluate and manage the liquidity crisis and determine primary funding structure. EMP also defines actions of the Parent Bank against cash and guarantee need. In addition to aforementioned issues, EMP determines duties and responsibilities in performing actions in a liquidity crisis included in risk management and emergency funding plan.

Cautious liquidity management against possible financial fluctuations in the market has been one of the main priorities of the Parent Bank. The Parent Bank manages LCR above the limit by keeping its high quality liquid assets at a sufficient level. The Parent Bank has created four different stress test scenarios that measure how long it can meet 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 Parent Bank withstands stress over the minimum life expectancy of 30 days.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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)**VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio (Continued)****Liquidity Coverage Ratio**

Current Period – June 30, 2023	Unweighted Amounts ^(*)		Weighted Amounts ^(*)	
	TRY+FC	FC	TRY+FC	FC
HIGH QUALITY LIQUID ASSETS			140,934,343	74,571,694
1 High Quality Liquid Assets			140,934,343	74,571,694
CASH OUTFLOWS				
2 Retail and Small Business Customers Deposits	336,581,487	117,261,313	30,510,290	11,726,131
3 Stable deposits	62,957,169	-	3,147,858	-
4 Less stable deposits	273,624,318	117,261,313	27,362,432	11,726,131
5 Unsecured Funding other than Retail and Small Business Customers Deposits	124,842,217	55,186,172	74,533,911	32,750,165
6 Operational deposits	4,403,506	1,001,329	1,100,876	250,332
7 Non-Operational Deposits	94,061,249	45,317,337	53,823,751	24,402,886
8 Other Unsecured Funding	26,377,462	8,867,506	19,609,284	8,096,947
9 Secured funding	-	-	49,647	49,647
10 Other Cash Outflows	61,482,293	13,038,924	61,482,294	13,038,924
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	61,482,293	13,038,924	61,482,294	13,038,924
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	110,152,649	27,292,023	5,507,632	1,364,601
15 Other irrevocable or conditionally revocable commitments	360,395,428	40,520,870	23,702,878	3,753,050
16 TOTAL CASH OUTFLOWS	-	-	195,786,652	62,682,518
CASH INFLOWS				
17 Secured Lending Transactions	2,979,954	-	-	-
18 Unsecured Lending Transactions	64,616,008	18,953,044	44,933,036	15,995,044
19 Other contractual cash inflows	61,755,766	55,084,843	61,755,766	55,084,843
20 TOTAL CASH INFLOWS	129,351,728	74,037,887	106,688,802	71,079,887
			Upper Limit Applied Values	
21 TOTAL HIGH QUALITY LIQUID ASSETS			140,934,343	74,571,694
22 TOTAL NET CASH OUTFLOWS			89,097,850	15,966,117
23 LIQUIDITY COVERAGE RATIO (%)			158.18	467.06

(*) Simple arithmetic average calculated for the last three month of values calculated by taking the weekly simple arithmetic average.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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)**VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio (Continued)**

Prior Period – December 31, 2022	Unweighted Amounts ^(*)		Weighted Amounts ^(*)	
	TRY+FC	FC	TRY+FC	FC
HIGH QUALITY LIQUID ASSETS			134,724,292	71,736,563
1 High Quality Liquid Assets			134,724,292	71,736,563
CASH OUTFLOWS				
2 Retail and Small Business Customers Deposits	260,608,133	127,826,867	24,129,643	12,782,687
3 Stable deposits	38,623,407	-	1,931,170	-
4 Less stable deposits	221,984,726	127,826,867	22,198,473	12,782,687
5 Unsecured Funding other than Retail and Small Business Customers Deposits	110,799,404	61,806,911	64,350,982	35,594,369
6 Operational deposits	3,585,378	907,137	896,345	226,784
7 Non-Operational Deposits	85,680,017	52,454,345	46,686,595	27,637,566
8 Other Unsecured Funding	21,534,009	8,445,429	16,768,042	7,730,019
9 Secured funding	-	-	-	-
10 Other Cash Outflows	90,836,397	20,535,216	90,836,397	20,535,216
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	90,836,397	20,535,216	90,836,397	20,535,216
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	117,777,721	40,423,002	5,888,886	2,021,150
15 Other irrevocable or conditionally revocable commitments	224,072,756	45,451,099	16,172,035	4,491,184
16 TOTAL CASH OUTFLOWS	-	-	201,377,943	75,424,606
CASH INFLOWS				
17 Secured Lending Transactions	1,408,853	420,035	-	-
18 Unsecured Lending Transactions	41,167,505	18,563,682	29,070,600	16,275,342
19 Other contractual cash inflows	87,994,177	74,450,173	87,994,177	74,450,173
20 TOTAL CASH INFLOWS	130,570,535	93,433,890	117,064,777	90,725,515
			Upper Limit Applied Values	
21 TOTAL HIGH QUALITY LIQUID ASSETS			134,724,292	71,736,563
22 TOTAL NET CASH OUTFLOWS			84,313,166	18,856,152
23 LIQUIDITY COVERAGE RATIO (%)			159.79	380.44

(*) Simple arithmetic average calculated for the last three month of values calculated by taking the weekly simple arithmetic average.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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)

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

Consolidated liquidity coverage ratios related to last three months of 2023 are calculated weekly and explained in the table below according to “Regulation on Liquidity Coverage Ratio Calculation” published in the Official Gazette No. 28948, dated March 21, 2014.

	Maximum	Date	Minimum	Date	Average
TRY+FC	210.61	27/06/2023	113.78	14/05/2023	158.96
FC	570.23	13/04/2023	297.16	30/06/2023	472.77

Liquidity coverage ratio is regulated by the BRSA to make sure that the banks sustain high quality liquid asset stock to cover probable cash outflows in the short term.

All of the Parent Bank’s high quality liquid assets are comprised of first quality liquid assets, most of which are CBRT accounts and securities that are issued by the Turkish Treasury that have not been collateralized. Optional use of reserve levels and fluctuations in repo amount lead up to periodical variations in liquidity coverage ratio. Additionally syndication loans and large amount funds such as foreign bond issuances that have less than 1 month to maturity, lead up to short term fall in liquidity coverage ratios.

Funding sources of the Parent Bank mainly consist of deposits which constitute 64% of total liabilities of the Group (December 31, 2022 – 63%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Parent Bank effectively uses derivative transactions to manage interest and liquidity risk. Impact of derivative cash flows in terms of liquidity coverage ratio is limited. However, FX swaps used in short term foreign currency liquidity management cause liquidity coverage ratio to fluctuate due to changes in volume and one month maturity. In addition, possible cash outflow caused by margin call requirements of derivative transactions is taken into consideration in accordance with the respective regulations.

At The Parent Bank, Secured funding consists of repo and secured loan transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Türkiye and transactions are carried out both in CBRT market and interbank market.

The Parent Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework.

All cash inflow and outflow items related to liquidity profile of the Parent Bank are included in liquidity coverage ratio tables above.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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)**VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio (Continued)****Presentation of assets and liabilities according to their remaining maturities**

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated ⁽¹⁾	Total
Assets								
Cash (Cash in Vault, Foreign Currency, Cash in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank ⁽²⁾	58,934,361	44,819,694	-	-	-	-	(11,962)	103,742,093
Due from Banks ⁽³⁾	16,092,239	19,807,984	24,205	-	-	-	(27,585)	35,896,843
Financial Assets at Fair Value Through Profit/Loss ⁽⁴⁾	1,414,352	3,554,086	8,994,654	2,245,254	1,687,370	3,074,092	-	20,969,808
Money Market Placements	-	14,033,600	181,376	-	-	-	(6,726)	14,208,250
Financial Assets Measured at Fair Value through Other Comprehensive Income ⁽⁵⁾	14,664	48,208	72,570	4,967,239	21,629,385	16,698,551	-	43,430,617
Loans and Receivables ⁽⁶⁾	-	138,286,511	66,652,973	160,316,143	100,094,029	25,578,228	(14,468,206)	476,459,678
Financial Assets Measured at Amortized Cost ⁽⁷⁾	-	-	2,597,470	8,486,557	46,460,310	25,961,149	(19,724)	83,485,762
Other Assets	2	12,110,340	659,152	900,090	1,137,745	1,590	14,796,959	29,605,878
Total Assets	76,455,618	232,660,423	79,182,400	176,915,283	171,008,839	71,313,610	262,756	807,798,929
Liabilities								
Bank Deposits	247,636	6,491,724	6,211,849	3,651,277	-	-	-	16,602,486
Other Deposits	187,279,920	173,406,741	123,374,211	17,019,274	687,708	703	-	501,768,557
Funds Borrowed	-	14,178,604	12,796,704	69,472,981	16,447,857	3,466,732	-	116,362,878
Money Market Borrowings	-	4,605,857	7,181,454	4,451,532	4,022,177	774,360	-	21,035,380
Securities Issued	-	5,812,906	5,193,267	5,797,911	16,826,885	-	-	33,630,969
Miscellaneous Payables	-	27,845,595	-	-	-	-	679,105	28,524,700
Other Liabilities ⁽⁸⁾	-	14,866,727	1,671,532	2,403,516	3,197,168	2,183,809	65,551,207	89,873,959
Total Liabilities	187,527,556	247,208,154	156,429,017	102,796,491	41,181,795	6,425,604	66,230,312	807,798,929
Liquidity Excess/Gap	(111,071,938)	(14,547,731)	(77,246,617)	74,118,792	129,827,044	64,888,006	(65,967,556)	-
Net Off- Balance Sheet Position ⁽⁹⁾	-	1,207,302	6,745,529	2,525,525	2,206,735	(864)	-	12,684,227
Receivables from financial derivative instruments	-	102,629,919	84,091,780	54,258,271	72,634,755	61,763,135	-	375,377,860
Liabilities from derivative financial instruments	-	101,422,617	77,346,251	51,732,746	70,428,020	61,763,999	-	362,693,633
Non Cash Loans ⁽¹⁰⁾	-	6,248,331	11,928,130	35,964,008	7,990,602	841,469	26,327,924	89,300,464
Prior period								
Total Assets	58,821,285	139,013,980	62,880,469	137,722,970	146,972,416	64,252,302	11,480,392	621,143,814
Total Liabilities	126,020,752	210,472,266	121,515,595	55,254,371	40,397,991	9,933,718	57,549,121	621,143,814
Liquidity Excess/Gap	(67,199,467)	(71,458,286)	(58,635,126)	82,468,599	106,574,425	54,318,584	(46,068,729)	-
Net Off- Balance Sheet Position ⁽¹⁰⁾	-	1,465,746	5,992,273	4,187,211	2,600,912	37	-	14,246,179
Receivables from financial derivative instruments	-	138,984,434	75,431,503	40,346,479	62,732,529	58,800,731	-	376,295,676
Liabilities from derivative financial instruments	-	137,518,688	69,439,230	36,159,268	60,131,617	58,800,694	-	362,049,497
Non Cash Loans ⁽¹¹⁾	-	3,167,528	7,830,151	27,428,783	9,713,322	922,518	16,131,398	65,193,700

(1) The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified under "Unallocated" column. Unallocated other liabilities include equities amounting to TRY 55,042,587 (December 31, 2022 – TRY 44,276,132), unallocated provisions amounting to TRY 11,875,756 (December 31, 2022 – TRY 9,097,021) and deferred tax liabilities amounting to TRY 317,462 (December 31, 2022 – TRY 2,843,483).

(2) Cash (Cash in Vault, Foreign Currency Cash, Cash in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include expected loss provisions amounting to TRY 11,962 (December 31, 2022 – TRY 10,615).

(3) Banks include balance of expected loss provisions amounting to TRY 27,585 (December 31, 2022 – TRY 6,018).

(4) Financial assets at fair value through profit/loss include derivative financial assets through profit loss amounting to TRY 19,212,880 (December 31, 2022 – TRY 15,743,228).

