QNB FINANSBANK

2023 Integrated Annual Report

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QNB Finansbank – 2023 Integrated Annual Report

Introduction and About the Report

As QNB Finansbank, we are happy to present the first Integrated Annual Report, which provides a holistic assessment of the Bank's financial and non-financial performance in 2023.

The theme of the 2023 report was determined as the motto "Becoming 1 with the World", which represents the Bank's commitment to a global sustainable future and sustainability strategy.

QNB Finansbank's sustainability strategy aims to address the interests of planet Earth, our most important stakeholder, and prioritizes human welfare, social progress, and economic resilience. Within the scope of the "Becoming 1 with the World" strategy, the Bank's sustainability approach is integrated into all business processes with a holistic perspective; The social, environmental, and governance impacts of activities are monitored simultaneously with financial outputs. QNB Finansbank believes that change must start from within and reviews all its systems and processes to consider their impacts on the environment, social, and governance (ESG). Within the scope of its sustainability strategy, the Bank accompanies and encourages its stakeholders and customers in their sustainable transformation journey. Thus, the Bank's collective perspective on sustainability is emphasized.

QNB Finansbank 2023 Integrated Annual Report consists of five main sections:

The QNB Finansbank: Becoming 1 with the World section presents the Bank's corporate profile, a summary of its 2023 performance, information on subsidiaries and affiliates, and general evaluations on the operating environment.

The "Value We Have Created" section reflects the "Becoming 1 with the World" vision with the Bank's business model, its perspective on sustainable governance, identified material issues, relations with stakeholders, and initiatives supported in the field of sustainability.

QNB Finansbank's sustainability roadmap is designed as a transformation journey that includes four main sections in parallel with QNB Group's pillars for sustainability: Green Transformation, Responsible Transformation, Operational Transformation, and Transformation of Finansçı. Each section presents material issues related to QNB Group's building blocks for sustainability, key performance indicators (KPI) for these issues, related Sustainable Development Goals (SDGs), and the Bank's sustainability targets. In addition, a brief evaluation of the risks and opportunities faced by the Bank are presented.

The second section, Becoming 1 with the World: Banking, summarizes the performance in the focus areas of "Green Transformation" and "Responsible Transformation" centered on the responsible transformation of customers.

The "Green Transformation" section presents how QNB Finansbank regulates lending policies in the face of climate change, how it adapts to new regulations, and how it contributes to reducing environmental risks through responsible financing, products, and services.

The "Responsible Transformation" section emphasizes the activities carried out to improve customer experience and satisfaction, and the systems established to ensure customer privacy and data security, within the scope of QNB Finansbank's commitment to responsible customer communication. This section also highlights the Bank's efforts to promote digital transformation by increasing access to banking products and services, especially for underserved segments of society.

The third section, Becoming 1 with the World: Operations, focuses on the sustainability of QNB Finansbank's own operations. "Operational Transformation" clarifies the business continuity measures implemented with QNB Finansbank's risk management and rapid action plans. This section also includes the Bank's activities regarding digitalization, artificial intelligence, and innovation. Emphasis is placed on reducing the environmental impacts of activities and establishing a responsible supply chain.

The section titled "Transformation of Finansçı" provides information about QNB Finansbank's efforts to strengthen the personal and professional development of its employees and its efforts to raise awareness among employees and their families on social issues through effective communication channels. This section of the 2023 Integrated Annual Report highlights gender equality as a key topic and includes QNB Group's approach and activities to ensure gender equality at QNB Finansbank in 2023.

The Becoming 1 with the World: Together with Society section provides a summary of QNB Finansbank's efforts to contribute to social welfare beyond its financial activities and the activities of volunteer QNB Finansbank Employees.

The fifth section, Corporate Governance, provides a summary of Bank's organization structure, documentations regarding the General Assembly and Integrated Annual Report, corporate policies, applicable legislation, and Bank's efforts made to comply with the best practices.

The report includes images captured by QNB Finansbank photographers from the perspective of "Becoming 1 with the World".

Structure and Content of the Report

QNB Finansbank's first Integrated Annual Report addresses financial and non-financial capital elements and provides up-to-date information about the Bank's activities with an approach focused on creating sustainable value.

The 2023 Integrated Annual Report includes the Bank's performance in 2023, the value created for all its stakeholders, the risks and opportunities in the value creation process, its targets, and the integration of sustainability goals into its business model.

Period and Scope of the Report

QNB Finansbank 2023 Integrated Annual Report covers the Bank's performance for the period between 1 January 2023 and 31 December 2023. This report covers the Bank's activities in Türkiye and abroad.

Activities of Bank subsidiaries are not included in the report. However, the report includes summary information about the subsidiaries.

Compliance with Legislation and Regulatory Framework

QNB Finansbank 2023 Integrated Annual Report is in compliance with the regulations of the Banking Regulation and Supervision Agency (BRSA) and the Capital Markets Board (CMB) on annual reports.

The report has been prepared in accordance with the GRI Universal Standards 2021 published by the Global Reporting Initiative (GRI) and the Integrated Reporting Framework (IRF) issued by the Value Reporting Foundation (VRF). The report includes the United Nations Women's Empowerment Principles (WEPs) progress statement and the United Nations Sustainable Development Goals (SDGs) contributed.

Independent Audit

In the QNB Finansbank 2023 Integrated Annual Report, an audit was performed on the financial reports by PWC Bağımsız Denetim ve SMMM A.Ş. and a limited assurance audit on selected non-financial information by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. See Independent Assurance Report, page 516-517.