(5) Financial assets at fair value through other comprehensive income include derivative financial assets through other comprehensive income amounting to TRY 6,078,553 (December 31, 2022 – TRY 6,868,726).

(6) Loans and receivables include leasing and factoring receivables.

(7) Financial assets measured at amortized cost include TRY 19,724 (December 31, 2022 – TRY 20,038) of expected loss provisions.

(8) Other Liabilities also includes the portion of derivative financial liabilities at fair value through other comprehensive income amounting to TRY 8,374,602 (December 31, 2022 – TRY 6,714,988).

(9) Liquidity excess/(deficit) related to Derivative Financial Instruments constituting Net Off-Balance positions are included in Liquidity Excess/(deficit) through valuations of related transactions to balance sheet.

(10) Amounts related to letter of guarantees represent contractual maturities and amounts included in aforementioned maturities and they have on demand and optionally withdrawable nature..

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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)**VII. Explanations on Consolidated Leverage Ratio****a) Information in regards to the differences between current period and prior period leverage ratio**

The Group's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 5.27% (December 31, 2022: 5.88%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

b) Summary comparative table for total asset and total risk amount in consolidated financial statements prepared in accordance with TFRS

		Current Period ^(**)	Prior Period ^(**)
1	Total asset amount in consolidated financial statements prepared in accordance with TFRS ^(*)	732,179,887	599,134,667
2	Difference between total asset amount in consolidated financial statements prepared in accordance with TFRS and total asset amount in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements	1,661,260	1,382,506
3	Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements of derivative financial instruments and credit derivatives	13,307,950	8,369,267
4	Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements of investment securities or financial transaction that are commodity collateralized	136,767	899,050
5	Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements of off balance transactions	393,017,888	268,206,049
6	Other differences between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements	(6,677,782)	(1,926,409)
7	Total Risk Amount	1,133,625,970	876,065,130

^(*) Consolidated financial statements prepared in accordance with the 5th clause and 6th subclause of Communiqué on the Preparation of Consolidated Financial Statements.

^(**) Amounts presented above represent the arithmetic average of the last three months.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 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)

VII. Explanations on Consolidated Leverage Ratio (Continued)

c) Leverage ratio public disclosure template

The table related to leverage ratio calculated in accordance with the “Regulation on Measurement and Evaluation of Bank’s Leverage Levels” published in Official Gazette No. 28812 and dated November 5, 2013 is below:

	Book Value	
	Current Period ^(*)	Prior Period ^(*)
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit derivatives, including guarantees)	714,709,916	577,289,514
(Assets deducted from capital stock)	6,677,782	1,926,409
Total risk amount related to Assets on Balance sheet	708,032,134	575,363,105
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	19,131,231	23,227,659
Potential credit risk amount of derivative financial instruments and credit derivatives	13,307,950	8,369,267
Total risk amount related to derivative financial instruments and credit derivatives	32,439,181	31,596,926
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral	66,011	49,485
Risk amount sourcing from transactions mediated	70,756	849,565
Total risk amount related to financial transactions having security or commodity collateral	136,767	899,050
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	469,299,836	365,192,728
(Adjustment amount sourcing from multiplying to credit conversion rates)	76,281,948	96,986,679
Total risk amount related to off-balance sheet transactions	393,017,888	268,206,049
Capital and Total Risk		
Core Capital	59,708,664	51,554,037
Amount of total risk	1,133,625,970	876,065,130
Financial leverage ratio		
Financial leverage ratio	5.27%	5.88%

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related To Consolidated Assets

1. a) Information on cash equivalents and the account of the CBRT

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Cash in TRY/Foreign Currency	2,219,489	11,938,841	1,621,492	6,809,684
T.R. Central Bank	9,553,834	79,054,345	7,929,515	74,677,290
Others	329,172	658,374	168,850	3,330,960
Total	12,102,495	91,651,560	9,719,857	84,817,934

b) Information related to the account of the CBRT

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Unrestricted Demand Deposits	9,553,834	34,234,651	7,929,515	34,202,891
Restricted Time Deposits	-	44,819,694	-	40,474,399
Total	9,553,834	79,054,345	7,929,515	74,677,290

As of June 30, 2023, a provision amounting to TRY 11,962 (December 31, 2022 – TRY 10,615) has been provided to the Central Bank account.

As of June 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. The reserve rates for foreign currency liabilities vary between 5% and 25% for deposit and other foreign currency liabilities, Gold deposit liabilities vary between 22% and 26% for gold liabilities according to their maturities.

2. Further information on financial assets at fair value through profit/loss (net amounts are expressed)

a) Information on financial assets at fair value through profit or loss that are subject to repurchase agreements and given as collateral/blocked

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Given as Collateral/blocked	4,762	-	56,131	-
Subject to repurchase agreement	596	-	-	-
Total	5,358	-	56,131	-

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward Transactions	344,863	-	457,631	-
Swap Transactions	12,916,967	2,724,654	4,600,327	2,273,153
Futures	-	-	-	514
Options	-	156,806	-	758,724
Total	13,261,830	2,881,460	5,057,958	3,032,391

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**I. Explanations and Disclosures Related to Consolidated Assets (Continued)****3. a) Information on banks**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	14,948,376	20,976,052	3,127,925	8,015,778
Domestic	14,948,371	878,715	3,127,920	230,110
Foreign	5	20,097,337	5	7,785,668
Foreign Head Offices and Branches	-	-	-	-
Total	14,948,376	20,976,052	3,127,925	8,015,778

Amount of TRY 34,311 provision is provided for banks account as of June 30, 2023 (December 31, 2022 – TRY 11,100).

b) Information on foreign bank accounts

	Unrestricted Amount		Restricted Amount ^(**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	7,883,640	1,601,789	152,215	135,032
USA and Canada	6,210,962	892,625	-	-
OECD Countries ^(*)	620,420	644,395	5,049,970	4,383,255
Off-shore Banking Regions	-	-	-	-
Other	180,135	128,577	-	-
Total	14,895,157	3,267,386	5,202,185	4,518,287

^(*) Include OECD countries other than the EU countries, USA and Canada.^(**) Includes the guarantees in foreign banks for the borrowings from foreign markets.**4. Information on receivables from reverse repurchase agreements**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Domestic Transactions	8,428,334	-	3,613,560	-
T.R. Central Bank	-	-	-	-
Banks	8,428,334	-	3,613,560	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
Foreign Transactions	-	-	-	427,044
Central Banks	-	-	-	-
Banks	-	-	-	427,044
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
Total	8,428,334	-	3,613,560	427,044

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**I. Explanations and Disclosures Related to Consolidated Assets (Continued)****5. Information on financial assets measured at fair value through other comprehensive income****a) Information on financial assets measured at fair value through other comprehensive income subject to repurchase agreements and provided as collateral/blocked**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Given as Collateral/Blocked	5,248,608	-	12,462,239	-
Subject to repurchase agreements	14,441	7,999,632	9,095	10,279,690
Total	5,263,049	7,999,632	12,471,334	10,279,690

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

	Current Period	Prior Period
Debt Securities	39,976,466	41,939,468
Quoted on a stock exchange ^(*)	39,976,466	41,939,468
Unquoted on a stock exchange	-	-
Stocks	3,599	126,612
Quoted on a stock exchange	1,518	118,831
Unquoted on a stock exchange	2,081	7,781
Provision for Impairment (-) ^(**)	(2,628,001)	(1,808,599)
Total	37,352,064	40,257,481

^(*) The Eurobond Portfolio amounting to TRY 5,346,374 (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 June 30, 2023 amount of TRY 5,361 (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 Parent Bank**

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	1,940,578	-	116,854
Corporate Shareholders	-	1,940,578	-	116,854
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees ^(*)	548,264	-	333,147	-
Total	548,264	1,940,578	333,147	116,854

^(*) Includes advances given to the bank personnel.

b) Information on first and second group loans, other receivables, restructured or rescheduled loans and other receivables**b.1) Financial assets measured at amortized cost**

Cash Loans	Standard Loans and Other Receivables	Loans Under Close Monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Non Specialized Loans	407,998,410	37,972,427	304,130	15,171,596
Enterprise Loans	26,876,463	39,527	-	-
Export Loans	37,683,774	952,627	-	-
Import Loans	-	-	-	-
Financial Sector Loans	1,801,440	880	-	-
Consumer Loans	81,317,713	8,323,268	163,907	1,849,396
Credit Cards	97,559,245	13,779,397	-	934,698
Other	162,759,775	14,876,728	140,223	12,387,502
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	407,998,410	37,972,427	304,130	15,171,596

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**I. Explanations and Disclosures Related to Consolidated Assets (Continued)****6. Information related to loans (Continued)**

	Standard Loans	Loans Under Close Monitoring
Current Period		
12 Month Expected Credit Losses	6,426,317	-
Significant Increase in Credit Risk	-	9,664,680
Prior Period		
12 Month Expected Credit Losses	3,604,877	-
Significant Increase in Credit Risk	-	5,801,712

b.2) Loans at fair value through profit or loss

In the current period, the Parent Bank has no loans followed under financial assets at fair value through profit or loss in accordance with TFRS 9 (December 31, 2022 – None).

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

Cash Loans	Standard Loans	Loans Under Close Monitoring	
		Loans Not Subject to Restructuring	Restructured Loans
Short-term Loans	226,667,377	13,779,397	934,698
Medium and Long-term Loans	181,331,033	24,193,030	14,541,028
Total	407,998,410	37,972,427	15,475,726

d) Information on consumer loans, individual credit cards, personnel loans and personnel credit cards

	Short Term	Medium and Long Term	Total
Consumer Loans-TRY	9,584,723	72,571,672	82,156,395
Housing Loans	3,609	3,555,775	3,559,384
Automobile Loans	1,335	32,789	34,124
Personal Need Loans	9,579,779	68,983,108	78,562,887
Other	-	-	-
Consumer Loans-FC Indexed	-	807	807
Housing Loans	-	800	800
Automobile Loans	-	-	-
Personal Need Loans	-	7	7
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TRY	88,298,499	1,011,478	89,309,977
Installment	35,257,094	712,932	35,970,026
Non- Installment	53,041,405	298,546	53,339,951
Individual Credit Cards-FC	236,427	212	236,639
Installment	-	-	-
Non- Installment	236,427	212	236,639
Personnel Loans-TRY	46,042	199,368	245,410
Housing Loans	-	27	27
Automobile Loans	-	-	-
Personal Need Loans	46,042	199,341	245,383
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TRY	290,333	1,634	291,967
Installment	124,076	698	124,774
Non-Installment	166,257	936	167,193
Personnel Credit Cards-FC	2,004	2	2,006
Installment	-	-	-
Non-Installment	2,004	2	2,006
Overdraft Accounts-TRY (Real Persons)	9,060,448	191,224	9,251,672
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	107,518,476	73,976,397	181,494,873

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

6. Information related to loans (Continued)

e) Information on commercial installment loans and corporate credit cards

	Short Term	Medium and Long Term	Total
Commercial Loans with Installment Facility – TRY	2,029,896	28,515,122	30,545,018
Real Estate Loans	5,441	302,601	308,042
Automobile Loans	79,288	1,902,988	1,982,276
Personal Need Loans	1,945,167	26,309,533	28,254,700
Other	-	-	-
Commercial Loans with Installment Facility - FC Indexed	-	214,307	214,307
Real Estate Loans	-	1,474	1,474
Automobile Loans	-	-	-
Personal Need Loans	-	212,833	212,833
Other	-	-	-
Commercial Loans with Installment Facility - FC	-	-	-
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Corporate Credit Cards –TRY	22,243,061	167,950	22,411,011
Installment	7,839,373	86,878	7,926,251
Non-Installment	14,403,688	81,072	14,484,760
Corporate Credit Cards –FC	21,720	20	21,740
Installment	-	-	-
Non-Installment	21,720	20	21,740
Overdraft Accounts-TRY (Legal Entities)	2,790,779	9,964	2,800,743
Overdraft Accounts-FC (Legal Entities)	-	-	-
Total	27,085,456	28,907,363	55,992,819

f) Allocation of loans by customers (*)

	Current Period	Prior Period
Public	6,047,217	4,285,525
Private	455,399,346	342,829,405
Total	461,446,563	347,114,930

(*) It does not include the non-performing loan amount.

g) Allocation of domestic and foreign loans (*)

	Current Period	Prior Period
Public	458,944,991	345,259,369
Private	2,501,572	1,855,561
Total	461,446,563	347,114,930

(*) It does not include the non-performing loan amount.

h) Loans to associates and subsidiaries

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	6,827,976	5,341,116
Indirect Loans Granted to Subsidiaries and Associates	-	-
Total	6,827,976	5,341,116

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

6. Information related to loans (Continued)

i) Specific provisions for loans (Third Stage)

	Current Period	Prior Period
Provisions		
Loans and Receivables with Limited Collectability	266,601	631,552
Loans and Receivables with Doubtful Collectability	921,613	462,383
Uncollectible Loans and Receivables	6,722,969	6,735,101
Total	7,911,183	7,829,036

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

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Current Period			
Gross Amounts Before the Provisions	-	4,182	390,927
Restructured Loans	-	4,182	390,927
Prior Period			
Gross Amounts Before the Provisions	46	16,863	599,291
Restructured Loans	46	16,863	599,291

j.2) Movement of non-performing loans

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Prior Period End Balance	875,123	642,611	7,976,786
Additions (+)	1,015,685	32,554	175,277
Transfers from Other Categories of Non-Performing Loans (+)	-	1,274,368	582,449
Transfers to Other Categories of Non-Performing Loans (-)	1,274,368	582,449	-
Collections (-)	188,152	141,794	833,154
Non-registered(-)	-	-	2,912
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Others	-	-	-
Current Period End Balance	428,288	1,225,290	7,898,446
Specific Provision (-)	266,601	921,613	6,722,969
Prior Period End Balance	161,687	303,677	1,175,477

j.3) Information on non-performing loans granted as foreign currency loans

None (December 31, 2022 – None).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**I. Explanations and Disclosures Related to Consolidated Assets (Continued)****6. Information related to loans (Continued)****j.4) Breakdown of non-performing loans according to their gross and net values**

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period (Net)	161,687	303,676	1,175,477
Loans to Real Persons and Legal Entities (Gross)	428,288	1,225,290	7,652,490
Provision (-)	266,601	921,613	6,477,013
Loans to Real Persons and Legal Entities (Net)	161,687	303,677	1,175,477
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	245,956
Provision (-)	-	-	245,956
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	243,571	180,229	1,241,685
Loans to Real Persons and Legal Entities (Gross)	875,123	642,611	7,785,799
Provision (-)	631,552	462,383	6,544,114
Loans to Real Persons and Legal Entities (Net)	243,571	180,228	1,241,685
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	190,987
Provision (-)	-	-	190,987
Other Loans and Receivables (Net)	-	-	-

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Year (Net)			
Interest accruals and valuation differences	34,213	151,308	1,209,520
Provision Amount (-)	15,577	103,364	810,528
Prior Period (Net)			
Interest Accruals and Rediscounts and Valuation Differences	120,514	56,981	1,264,638
Provision Amount (-)	86,994	40,884	1,068,121

k) Explanation on liquidation policy for uncollectible loans and other receivables

For the unrecoverable non-performing loans under legal follow up, the loan quality, collateral quality, bona fide of the debtor and assessment of the emergency of legal follow up are considered, before applying the best practice for unrecoverable non-performing loans under legal follow up. The Parent Bank prefers to liquidate the risk through negotiations with the debtors as well as The Parent Bank starts the legal procedures for the liquidation of the risk. Ongoing legal follow up procedures do not prevent negotiations with the debtors. An agreement is made with the debtor at all stage of the negotiations for the liquidation of the risk.

l) Explanations regarding the write-off policy

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**I. Explanations and Disclosures Related to Consolidated Assets (Continued)****7. Information on factoring receivables**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short Term	9,267,911	497,183	9,129,082	464,403
Medium and Long Term	-	-	-	-
Total	9,267,911	497,183	9,129,082	464,403

Changes in provision for non-performing factoring receivables are as follows

	Current Period	Prior Period
Prior Period End Balance	81,651	73,017
Provided Provision/(reversal), Net	8,598	39,878
Collections	(25,015)	(31,244)
Write-offs	-	-
Provision at the End of Period	65,234	81,651

8. Information on financial assets measured at amortized cost**a) Information on financial assets measured at amortized cost which are subject to repurchase agreements and given as Collateral/Blocked**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Given as Collateral/Blocked	17,620,429	-	7,436,978	-
Subject to repurchase agreements	227,906	20,948,550	234,667	19,644,899
Total	17,848,335	20,948,550	7,671,645	19,644,899

b) Information on government debt securities measured at amortized cost

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Government Bond	56,498,296	26,395,216	41,598,971	19,504,773
Treasury Bill	-	-	-	-
Other Public Sector Debt Securities	-	508,353	-	367,824
Total	56,498,296	26,903,569	41,598,971	19,872,597

c) Information on investments securities measured at amortized cost

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Debt Securities	56,498,296	27,007,190	41,598,971	20,364,334
Publicly-traded	56,498,296	27,007,190	41,598,971	20,364,334
Non-publicly traded	-	-	-	-
Provision for losses (-)	-	-	-	-
Total	56,498,296	27,007,190	41,598,971	20,364,334

d) Movement of investment measured at amortized cost within the period

	Current Period	Prior Period
Balance at the beginning of the period	61,963,305	29,856,976
Exchange differences on monetary assets	7,400,270	6,288,072
Acquisitions during the year	18,761,118	12,898,683
Disposals through sales and redemptions	(10,628,255)	(10,005,623)
Impairment provision (-)	-	-
Valuation Effect	6,009,048	22,925,197
Total	83,505,486	61,963,305

As of June 30, 2023, a provision amounting to TRY 19,724 (December 31, 2022 – TRY 20,038) is provided for the financial assets measured at amortized cost.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

9. Information on investments in associates (Net)

9.1. Information on unconsolidated associates

Title	Address (City/Country)	Bank's Share-If Different, Voting Rights(%)	Bank's Risk Group Share(%)
1. Bankalararası Kart Merkezi (BKM) ^(*)	Istanbul/Türkiye	4.52	4.52
2. Ulusal Derecelendirme A.Ş. ^(**)	Istanbul/Türkiye	2.86	2.86
3. İhracatı Geliştirme A.Ş. (İGE) ^(***)	Istanbul/Türkiye	0.44	0.44
4. Emeklilik Gözetim Merkezi (EGM) ^(****)	Istanbul/Türkiye	-	6.25

	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.	2,068,572	1,640,651	137,037	61,586	-	955,578	53,059	-
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	-
4.	83,013	50,961	18,144	940	4	4,576	1,982	-

^(*) Current period information is based on March 31, 2023 financials. Prior period profit and loss amounts are based on March 31, 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.

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

^(****) Current period information is based on March 31, 2023 financials. Prior period profit and loss amounts are based on March 31, 2022 financials.

^(*****) Total fixed assets consist of non-current assets.

9.2. Movements of investments in associates

	Current Period	Prior Period
Balance at the Beginning of Period	45,477	14,026
Movements During the Period	3,362	31,451
Purchases	2,858	-
Impact of business combinations	504	-
Bonus Shares Received ^(*)	-	31,451
Dividends From Current Year Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at the End of the Period	48,839	45,477
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

^(*) In the item of Bonus Shares, İhracatı Geliştirme A.Ş. (İGE) capital participation fee.

9.3. Sectoral information on investment and associates, and the related carrying amounts

	Current Period	Prior Period
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	48,839	45,477
Total	48,839	45,477

9.4. Quoted Associates

None (December 31, 2022 – None).

9.5. Valuation methods of investments in associates

	Current Period	Prior Period
Valued at Cost	48,839	45,477
Valued at Fair Value	-	-
Valued at Equity Method	-	-
Total	48,839	45,477

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

9. Information on investments in associates (Net) (Continued)

9.6. Investments in associates sold during the current period

None (December 31, 2022 – None).

9.7. Information on subsidiaries (Net)

a) Information on the Parent Bank's unconsolidated subsidiaries

Subsidiaries below have not been consolidated since they are Non-financial investments, they are instead valued by cost method.

Title	Address (City/Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1. Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.	Istanbul/Türkiye	99.91	99.99
2. EFINANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	Istanbul/Türkiye	100.00	100.00

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	185,068	(3,248)	74,242	-	-	5,417	21,123	-
2.	225,671	164,865	19,840	10,435	-	26,826	14,009	-

b) Information on the Parent Bank's consolidated subsidiaries

b.1) Information on the consolidated subsidiaries

Subsidiary	Address (City/Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1. QNB Finans Yatırım Menkul Değerler A.Ş.	Istanbul/Türkiye	99.80	100.00
2. QNB Finans Finansal Kiralama A.Ş.	Istanbul/Türkiye	99.40	99.40
3. QNB Finans Portföy Yönetimi A.Ş.	Istanbul/Türkiye	88.89	100.00
4. QNB Finans Faktoring A.Ş.	Istanbul/Türkiye	99.99	100.00
5. QNB Finans Varlık Kiralama Şirketi A.Ş.	Istanbul/Türkiye	-	100.00
6. QNB Sağlık Hayat Sigorta ve Emeklilik A.Ş.	Istanbul/Türkiye	100.00	100.00

Information on subsidiaries in the order as presented in the table above

	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.	4,654,153	1,546,708	40,777	397,287	5,263	392,173	188,338	-
2.	22,821,068	2,065,319	30,175	1,278,678	-	396,680	175,270	2,052,927
3.	498,653	365,552	3,473	1,663	-	105,586	24,511	-
4.	9,987,950	997,127	20,704	1,412,159	-	445,530	108,081	-
5.	1,030,757	911,456	-	-	-	175	92	-
6.	3,391,940	918,010	76,901	207,995	35,959	431,705	194,973	-

b.2) Movement schedule for consolidated subsidiaries

(**) Includes equity method accounting differences.

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

The balances of the subsidiaries have been eliminated as part of the consolidation principles.

b.4) Subsidiaries quoted to a stock exchange

b.5) Information on shareholders' equity of the significant subsidiaries

None.

10. Information on joint ventures

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**I. Explanations and Disclosures Related to Consolidated Assets (Continued)****11. Information on lease receivables (Net)****11.1 Maturity analysis of financial lease receivables**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	10,489,214	8,261,536	7,140,530	5,674,402
Between 1-4 years	13,269,145	11,046,858	9,762,187	8,126,818
Over 4 years	996,263	915,109	882,557	806,001
Total	24,754,622	20,223,503	17,785,274	14,607,221

Finance lease receivables include non-performing finance lease receivables amounting to TRY 460,093 (December 31, 2022 – TRY 387,943) and expected credit loss amounting to TRY 376,150 (December 31, 2022 – TRY 318,272).

Changes in non-performing finance lease receivables provisions are as follows

	Current Period	Prior Period
End of the prior period	318,272	298,510
Provided provision/(reversal), Net	64,740	76,852
Collections	(6,862)	(24,867)
Written-off	-	(32,223)
Provision at the end of the period	376,150	318,272

11.2. Information on net investments in finance leases

	Current Period	Prior Period
Gross Finance Lease Investments	24,749,793	17,779,015
Unearned Finance Income (-)	4,526,290	3,171,794
Cancelled Leasing Agreements (-)	-	-
Net Investment on Leases	20,223,503	14,607,221

11.3. Information of finance lease contracts of the Parent Bank

The leasing balances between the Parent Bank and the subsidiaries have been eliminated as part of the consolidation principles.

12. Information on the hedging derivative financial assets

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Fair Value Hedge ^(*)	2,784,417	285,173	7,409,685	243,194
Cash Flow Hedge ^(**)	3,293,504	2,785,049	4,830,851	2,037,875
Net Investment Hedge	-	-	-	-
Total	6,077,921	3,070,222	12,240,536	2,281,069

^(*) Derivative financial instruments for fair value hedging consist of swaps. As of June 30, 2023, TRY 2,784,417 (December 31, 2022 – TRY 7,409,685) from loans, TRY 285,173 (December 31, 2022 – TRY 243,194) of securities represents the fair value of derivatives which are designated as hedging instruments.

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

13. Explanations on investment properties

None. (December 31, 2022 – None).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**I. Explanations and Disclosures Related to Consolidated Assets (Continued)****14. Information on tax asset.**

As of June 30, 2023, the Parent Bank has deferred tax asset amounting to TRY 3,785,894 under the related regulations.

According to TAS 12, deferred tax assets and liabilities are netted off in the financial statements. As of June 30, 2023, the Parent Bank has deferred tax assets amounting to TRY 9,325,877 and deferred tax liabilities amounting to TRY 5,539,983 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.

In cases whereby deferred tax differences arising from the differences between the carrying amounts and the taxable amounts of the assets subjected to deferred tax that are related with certain items under the shareholders' equity accounts, the deferred tax benefits/charges are netted under these accounts. The deferred tax asset amounting to TRY 1,082,612 is netted under equity. (December 31, 2022 – TRY 1,436,588 deferred tax assets).

	Temporary Differences		Deferred Tax Assets/(Liabilities)	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Provision for Employee Rights	2,244,072	2,596,772	561,018	649,192
Difference Between the Book Value of Financial Assets and Tax Base	5,267,569	7,021,079	1,266,971	1,704,569
Other ^(*)	29,991,554	11,917,779	7,497,888	2,979,445
Deferred Tax Assets			9,325,877	5,333,206
Differences Between Carrying Value and Tax Value of Tangible Fixed Assets	(8,624)	(750,417)	(1,736)	(187,204)
Differences Between Carrying Value and Tax Basis of Financial Assets	(19,790,825)	(17,498,210)	(4,935,493)	(4,366,998)
Other	(2,411,016)	(860,966)	(602,754)	(215,242)
Deferred Tax Liabilities			(5,539,983)	(4,769,444)
Deferred Tax Asset/(Debt), Net			3,785,894	563,762

^(*) Includes accumulated temporary differences regarding expected loss provisions and other provisions.

	Current Period 01.01-30.06.2023	Prior Period 01.01-30.06.2022
Deferred Tax as of January 1 Asset/(Liability)- Net	563,762	341,690
Impact of business combinations	21,161	-
Deferred Tax (Loss)/Gain	2,118,359	980,131
Deferred Tax that is Realized Under Shareholder's Equity	1,082,612	(307,371)
Deferred Tax Asset/(Liability) – Net	3,785,894	1,014,450

15. Information on assets held for sale and discontinued operations

	Current Period	Prior Period
Opening Balance Net Book Value	-	-
Additions	-	-
Impairment (-)	-	-
Closing Net Book Value	-	-

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**I. Explanations and Disclosures Related to Consolidated Assets (Continued)****16. Information on other assets**

Other assets of the balance sheet do not exceed 10% of the balance sheet total, excluding off-balance sheet commitments.

As of June 30, 2023, provisions for other assets amount to TRY 17,003 (December 31, 2022 – TRY 13,215).

17. Information on accrued interest and income

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Derivative Financial Assets	19,339,751	5,951,682	17,298,494	5,313,460
Loans	6,438,419	3,432,610	6,424,904	1,969,786
Securities Measured at Amortized Cost	4,859,838	388,887	6,876,724	224,043
Financial Assets Measured at Fair Value through Other Comprehensive Income	2,034,348	(2,368,514)	6,055,460	(1,750,115)
Central Bank	-	-	-	-
Leasing Receivables	-	-	-	-
Banks	101,405	3,074	23,357	2
Financial Assets Measured at Fair Value through Profit/Loss	39,277	3,221	18,612	3,697
Other Accruals	235,066	27,078	38,319	18,593
Total	33,048,104	7,438,038	36,735,870	5,779,466

II. Explanations and Disclosures Related to Consolidated 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
Saving Deposits ^(*)	26,072,379	-	37,596,764	26,568,542	128,653,535	4,958,174	4,302,705	1,363	228,153,462
Foreign Currency Deposits	112,139,811	-	14,014,221	21,305,241	3,288,254	1,469,890	1,819,172	5,817	154,042,406
Residents in Türkiye	104,942,849	-	13,834,941	20,669,252	3,068,648	837,655	1,056,055	5,817	144,415,217
Residents Abroad	7,196,962	-	179,280	635,989	219,606	632,235	763,117	-	9,627,189
Public Sector Deposits	194,357	-	53,622	11,635	-	55	-	-	259,669
Commercial Deposits	18,964,005	-	19,607,561	14,676,997	18,819,266	8,826,407	5,344,363	-	86,238,599
Other Ins. Deposits	257,293	-	180,320	1,646,152	743,003	6,036	19	-	2,832,823
Precious Metal Deposits	29,652,075	-	-	5,318	-	37,413	546,792	-	30,241,598
Bank Deposits	247,636	-	6,491,723	6,202,633	2,460,376	1,200,118	-	-	16,602,486
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	2,034	-	260,474	-	-	-	-	-	262,508
Foreign Banks	240,955	-	6,231,249	6,202,633	2,460,376	1,200,118	-	-	16,335,331
Participation Banks	4,647	-	-	-	-	-	-	-	4,647
Other	-	-	-	-	-	-	-	-	-
Total	187,527,556	-	77,944,211	70,416,518	153,964,434	16,498,093	12,013,051	7,180	518,371,043

^(*) As of June 30, 2023, the balance of saving deposits includes TRY 28,464,703 "Treasury Currency Protected Deposits" and TRY 139,364,811 "CBRT Currency Protected Deposits".

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)****1. Information on maturity structure of deposits (Continued)**

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 Deposits	71,128,745	-	12,944,579	22,158,132	14,478,140	2,823,557	2,297,663	4,903	125,835,719
Residents in Türkiye	66,321,442	-	12,474,254	21,291,812	13,872,696	2,277,577	1,395,762	4,903	117,638,446
Residents Abroad	4,807,303	-	470,325	866,320	605,444	545,980	901,901	-	8,197,273
Public Sector Deposits	578,667	-	44,150	1,347	-	51	-	-	624,215
Commercial Deposits	14,207,721	-	20,266,076	14,995,790	15,036,159	5,678,716	3,316,340	-	73,500,802
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	-	-	-	-	-	-	-	-	-
Total	126,020,752	-	65,840,008	71,931,112	107,487,221	13,091,848	8,386,005	6,176	392,763,122

^(*) As of December 31, 2022, the balance of saving deposits includes the amounts related to TRY 15,313,257 "Treasury Currency Protected Deposits" and TRY 84,134,369 "CBRT Currency Protected Deposits".

1.1. Information on savings deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund ^(*)

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	95,623,798	55,175,424	221,860,755	179,366,796
Foreign Currency Savings Deposits	52,898,487	29,307,602	131,385,517	118,687,523
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	148,522,285	84,483,026	353,246,272	298,054,319

^(*) 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 No. 31936, all deposits and participation funds in credit institutions, other than those belonging to official institutions, credit institutions and financial institutions, started to be insured. In this context, commercial deposits covered by insurance amount to TRY 16,292,165 (December 31, 2022 – TRY 9,717,740) is included in the footnote.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)****1. Information on maturity structure of deposits (Continued)****1.2. Savings deposits in Türkiye are not covered under insurance in another country since headquarter of the Group is not located abroad.****1.3. Savings deposits which are not under the guarantee of saving deposit insurance fund**

	Current Period	Prior Period
Deposits and accounts in branches abroad	12,495	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	606,848	515,786
Deposits obtained through illegal acts defined in the 282 nd Article of the Turkish Criminal Code No. 5237 dated September 26, 2004.	-	-
Saving deposits in banks established in Türkiye exclusively for off-shore banking activities	-	-
Total	619,343	524,967

2. Information on trading derivative financial liabilities**a) Negative differences table for derivative financial liabilities held for trading**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forwards	2,200,774	62,233	421,525	11,658
Swaps	1,796,925	2,939,054	2,556,751	2,087,711
Futures	-	12,791	-	-
Options	-	177,772	30,387	483,367
Other	-	-	-	-
Total	3,997,699	3,191,850	3,008,663	2,582,736

3. Information on borrowings**a) Negative differences table for derivative financial liabilities held for trading**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Banks and Institutions	5,938,585	2,691,293	5,775,489	1,963,023
Foreign Banks, Institutions and Funds	-	83,451,126	420,765	47,058,080
Total	5,938,585	86,142,419	6,196,254	49,021,103

b) Information on maturity structure of borrowings

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-Term	5,403,802	29,305,956	5,519,452	15,617,892
Medium and Long-Term	534,783	56,836,463	676,802	33,403,211
Total	5,938,585	86,142,419	6,196,254	49,021,103

The Parent Bank's fund sources include deposits, funds borrowed, securities issued and money market borrowings. Deposit is the most significant fund source of the Parent Bank and does not present any risk concentration with its consistent structure extended to a wide base. Funds borrowed mainly consist of funds provided by foreign financial institutions which have different characteristics and maturity-interest structure such as syndication, securitization, and post-financing. There isn't risk concentration on the fund sources of the Parent Bank.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)****3. Information on borrowings (Continued)****c) Additional information on concentrations of the Group's liabilities**

As of June 30, 2023, the Group's liabilities comprise; 64% deposits (December 31, 2022 – 63%), 11% funds borrowed (December 31, 2022 – 9%), 4% issued bonds (December 31, 2022 – 4%) and 3% money market debts (December 31, 2022 – 5%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From domestic transactions	1,745,373	-	1,165,878	-
Financial institutions and organizations	1,736,075	-	1,149,893	-
Other institutions and organizations	5,399	-	8,772	-
Real persons	3,899	-	7,213	-
From foreign transactions	181,190	19,042,502	178,955	21,733,804
Financial institutions and organizations	172,315	19,042,502	169,856	13,970,191
Other institutions and organizations	8,875	-	9,099	181,991
Real persons	-	-	-	7,581,622
Total	1,926,563	19,042,502	1,344,833	21,733,804

5. Information on marketable securities issued (Net)

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Bank Bonds	4,360,363	8,522,176	8,401,709	5,911,335
Asset backed securities	999,470	-	330,878	-
Bills	-	19,748,960	-	17,372,987
Total	5,359,833	28,271,136	8,732,587	23,284,322

The Parent Bank has USD 600 Million bond issuance program (Global Medium Term Note Program) and USD 100 Million green and/or sustainable debt instrument issuance limit.

6. Information on the subaccounts of other liabilities account that exceeds 20% of the individual other liabilities account exceeding 10% of the total liabilities excluding the off-balance sheet items

Other liabilities does not exceed 10% of total liabilities excluding the off-balance sheet items.

7. Criteria used in the determination of lease installments in the financial lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts

Interest rate and cash flows of the Group are the main criteria which are taken into consideration for the determination of payment plans in the leasing contracts.

7.1. Explanations of changes in agreements and further commitments arising

No changes have been made to the leasing agreements in the current period (December 31, 2022 – None).

7.2. Explanations on financial lease liabilities

The leasing balances between the Parent Bank and the subsidiaries have been eliminated as part of the consolidation principles.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)****7. Criteria used in the determination of lease installments in the financial lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts (Continued)****7.2. Explanations on financial lease liabilities**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	40,407	25,966	39,077	13,515
Between 1-4 years	939,287	810,143	868,095	728,013
More than 4 years	231	179	174	94
Total	979,925	836,288	907,346	741,622

7.3. Explanations and notes on financial lease

The Parent bank makes operating lease agreements for some branches and ATM machines. The lease agreements are amortized during the lease period by measuring the lease obligation based on the present value of the lease payments (lease obligation) that has not been paid at that time (the lease obligation) as well as the relevant usage right as of the same date. Lease payments are discounted using this rate if the implicit interest rate in the lease can be easily determined. If the tenant cannot easily determine this rate, he uses the alternative borrowing interest rate. The tenant separately records the interest expense on the rental obligation and the depreciation expense of the right to use asset.

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

The Parent Bank does non sale-and-lease back transactions in the current period (December 31, 2022 – None).

8. Information on the hedging derivative financial liabilities

	Current Period ^(***)		Prior Period	
	TRY	FC	TRY	FC
Fair Value Hedge ^(*)	-	465,619	-	678,201
Cash Flow Hedge ^(**)	7,879	711,555	-	445,388
Net Investment Hedge	-	-	-	-
Total	7,879	1,177,174	-	1,123,589

^(*) Derivative financial instruments for fair value hedging consist of swaps. As of June 30, 2023, TRY 169,320 (December 31, 2022 – TRY 136,028) of securities, TRY 268,732 (December 31, 2022 – TRY 227,293) of securities issued, TRY 27,567 of loans received (December 31, 2022 – TRY 314,881) represent the fair value of derivative financial instruments for fair value hedging purposes.

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

^(***) Derivative financial liabilities for Fair Value Hedge are shown in line 7.1 in the financial statements, and derivative financial liabilities for Cash Flow Hedges are shown in line 7.2 of financial statements.

9. Information on provisions**9.1 Information on provision related with foreign currency difference of foreign indexed loans**

	Current Period	Prior Period
Foreign Exchange Provision for Foreign Currency Indexed Loans ^(*)	-	-

^(*) The foreign exchange provision for foreign currency indexed loans netted against “Loans and Receivables” in asset.

9.2. Specific provisions for non-cash loans that are not indemnified and converted into cash or expected loss provisions for non-cash loans

	Current Period	Prior Period
Stage I	1,101,110	544,980
Stage II	42,230	24,102
Stage III	59,631	55,641
Total	1,202,971	624,723

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)****9. Information on provisions (Continued)****9.3. Information on reserve for employee rights**

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

As of June 30, 2023, the Group presented the provision for severance pay of TRY 1,044,187 (December 31, 2022 – TRY 1,200,277) under the “Reserves for Employee Benefits” item in its financial statements.

As of June 30, 2023, the Group has shown a total vacation liability of TRY 196,618 (December 31, 2022 – TRY 145,545) under the “Reserves for Employee Benefits” in its financial statements.

As of June 30, 2023, TRY 1,003,266 (December 31, 2022 – TRY 1,250,950) provision for salaries, bonuses and premiums to be paid to the personnel has been presented under the “Reserves for Employee Benefits” in its financial statements.

9.3.1 Movement of employee termination benefits

	Current Period	Prior Period
	01.01-30.06.2023	01.01-30.06.2022
As of January 1	1,200,277	489,568
Impact of business combinations	30,276	-
Service cost	67,352	30,870
Interest cost	60,032	46,465
Settlement/curtailment/termination loss	12,603	11,762
Actuarial differences	48,967	(4,696)
Paid during the period	(375,320)	(36,773)
Total	1,044,187	537,196

9.4. Information on other provisions

Except for those mentioned in note 9.3 above, there is a provision for lawsuits against the Group and tax lawsuits in the amount of TRY 329,667 (December 31, 2022 – TRY 475,524) in other provisions. The Parent Bank has benefited from the relevant articles of the Law No. 7326 regarding various ongoing tax lawsuits.

In the consolidated financial statements prepared as of June 30, 2023, other provisions include a free provision of TRY 6,000,000, of which TRY 600,000 is allocated in the current period and TRY 5,400,000 in the previous period, which are not the requirements of the BRSA's Accounting and Financial Reporting Legislation.

10. Explanations on tax liabilities**10.1 Information on current tax liability****10.1.1 Information on tax provision**

The Group has reflected the current tax liability and prepaid tax amounts to the consolidated financial statements by offsetting the balances in the financial statements of the consolidated subsidiaries separately. As a result of offsetting, there is a tax liability of TRY 594,595 (December 31, 2022 – TRY 3,167,083) and a current tax receivable of TRY 79,734 (December 31, 2022 – TRY 101,935) in the accompanying consolidated financial statements, and as of June 30, 2023, there is prepaid tax amounting to TRY 277,132 (31 December 2022 – TRY 323,601).

10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate Taxes Payable	317,462	2,843,483
Banking and Insurance Transaction Tax (BITT)	518,716	386,347
Taxation on Securities Income	145,999	97,627
Taxation on Real Estates Income	12,334	5,444
VAT Payable	691	103
Other	226,261	152,517
Total	1,221,463	3,485,521

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)

10. Explanations on tax liabilities (Continued)

10.1.3. Information on premium payables

	Current Period	Prior Period
Social Security Premiums - Employee Share	85,763	49,995
Social Security Premiums - Employer Share	106,788	57,705
Pension Fund Fee and Provisions – Employee Share	160	68
Pension Fund Fee and Provisions – Employer Share	521	223
Unemployment Insurance - Employee Share	5,607	3,514
Unemployment Insurance - Employer Share	11,216	7,031
Other	306	61
Total	210,361	118,597

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
Debt Instruments subject to common equity	-	14,214,561	-	9,826,193
Subordinated Loans	-	14,214,561	-	9,826,193
Subordinated Debt Instruments	-	-	-	-
Debt Instruments subject to tier 2 common equity	-	10,067,313	-	7,301,531
Subordinated Loans	-	10,067,313	-	7,301,531
Subordinated Debt Instruments	-	-	-	-
Total	-	24,281,874	-	17,127,724

13. Information on shareholder's equity

13.1. Presentation of paid-in capital

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

13.2. Amount of paid-in capital, explanations as to whether the registered share capital system is applied, if so the amount of registered share capital ceiling

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

13.3. Capital increases and sources in the current period and other information based on increased capital shares

None (December 31, 2022 – None).

13.4. Information on share capital increases from revaluation fund during the current period

None (December 31, 2022 – None)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)****13. Information on shareholder's equity (Continued)****13.5. Information on capital commitments, the purpose and the sources until the end of the fiscal year and the subsequent interim period**

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

13.6. Information on prior period's indicators on the Bank's income, profitability and liquidity, and possible effects of these future assumptions on the Bank's equity due to uncertainties of these indicators

None (December 31, 2022 – None).

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

None (December 31, 2022 – None).

14. Common stock issue premiums, shares and equity instruments

	Current Period	Prior Period
Number of Stocks (Thousands)	33,500,000	33,500,000
Preferred Capital Stock	-	-
Common Stock Issue Premiums ^(*)	714	714
Common Stock Withdrawal Profits	-	-

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

15. Information on marketable securities value increase fund

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Associates, Subsidiaries and Entities under Common Control	112,796	-	81,784	-
Valuation Differences	-	-	41,812	-
Foreign Exchange Rate Differences	112,796	-	39,972	-
Securities Measured at FV Through Other Comprehensive Income	1,217,578	(2,572,991)	3,616,031	(1,846,032)
Valuation Differences	1,217,578	(2,572,991)	3,616,031	(1,846,032)
Foreign Exchange Rate Differences	-	-	-	-
Total	1,330,374	(2,572,991)	3,697,815	(1,846,032)

16. Information on accrued interest and expenses

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Derivative Financial Liabilities	4,005,578	4,369,024	3,008,663	3,706,325
Deposits	4,855,385	322,751	2,984,266	250,152
Funds Borrowed	101,507	1,792,683	93,425	505,155
Money Market Borrowings	5,244	287,376	2,767	139,542
Issued Securities	28,411	595,889	24,714	400,290
Other Accruals	1,470,503	944,870	1,307,501	368,615
Total	10,466,628	8,312,593	7,421,336	5,370,079

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Explanations on off-balance-sheet-commitments

1.1. Type and amount of irrevocable commitments

	Current Period	Prior Period
Credit Cards Limit Commitments	229,805,666	111,928,372
Commitment For Use Guaranteed Credit Allocation	60,117,619	47,345,675
Payment Commitments for Cheques	6,357,415	14,849,695
Forward Asset Purchase Commitments	6,912,798	17,048,935
Other Irrevocable Commitments	6,550,864	3,895,823
Commitments for Promotions Related with Credit Cards and Banking Activities	248,635	109,533
Tax and Fund Liabilities due to Export Commitments	210,095	118,666
Total	310,203,092	195,296,699

1.2. Type and amount of probable losses and obligations arising from off-balance sheet items

A provision of TRY 1,202,971 (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. Non-cash loans including guarantees, bank acceptance loans, collaterals that are accepted as financial guarantees and other letter of credits

	Current Period	Prior Period
Bank Loans	14,787,994	13,724,618
Other Letters of Guarantee	11,388,979	5,848,676
Total	26,176,973	19,573,294

1.4. Guarantees, suretyships and other similar transactions

	Current Period	Prior Period
Provisional Letters of Guarantee	23,366,913	17,059,240
Final Letters of Guarantee	12,311,949	7,239,998
Advance Letters of Guarantee	1,057,308	1,327,806
Letters of Guarantee Given to Customs Offices	1,173,109	1,073,138
Other Letters of Guarantee	25,214,212	18,920,224
Total	63,123,491	45,620,406

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	10,349,750	7,483,761
Less Than or Equal to One Year with Original Maturity	456,283	578,172
More Than One Year with Original Maturity	9,893,467	6,905,589
Other Non-Cash Loans	78,950,714	57,709,939
Total	89,300,464	65,193,700

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**III. Explanations and Disclosures Related to Consolidated Off-Balance Sheet Items (Continued)****3. Information on risk concentration in sector terms in non-cash loans**

	Current Period				Prior Period			
	TRY	%	TRY	%	TRY	%	TRY	%
Agricultural	246,274	0.60	-	-	165,630	0.56	596	0.00
Farming and Raising Livestock	159,444	0.39	-	-	79,656	0.27	596	0.00
Forestry	33,295	0.08	-	-	45,255	0.15	-	-
Fishing	53,535	0.13	-	-	40,719	0.14	-	-
Manufacturing	14,175,942	34.66	24,776,451	51.19	10,058,694	33.92	18,219,721	51.27
Mining and Quarrying	218,399	0.53	46,691	0.10	161,862	0.55	33,296	0.09
Production	13,335,431	32.61	24,171,155	49.94	9,498,871	32.03	17,910,743	50.40
Electricity, gas and water	622,112	1.52	558,605	1.15	397,961	1.34	275,682	0.78
Construction	7,428,674	18.16	9,802,524	20.25	6,222,108	20.98	6,167,027	17.35
Services	18,560,944	45.37	13,148,606	27.16	12,762,410	43.04	10,669,011	30.01
Wholesale and Retail Trade	12,416,420	30.36	5,421,165	11.20	8,726,222	29.43	4,304,979	12.11
Hotel, Food and Beverage Services	1,239,814	3.03	597,003	1.23	609,706	2.06	1,135,063	3.19
Transportation & Communication	815,254	1.99	1,159,834	2.40	713,008	2.40	842,222	2.37
Financial Institutions	2,785,256	6.81	4,710,878	9.73	1,578,822	5.32	3,808,729	10.72
Real Estate and Renting Services	87,072	0.21	5,631	0.01	89,435	0.30	20,669	0.06
Self Employment Services	789,390	1.93	906,947	1.87	583,415	1.97	417,290	1.17
Educational Services	26,460	0.06	-	-	31,168	0.11	-	-
Health and Social Services	401,278	0.98	347,148	0.72	430,634	1.45	140,059	0.39
Other	487,254	1.21	673,795	1.40	446,739	1.50	481,764	1.37
Total	40,899,088	100.00	48,401,376	100.00	29,655,581	100.00	35,538,119	100.00

4. Information on non-cash loans classified under group I and II

Current Period (*)	I. Group		II. Group	
	TRY	FC	TRY	FC
Letters of Guarantee	34,955,009	27,351,709	589,933	167,209
Bill of Exchange and Acceptances	5,198,013	9,509,832	58,000	22,149
Letters of Credit	38,317	11,282,660	185	67,817
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	40,191,339	48,144,201	648,118	257,175

(*) The amount of TRY 59,631 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	25,165,547	19,889,615	367,838	141,765
Bill of Exchange and Acceptances	3,970,331	9,694,144	58,000	2,143
Letters of Credit	38,039	5,809,183	185	1,269
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	29,173,917	35,392,942	426,023	145,177

(*) The amount of TRY 55,641 excluded for non-cash loans and ECL provision of non-cash loans which are under off-balance accounts and not indemnified and unliquidated but provisioned.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**III. Explanations and Disclosures Related to Consolidated Off-Balance Sheet Items (Continued)****5. Information on derivative financial instruments**

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	374,032,207	440,539,601
Forward transactions ^(*)	45,406,674	45,212,064
Swap transactions	303,765,133	276,267,320
Futures transactions	6,293,223	1,618,208
Option transactions	18,567,177	117,442,009
Interest Related Derivative Transactions (II)	206,665,516	159,791,156
Forward rate transactions	-	-
Interest rate swap transactions	202,848,794	156,221,134
Interest option transactions	-	-
Futures interest transactions	3,816,722	3,570,022
Security option transactions	-	-
Other trading derivative transactions (III)	1,291,155	2,056,626
A, Total Trading Derivative Transactions (I+II+III)	581,988,878	602,387,383
Types of hedging transactions		
Fair value hedges	25,622,176	42,894,666
Cash flow hedges	136,817,854	107,912,819
Net investment hedges	-	-
B, Total Hedging Related Derivatives	162,440,030	150,807,485
Total Derivative Transactions (A+B)	744,428,908	753,194,868

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

Breakdown of the Parent Bank's foreign currency forward and swap and interest rate swap transactions based on currencies are disclosed below in their TRY equivalents:

	Forward Buy ^(**)	Forward Sell ^(**)	Swap Buy (*)	Swap Sell (*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
Current Period									
TRY	12,229,148	1,825,959	25,939,421	88,632,553	8,045,028	35,848	3,136,681	-	-
USD	5,228,037	15,764,825	242,397,605	146,775,619	606,850	9,439,535	1,908,361	4,263,040	1,291,155
Euro	4,306,083	3,339,370	42,054,673	90,005,382	118,996	303,990	-	-	-
Other	121,122	2,592,130	32,435,688	813,016	16,930	-	-	801,863	-
Total	21,884,390	23,522,284	342,827,387	326,226,570	8,787,804	9,779,373	5,045,042	5,064,903	1,291,155

^(*) This column also includes hedging purpose derivatives.^(**) This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

	Forward Buy ^(**)	Forward Sell ^(**)	Swap Buy (*)	Swap Sell (*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
Prior Period									
TRY	13,715,428	846,945	32,777,465	94,975,499	45,910,391	12,799,328	-	825,285	-
USD	3,300,933	17,975,259	211,798,828	116,675,752	11,634,673	36,843,573	2,577,934	1,785,011	2,056,626
Euro	4,944,415	2,287,495	26,313,609	72,342,218	1,684,385	7,378,288	-	-	-
Other	369,698	1,771,891	28,032,608	379,960	3,729	1,187,642	-	-	-
Total	22,330,474	22,881,590	298,922,510	284,373,429	59,233,178	58,208,831	2,577,934	2,610,296	2,056,626

^(*) This column also includes hedging purpose derivatives.^(**) This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information on derivative financial instruments (Continued)

5.1. Fair value hedge accounting

a) Loans

The Parent Bank applies fair value hedge accounting within the framework of TAS 39 by performing swap transactions in order to protect itself against changes that may occur in the fair value of a certain part of its long term fixed interest loans resulting from changes in market interest rates. As of the balance sheet date, the TRY installment loans amounting to TRY 565,287 (December 31, 2022 – TRY 2,113,014) were subject to hedge accounting by swaps with a nominal amount of TRY 674,005 (December 31, 2022 – TRY 4,808,155). On June 30, 2023, the net market valuation difference loss of TRY 47,076 arising from TRY 31,464 gain from the aforementioned loans (December 31, 2022 – TRY 196,115 gain) and TRY 78,539 loss from swaps (December 31, 2022 – TRY 301,175 loss), is shown under “Gains/Losses From Derivative Transactions” account in the financial statements.

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies fair value hedge accounting through interest rate swaps in order to protect itself from interest rate changes in relation to its fixed rate foreign currency lease transactions. As of the balance sheet date, swaps amounting to TRY 33,458 have been subject to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, in the current period, the net market valuation difference expense amounting to TRY 44 before tax was recognized in the financial statements as “Profit/Loss from Derivative Financial Transactions”.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through statement of profit or loss and other comprehensive income until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TRY 121,523 (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.

Similarly; Subsidiary QNB Finans Finansal Kiralama A.Ş. has no valuation effect arising from the financial leasing transactions whose hedge accounting effectiveness has deteriorated, in the current period (December 31, 2022 – TRY 35) in the “Gains/Losses From Financial Derivatives Transactions”.

b) Financial assets at fair value through other comprehensive income

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term foreign currency Eurobonds with fixed coupon held by the Parent Bank using swaps as hedging instruments. As of the balance sheet date; Eurobonds with a nominal of USD 231,034 million (December 31, 2022 – USD 259,315 million and EUR 44 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On June 30, 2023, the net market valuation difference loss amounting to TRY 278 due to loss from Eurobonds amounting to TRY 3,375 (December 31, 2022 – TRY 844,795 loss) and gain from swaps amounting to TRY 3,097 (December 31, 2022 – TRY 839,160 gain) is accounted for under “gain/(loss) from financial derivatives transactions” line in the accompanying financial statements.

The Parent Bank does not apply fair value hedge on TRY government bonds in the current period (December 31, 2022 – None).

c) Marketable securities issued

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the foreign currency bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of USD 330 million (December 31, 2022 – USD 330 million) have been subject to hedge accounting with the same nominal amount of swaps. As of June 30, 2023, TRY 1,087 net fair valuation difference gain, due to net of TRY 52,478 (December 31, 2022 – TRY 417,088 gain) gain from issued bonds and TRY 51,391 (December 31, 2022 – TRY 414,503 loss) loss from swaps, has been recorded under “Gain/(loss) from financial derivatives transactions” on accompanying financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information on derivative financial instruments (Continued)

5.1. Fair value hedge accounting (Continued)

d) Borrowings

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies fair value hedge accounting through interest and currency swaps in order to protect itself from changes in interest rates in relation to fixed interest rate TRY loans. As of the balance sheet date, swaps amounting to TRY 115,570 were subject to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, in the current period, the net market valuation difference loss amounting to TRY 298 before tax was recognized in the financial statements as “Profit/Loss from Derivative Financial Transactions”.

5.2. Cash flow hedge accounting

a) Floating Rate Loans

The Parent Bank is subject to cash flow hedge accounting through interest swaps in order to protect a certain part of its long term floating interest rate loans from changes in market interest rates. The Bank conducts effectiveness tests for hedge accounting on every balance sheet date, the active segments are accounted in the “Hedge Funds” account item in the financial statements as defined in TAS 39, and the amount related to the inactive part is associated with the statement of profit or loss and other comprehensive income.

In this context; as of the balance sheet date, swaps with a nominal amount of TRY 3,622 Million (December 31, 2022 – TRY 5,472 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 112,532 (December 31, 2022 – TRY 330,708 gain) has been accounted for under equity in the current period. The gain amounting to TRY 906 related to the ineffective portion is associated with the profit or loss statement (December 31, 2022 – TRY 75 gain).

On the other hand; 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 FX loans extended by the Bank are subject to hedge accounting as a hedging instrument. As a result of the said hedge accounting, fair value loss before tax amounting to TRY 41,490 (December 31, 2022 – TRY 572,313 loss) has been accounted for under equity in the current period. The loss of the ineffective portion amounting to TRY 709 is associated with the statement of profit or loss (December 31, 2022 – TRY 4 loss).

b) Deposit

The Parent Bank applies cash flow hedge accounting using interest rate swaps in order to hedge itself from the interest rate changes of deposits that have an average maturity of 3 months, the Bank implements cash flow hedge accounting with interest rate swaps. The Parent Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity “Hedging Funds”, whereas the ineffective portions are accounted for at statement of profit or loss and other comprehensive income as defined in TAS 39. As at the balance sheet date, swaps amounting to TRY 555,000 are subject to hedge accounting as hedging instruments (December 31, 2022 – TRY 50,000). As a result of the mentioned hedge accounting, fair value loss before taxes amounting to TRY 5,394 are accounted for under equity during the current period (December 31, 2022 – TRY 2,192 loss). The gain amounting to TRY 283 (31 December 2022 – None) relating to the ineffective portion is accounted under at the statement of profit or loss and other comprehensive income.

As of the balance sheet date, swaps with a nominal amount of USD 1,356 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 277,852 (December 31, 2022 – TRY 2,123,518 gain) are accounted under equity during the current period. The loss amounting to TRY 2,334 (December 31, 2022 – TRY 13,216 gain) relating to the ineffective portion is accounted under at the statement of profit or loss and other comprehensive income.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information on derivative financial instruments (Continued)

b) Deposit (Continued)

When the cash flow hedge accounting cannot be maintained effectively as defined in TAS 39, the accounting practice is terminated. According to this; The valuation effects classified under equity due to hedge accounting are reflected in the profit or loss statement over the life of the hedged item. In this context; In the current period, a loss amounting to TRY 17,689 (December 31, 2022 – TRY 12,357 loss) has been transferred from shareholders' equity to the statement of profit or loss in relation to the hedge accounting practices that the Bank has terminated.

c) Floating Rate Liabilities

The Parent Bank applies cash flow hedge accounting through interest rate swaps in order to protect its subordinated loans with variable interest payments from changes in interest rates. The Bank conducts effectiveness tests for hedge accounting on every balance sheet date, the active segments are accounted in the “Hedge Funds” account item in the financial statements as defined in TAS 39, and the amount related to the inactive part is associated with the statement of profit or loss and other comprehensive income. As of the balance sheet date, the nominal amount of USD 407 Million (December 31, 2022 – USD 423 Million) was subject to hedge accounting as hedging instrument. As a result of the mentioned hedge accounting, the fair value gain amounting to TRY 82,056 (December 31, 2022 – TRY 423,088 gain) before tax was recognized under equity. The gain amounting to TRY 4,976 (December 31, 2022 – TRY 8 gain) related to the ineffective portion of the relevant transaction is associated with the statement of profit or loss.

On the other hand; accounting application is terminated when cash flow hedge accounting is not effectively maintained as defined in TAS 39. According to that the effective amounts classified under equity due to hedge accounting are reclassified into profit or loss as the reclassification adjustments during periods or periods when the estimated cash flows subject to hedging in case of deterioration of the event affect profit or loss (such as the periods when interest income or expense is accounted for). Due to hedge accounting practices terminated in the current year, a loss amounting to TRY 28,551 (December 31, 2022 – TRY 39,964) was transferred from the “Gain/losses from derivative transactions” to the statement of profit or loss and other comprehensive income.

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies cash flow hedge accounting by means of interest and currency swaps in order to protect itself from the changes in interest rates regarding the floating rate foreign currency loans and floating rate securities. The Company applies effectiveness tests for hedge accounting at each balance sheet date, the effective parts are accounted for in the “Hedging Funds” account item under equity in the financial statements as defined in TAS 39, and the amount related to the ineffective part is associated with the profit or loss statement. As of the balance sheet date, swaps amounting to TRY 1,386,905 are subject to hedge accounting. As a result of the aforementioned hedge accounting, in the current period, net market valuation difference income before tax amounting to TRY 19,040 has been accounted for under “Hedging Funds” account item in the consolidated financial statements (December 31, 2022 – TRY 2,147).

In the measurements made as of June 30, 2023, it has been determined that the above-mentioned cash flow hedging transactions are effective.

6. Credit derivatives and risk exposures on credit derivatives

As of June 30, 2023, the Bank has no commitments “Credit Linked Notes” (As of December 31, 2022 – None).

As of June 30, 2023, “Other Derivative Financial Instruments” 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 Parent Bank has recorded a provision of TRY 70,982 (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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

9. Information on the Parent Bank's rating by international rating institutions

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

IV. Explanations and Disclosures Related to Consolidated Statement of Profit or Loss and Other Comprehensive Income

1. a) Information on interest income on loans

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-Term Loans	11,374,301	1,912,632	6,821,699	592,661
Medium and Long-Term Loans	12,330,781	3,717,229	6,334,236	1,953,130
Non-Performing Loans	352,856	-	303,325	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total (*)	24,057,938	5,629,861	13,459,260	2,545,791

(*) Includes fees and commissions income from cash loans

b) Information on interest income from banks

	Current Period		Prior Period	
	TRY	FC	TRY	FC
T,R, Central Bank (*)	389	-	-	-
Domestic Banks	285,306	482	8,388	620
Foreign Banks	2,039	250,425	344	22,118
Foreign Headquarters and Branches	-	-	-	-
Total	287,734	250,907	8,732	22,738

(*) The interest income on Required Reserve amounting TRY 238,188 excluded from interest income on Banks. (June 30, 2022 - TRY 130,135).

c) Information on interest income on marketable securities

	Current Period	
	TRY	FC
Financial Assets Measured at Fair Value through Profit/Loss	48,994	10,427
Financial Assets Measured at Fair Value through Other Comprehensive Income	2,508,594	405,773
Financial Assets Measured at Amortized Cost	6,969,973	659,075
Total	9,527,561	1,075,275
	Prior Period	
	TRY	FC
Financial Assets Measured at Fair Value through Profit/Loss	35,977	2,238
Financial Assets Measured at Fair Value through Other Comprehensive Income	1,649,958	351,942
Financial Assets Measured at Amortized Cost	5,104,518	507,828
Total	6,790,453	862,008

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**IV. Explanations and Disclosures Related to Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)****c) Information on interest income on marketable securities (Continued)**

As stated in Section Three disclosure VII, the Parent Bank has inflation indexed (CPI) government bonds in its financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before. In parallel with this, the Parent 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 June 30, 2023, an annual rate of 35% 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 June 30, 2023, the Parent Bank's securities valuation differences under shareholders' equity would have decreased by TRY 126,400 after tax, and the net profit for the period would have increased by TRY 795,300 to TRY 14,789,894.

d) Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest income received from associates and subsidiaries	-	-

2. a) Information on interest expense on borrowings ^(*)

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	507,947	3,129,434	348,983	1,231,072
T.R. Central Bank	-	-	-	-
Domestic Banks	472,096	156,610	321,093	64,316
Foreign Banks	35,851	2,972,824	27,890	1,166,756
Foreign Headquarters and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	507,947	3,129,434	348,983	1,231,072

(*) Includes fees and commissions expenses related to the cash loans.

b) Information on interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	324	3,228

c) Information on interest expense paid to securities issued

As of June 30, 2023 the amount paid to securities issued is TRY 1,466,638 (June 30, 2022 – TRY 1,258,292).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**IV. Explanations and Disclosures Related to Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)****d) Information on maturity structure of interest expenses on deposits**

Current Period		Time Deposits						
							Accumulated	
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Deposit Account	Total
Turkish Lira								
Bank Deposits	-	37,736	-	-	-	-	-	37,736
Saving Deposits	28	3,744,306	4,867,352	8,547,857	287,739	219,772	-	17,667,054
Public Sector Deposits	-	2,045	298	-	5	-	-	2,348
Commercial Deposits	32	2,309,504	2,212,181	1,770,893	536,861	347,935	-	7,177,406
Other Deposits	-	29,530	256,366	28,848	18,722	1	-	333,467
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	60	6,123,121	7,336,197	10,347,598	843,327	567,708	-	25,218,011
Foreign Currency								
Deposits	8	6,052	54,183	303,979	18,163	34,296	-	416,681
Bank Deposits	1,141	219,651	220,868	105,868	21,613	-	-	569,141
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1,485	-	-	-	-	-	1,485
Total	1,149	227,188	275,051	409,847	39,776	34,296	-	987,307
Grand Total	1,209	6,350,309	7,611,248	10,757,445	883,103	602,004	-	26,205,318

Prior Period		Time Deposits						
							Accumulated	
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Deposit Account	Total
Turkish Lira								
Bank Deposits	-	40,326	-	-	-	-	-	40,326
Saving Deposits	13	1,031,944	1,233,502	1,585,466	136,635	79,280	-	4,066,840
Public Sector Deposits	-	1,283	1,231	30	55	-	-	2,599
Commercial Deposits	2	495,713	325,856	56,671	738,759	36,049	-	1,653,050
Other Deposits	-	4,162	36,680	307	4,834	5	-	45,988
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	15	1,573,428	1,597,269	1,642,474	880,283	115,334	-	5,808,803
Foreign Currency								
Deposits	3	63,877	321,382	77,793	14,748	26,837	-	504,640
Bank Deposits	95	26,103	23,660	1,212	172	-	-	51,242
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	5,303	-	-	-	-	-	5,303
Total	98	95,283	345,042	79,005	14,920	26,837	-	561,185
Grand Total	113	1,668,711	1,942,311	1,721,479	895,203	142,171	-	6,369,988

e) Information on interest expenses on repurchase agreements

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest Expenses on Repurchase Agreements ^(*)	234,862	495,343	1,154,395	131,957

^(*) Disclosed in "Interest on Money Market Transactions."**f) Information on financial lease expenses**

	Current Period	Prior Period
Leasing Expenses	72,092	47,407

g) Information on interest expenses on factoring payables

None (June 30, 2022 – None)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**IV. Explanations and Disclosures Related to Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)****3. Information on dividend income**

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit or Loss	11,823	1,519
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-
Other	-	15,052
Total	11,823	16,571

4. Information on trading income/loss

	Current Period	Prior Period
Trading Gain	38,260,839	18,105,664
Gain on Capital Market Transactions	2,341,710	523,820
From Derivative Transactions	11,729,365	6,327,730
Foreign Exchange Gains	24,189,764	11,254,114
Trading Loss (-)	26,081,729	18,220,824
Losses on Capital Market Operations	1,083,082	337,353
From Derivative Transactions	14,410,386	9,674,199
Foreign Exchange Losses	10,588,261	8,209,272
Net Trading Income/Loss	12,179,110	(115,160)

5. Information on other operating income

The Group recorded the current year collections from loans written off in the previous periods, portfolio management fees and expense accruals cancelations in "Other Operating Income" account.

6. Provision for losses and other provision expenses

	Current Period	Prior Period
Expected Credit Losses Provisions	7,065,064	3,081,316
12 Month Expected Credit Loss (Stage I)	2,824,936	563,152
Significant Increase in Credit Risk (Stage 2)	3,869,760	1,707,095
Lifetime ECL Impaired Credits (Stage 3)	370,368	811,069
Marketable Securities Impairment Provision	95	1,354
Financial Assets Measured at Fair Value Through Profit/Loss	-	-
Financial Assets Measured at Other Comprehensive Income	95	1,354
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-	-
Investment in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other ^(*)	1,239,922	146,976
Total	8,305,081	3,229,646

^(*) Includes free provision expense for possible risks amounting to TRY 600,000 allocated in the current period.

7. Information on other operating expenses

	Current Period	Prior Period
Reserve for employee termination benefits ^(*)	139,985	52,324
Impairment expenses on tangible fixed asset	457,735	277,232
Goodwill impairment expenses	183,305	104,098
Other Operating Expenses	3,053,481	1,381,515
Leasing Expenses Related to TFRS 16 Exceptions	3,397	1,838
Maintenance expenses	615,041	440,634
Advertisements expenses	189,189	102,219
Other expenses	2,245,854	836,824
Loss on sales of assets	71	46
Other	1,406,664	486,476
Total	5,241,241	2,301,691

^(*) "Reserve for employee termination benefits" is included in the "Personnel Expenses" account item in the financial statement.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Explanation on profit/loss before tax from continuing and discontinued operations

As of June 30, 2023, net interest income amounting to TRY 12,223,851 (June 30, 2022- TRY 14,444,166), net fee and commission income amounting to TRY 5,521,924 (June 30, 2022 – TRY 2,788,773) and other operating revenues amounting to TRY 1,710,819 (June 30, 2022 – TRY 196,381) have important place among income items related to continuing operations.

9. Explanation on tax provision for continuing and discontinued operations

9.1. Calculated current tax income or expense and deferred tax income or expense

As of June 30, 2023, the Group has a current tax expense of TRY 2.402.859 (June 30, 2022 – 3.384.356 TRY) from its continuing operations. The Parent Bank recorded deferred tax expense amounting to TRY 2.572.484 (June 30, 2022 – TRY 501.872) and deferred tax income amounting to TRY 4.690.843 (June 30, 2022 – TRY 1.482.003)

9.2. Explanations on operating profit/loss after tax

None (June 30, 2022- None).

10. Explanation on net profit/loss for the period from continuing and discontinued operations

The profit generated by the Group from continuing operations is TRY 13,994,594 (June 30, 2022 – TRY 7,616,701).

11. Explanations on net profit and 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 Group's performance during the period, the nature and amount of these items

None (June 30, 2022 - None).

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

None (June 30, 2022 - None).

11.3. Profit or loss attributable to minority shares

	Current Period	Prior Period
Profit/Loss Attributable to Minority Shares	2.390	1.056

11.4. There is no change in the accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods

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 Parent Bank.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. Explanations and Disclosures Related to Consolidated Statement of Changes in Shareholders' Equity

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 to Consolidated 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 Parent Bank's Risk Group

1. The volume of transactions relating to the Bank's risk group, outstanding loan and deposit transactions and profit and loss of the period

- 1.1.** As of June 30, 2023, the Parent Bank's risk group has deposits amounting to TRY 1,152,373 (December 31, 2022 – TRY 724,884), cash loans amounting to TRY 3,836 (December 31, 2022 – TRY 4,102) and non-cash loans amounting to TRY 2,087,437 (December 31, 2022 – TRY 118,429).

Current Period

Parent Bank's Risk Group ^(*)	Associates and Subsidiaries (Partnerships)		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Cash	Non- Cash	Cash	Non- Cash	Cash	Non- Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	226	-	116,854	4,102	1,349
Balance at the End of the Period	-	171	-	1,940,578	3,836	146,688
Interest and Commission Income	-	-	-	699	1,027	-

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**VII. Explanations and Disclosures Related to the Parent Bank's Risk Group (Continued)****1. The volume of transactions relating to the Bank's risk group, outstanding loan and deposit transactions and profit and loss of the period (Continued)****Prior Period**

Parent Bank's Risk Group ^(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period		730	-	55,271	1,773	4,888
Balance at the End of the Period		226	-	116,854	4,102	1,349
Interest and Commission Income ^(**)		-	-	675	350	-

^(*) As described in the Article 49 of Banking Law No 5411.^(**) Represents the balances of June 30, 2022.**1.2. Information on deposits of the Parent Bank's risk group**

Parent Bank's Risk Group ^(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	152,259	60,887	-	-	572,625	525,760
Balance at the End of the Period	145,656	152,259	-	-	1,006,717	572,625
Interest on deposits ^(**)	324	3,228	-	-	2,304	13,149

^(*) As described in the Article 49 of Banking Law No 5411.^(**) Previous period's balances represent June 30, 2022 balances.**1.3. Information on forward and option agreements and similar agreements made with the Parent Bank's risk group**

Parent Bank's Risk Group ^(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss ^(**)	-	-	-	-	48	-
Transactions for Hedging Purposes						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss ^(**)	-	-	-	-	-	-

^(*) As described in the Article 49 of Banking Law No 5411.^(**) Prior Period represents June 30, 2022 balance.**1.4. Information regarding benefits provided to the Top Management**

As of June 30, 2023, the total amount of remuneration and bonuses paid to key management of the Group is TRY 375,608 (June 30, 2022 – TRY 234,294).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

As of June 30, 2023, the rate of cash loans of the risk group divided by to total loans is 0.0%; (December 31, 2022 – 0.0%); the deposits represented 0.2% (December 31, 2022 – 0.2%), the ratio of total derivative transactions with derivatives risk is 0.0% (December 31, 2022 – 0.0%).

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

The Parent Bank enters into finance lease agreements with QNB Finans Finansal Kiralama A.Ş.

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

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

Information in regard to subordinate loans the Parent Bank received from Parent's Bank is explained in Section 5 Note II. 12.

The Parent Bank offers agency services to QNB Sağlık Hayat Sigorta ve Emeklilik A.Ş. that is 100.00% jointly controlled for its insurance services.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VIII. Other Explanations Related to the Parent Bank's Operations

1. Disclosure related to subsequent events and transactions that have not been finalized yet, and their impact on the financial statements

The issuance of The Bank after the balance sheet date are as follows:

<u>Issue Date</u>	<u>Currency</u>	<u>Nominal Amount</u>	<u>Maturity</u>
07/07/2023	EUR	23,030,000	91
25/07/2023	USD	29,659,000	92
26/07/2023	EUR	10,000,000	91

2. Information on the effects of significant changes in foreign exchange rates after balance sheet date on the items denominated in foreign currency and financial statements and the Group's operations abroad that would affect decision making process of users and foreign operations of the Bank

There are no significant fluctuations in the currency exchange rates after the balance sheet date that would affect the analysis and decision making process of the readers of the financial statements.

3. Other matters

None.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

SECTION SIX

INTERIM REVIEW REPORT

I. Explanations on the Interim Review Report

The consolidated financial statements for the period ended June 30, 2023 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The auditor's report dated July 27, 2023 is presented preceding the consolidated financial statements.

II. Explanations and Notes Prepared by Independent Auditor

None (December 31, 2022 – None).

.....

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

SECTION SEVEN

CONSOLIDATED INTERIM ACTIVITY REPORT

I. Interim Consolidated 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,

The first half of 2023 has undoubtedly been marked by the widespread and severe earthquake disaster that took place on February 6, with the epicenter being Kahramanmaraş. We will never forget this tragic incident. And we will keep working to relieve our wounds. The general parliamentary and presidential elections in the first half of the year have also defined the country's agenda.

This agenda, which was shaped after the election with the appointments of the new economy administration and the central bank governor, the simplification of regulations, and the loosening of macro precautionary measures, point to positive developments in terms of both banking and Turkish economy.

We see continued central bank tightening policies worldwide in the fight against inflation. This has led to a global easing of inflation levels. However, we expect central banks to maintain their tight monetary policies in the upcoming period.

In Türkiye, the economy continued to grow by 4% on an annual basis in Q1, when we were shaken by the earthquake disaster. In Q2 of 2023, we have seen leading indicators that this growth is likely to continue. However, measures to be taken towards fiscal discipline and reducing the budget deficit and current account deficit will be of great importance for continued growth. The measures taken and policies announced raise our hopes of the implementation of new regulations for the banking sector that will bring it some relief.

We hope that the tight monetary policy and disciplined fiscal policy process will be implemented gradually, inflation will be brought under control, and our country's economy will enter a healthy growth period. Steps taken in the right direction enable us to look ahead with more confidence and hope.

As a Group continues to successfully manage this process by utilizing the right strategies. We have seen marked growth in the first half of 2023. As of 30 June 2023, the Parent Bank's total assets increased by 30%, compared to the end of 2022, and reached TL 807 billion and 799 million, and our net loans were up 31% to TL 476 billion and 460 million. In the same period, customer deposit accounts reached TL 501 billion and 769 million, an increase of 31%, while our equity has increased by 24% to TL 55 billion and 43 million. In the first six months of 2023, the Parent Bank's net profit for the period was TL 13 billion and 995 million.

We implemented our 'Integrated Disaster Management' program following a workshop attended by the senior management of the Bank and its subsidiaries. This program will help us create a more resilient organization to face possible earthquakes in Istanbul and other cities. Our goal is to ensure zero deaths and to offer an uninterrupted service. We will implement this program in phases, which will include awareness-raising, training and action-oriented steps.

In the first half of the year, we realized a very important project for our Bank, which is also consistent with our servant leadership approach. We published our 'Guidelines on Social Gender Equality,' which included our 'Gender Sensitive Banking Principles' and 'Action Plan,' coordinated with Kadir Has University and announced to public. Our goal is "a more equal world" and we determined our commitments to reach this goal. This is a clear indication of our Bank's leadership characteristics. We have received very positive feedback.

I would like to thank all our financiers, our customers, and business partners who trusted us and contributed to the successful growth of our Bank with their devoted efforts in the first 6 months of 2023.

Kind regards,

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

SECTION SEVEN(Continued)

CONSOLIDATED INTERIM ACTIVITY REPORT(Continued)

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

Message by the General Manager

Dear Shareholders and Board Members,

We have left behind a half-year in which we were all shaken by an earthquake disaster and then went through a busy election period. Given the market conditions and developments, the economic outlook and the banking system were also directly affected by these events.

Pursuing its goal of contributing to the national economy, as a Group has not paused any of its activities, but has realized a number of projects to bring relief to the region affected by the earthquake.

In addition, we maintained a stable performance throughout our projects and took the right strategic steps that will lead both the sector and society to support the real sector and bring about a sustainable world. As of June 30th, 2023, the total assets of the Parent Bank increased by 30 percent, compared to the end of 2022, reaching TL 807 billion and 799 million. Our net loans rose by 31 percent to TL 476 billion and 460 million, while customer deposit accounts totaled TL 501 billion and 769 million — an increase of 31 percent. In the first six months of 2023, our Bank's net profit was TL 13 billion and 995 million.

Economic growth in Türkiye, despite the negative impacts of the earthquake disaster in February, was 4 percent in Q1 2023. Leading indicators show that the increase in domestic demand was strong in Q2 as well. However, in order to achieve high long-term and sustainable growth, it will be important to follow policies that will reduce inflation, budget deficit, and current account deficit to reasonable levels and increase foreign investments in the upcoming period.

Following the elections, the new economy administration introduced measures — such as the interest rate hike and monetary tightening — in line with the expectations in the markets to relieve the markets, achieve financial discipline, and manage the budget; all positive signs for the upcoming period. The measures taken and the policies announced also increase the expectations for the regulations in the banking sector to be revised in line with the market conditions.

As a Group renewed its syndicated loan, signed in May 2022 and due in June this year, at 102%, with sustainability criteria. This rollover rate is an indicator of the confidence of international banks, both in our bank and in the Turkish economy. The sustainability criteria used in this loan agreement, amounting to USD 329 million, were determined in line with the sustainability targets of the bank, including extending loans to the disaster region until the end of 2023 as part of the relief program for February's earthquake disaster that affected Türkiye as a whole. Also considered were improvements to the gender wage gap based on the 'QNB Finansbank Gender Equality Guide.'

In addition, we signed a loan agreement with the European Bank for Reconstruction and Development (EBRD) worth USD 110 million to be made available to individuals and organizations affected by the earthquake. This loan will meet the urgent financing requirements of companies and people in need in the earthquake region.

In addition, our Bank has achieved significant success with its products and services. Türkiye's first branchless digital banking application, Enpara.com, received the gold award in the Online Banking category of the Brandverse Award program, where the most successful brands and projects of the digital world are presented.

In the Scratch Cup 2023 final, which we organized for the fourth time this year in cooperation with the Habitat Association, children exhibited the games they had coded under the sustainability theme of 'My Clean Energy, My Energy'. This year, a record number of 1,098 applications was received from 53 cities, including two from abroad, and 23 children from eight different cities participated in the event. This participation rate proves the importance of pursuing competitions where our children can present the results of their coding training.

We would like to thank our esteemed financiers and you, our esteemed partners, who have contributed greatly to our Bank's profitable and sustainable growth despite all the challenging and changing conditions.

Kind regards,

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

SECTION SEVEN(Continued)

CONSOLIDATED INTERIM ACTIVITY REPORT(Continued)

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

Summary Consolidated Financials Belonging to the Period of June 30, 2023

Principal Financial Indicators (Million TRY)	June 30, 2023	December 31, 2022
Total Loans	476,460	363,105
Securities	122,595	103,820
Total Assets	807,799	621,144
Customer Deposits	501,769	382,537
Equity	55,043	44,276
	June 30, 2023	June 30, 2022
Net Interest Income	12,224	14,444
Net Fee and Commission Income	5,522	2,789
Provision for Loans and Other Receivables (-)	8,305	3,230
Profit Before Tax	14,279	10,021
Tax Provision	285	2,404
Net Profit for the Period	13,995	7,617

As of June 30, 2023, the Group's total assets increased by 30% compared to the year end and reached TRY 807 billion 799 million. In the same period, net loans increased by 31% and reached TRY 476 billion 460 million, while customer deposits increased by 31% and reached TRY 501 billion 769 million.

In the first six months of 2023, the Group's net interest income has reached TRY 12 billion 224 million, while its net fee and commission income has been TRY 5 billion 522 million. The Group's profit before tax was TRY 14 billion 279 million and its net profit for the period was TRY 13 billion 995 million.

As of June 30, 2023, the Group's total shareholders' equity increased by 24% compared to the end of 2022 and reached TRY 55 billion 43 million; capital adequacy ratio was realized as 13.92%.

As of June 30, 2023, the Group has operated with 436 branches and 14,137 employees.

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

Assets

As of June 30, 2023, total consolidated performing loans increased by 31% and reached TRY 476 billion 460 million, while total consolidated assets increased by 30% and reached TRY 807 billion and 799 million compared to the end of the previous year.

Liabilities

As of June 30, 2023, shareholders' equity of the Group increased by 24% and reached TRY 55 billion and 43 million and total customer deposits of the Group increased by 31% and reached TRY 501 billion and 769 million compared to year-end of 2022.

Profitability

In the first six months period of 2023 compared to same period of prior year, the Group's net interest income increased and reached TRY 12 billion and 224 million and net fees and commission income increased and reached TRY 5 billion 522 million. The net profit of the group for the period reached TRY 13 billion 995 million.

As of June 30, 2023, the Group operates with 436 branches and 14,137 employees.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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

SECTION SEVEN(Continued)

CONSOLIDATED INTERIM ACTIVITY REPORT(Continued)

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

Information Regarding the Financial Status, Profitability and Solvency of the Bank (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 it 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 June 30, 2023 was TRY 495,318.

.....