Contact

The report is accessible on the Public Disclosure Platform (KAP) and the Bank's corporate website under Investor Relations, Financial Reports | QNB Finansbank and Reports and Policies | QNB Finansbank.

You can contact the sustainability team at sustainability@qnbfinansbank.com for your opinions, suggestions, and feedback regarding QNB Finansbank's sustainability efforts.

You can contact the Investor Relations Department at "investor.relations@qnbfinansbank.com" for your questions, suggestions, and feedback regarding Investor Relations activities.

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Messages from the Management

Message from the Chairperson

Ömer A. Aras
Chairperson of the Board of Directors

Dear Esteemed Stakeholders,

Our country left behind a challenging year, in which we experienced the February 6 earthquake disaster, went through a volatile period with the general elections and developments in the economy and faced escalating geopolitical risks in our region first with the Russia-Ukraine War and then with the Israel-Palestine War.

Especially the February 6 Earthquake imposed important tasks on us. In this earthquake, we experienced the importance of our previous decision to locate all our branches in earthquake-resistant buildings during this earthquake. Our branches were among the least affected by the earthquake, but we lost our employees and family members. I would like to express my condolences here again to all our employees and their families.

Our bank launched the Integrated Disaster Management Project in order to ensure that we fulfill our responsibilities in the best possible manner. Under this project, we are working to strenghthen our personal and corporate resilience. We have set our goal as zero loss of life and zero business interruption in future earthquakes.

On the other hand, 2023 was also a year of great importance for us. We celebrated the 100th anniversary of the Republic of Türkiye. We showed how determined we, as a whole country, are to ensure that the Republic survives forever.

While the world started last year with the agenda of fighting inflation, signals of a slowdown in demand started to be seen on the back of the interest rate hikes in the preceding two years. The IMF estimates that the global growth, which realized at 3.5% in 2022, will fall to 3% in 2023 and then reach 2.9% in 2024. Consequently, as inflation rates are approaching towards the targets, Central Banks are expected to start their easing cycle towards the mid-year.

It seems that this year's agenda will be marked by the elections that will take place in many countries, especially in the USA.

The main theme of the World Economic Forum held in January 2024 was "Rebuilding Trust". This year, the Forum's important topics included energy transformation, artificial intelligence, elections, possible epidemics, and cyber-attacks. The most important outcomes of the meeting were to rapidly increase efforts to protect the climate and nature, to ensure that technological developments are inclusive, and to take action to revitalize the cooperation needed to invest in people and fair opportunities.

In our country, we started 2023 with volatile economic conditions and uncertainties in the markets. However, after the General Elections, the financial discipline policies implemented by the new economic management team and the measures taken for the markets yielded positive results. The most concrete example has been the reduction in the country risk premium. We foresee a gradual decline in inflation in the medium term, thanks to Türkiye's stance prioritizing balancing and stability in economic policies in the second half of last year.

In my message at the end of last year, I stated our most important goal for 2023 as "Expanding the customer base in all segments and channels by offering products and services that make life easier." Looking at the 2023 year-end figures, I see that we have successfully achieved this goal.

As of 31 December 2023, the Bank's total assets increased by 64%, compared to year-end of 2022, reaching TL 987 billion 817 million. In the same period, net loans rose 66% to TL 571 billion 44 million, and customer deposits grew by 58% to reach TL 606 billion 466 million. In 2023, the Bank's net profit realized at TL 33 billion 172 million.

In addition to our thriving financial growth in 2023, our bank reinforced its pioneering role by introducing influential products and services in digitalization, sustainability, and SME banking.

In 2023, QNB Finansbank made its first subordinated (Tier II) bond issuance in foreign markets in November with a nominal value of USD 300 million. The Bank also renewed its syndicated loans worth USD 860 million in two separate periods during the year, in compliance with sustainability criteria. These transactions were an indication of the trust in our bank and the Turkish economy, as well as QNB Finansbank's devotion to sustainability efforts.

Our efforts in the field of sustainability have accelerated and increased. During the year, we took a very important step and committed to Becoming 1 with the World to offer a fair and livable future. We united all our sustainability efforts under the motto "Becoming 1 with with the World", which reflects our sustainability strategy.

In our new roadmap, we defined sustainability as a journey of transformation. We adopted the principle of pioneering change, starting with ourselves, and partnering in the transformation journey of all our stakeholders, especially our customers. For this purpose, in September 2023, we announced our sustainability website, redesigned with the vision of "Becoming 1 with the World", where we reveal our determination to generate solutions to the environmental and social problems facing the world and humanity to all our stakeholders.

We have redefined all our business processes by considering environmental, social, and governance (ESG) impacts. We are pleased to present to our stakeholders our first Integrated Annual Report, which we have prepared in line with this vision and which details the value we create for our stakeholders in terms of environmental, social, economic, and governance aspects with our financial and nonfinancial capital elements according to the capital elements classification recommended by the International Integrated Reporting Council (IIRC).

Our bank continues to base its corporate social responsibility efforts on contributions to children's education. Immediately after the earthquake, we launched the Tiny Hands Big Dreams Education Scholarship worth of TL 36 million in cooperation with the Turkish Education Foundation (TEV) and the Turkish Education Association (TED), so that the education of the children affected by the earthquake would not be interrupted. On the occasion of celebrating the 100th anniversary of our Republic, we took action again for education. As part of the 100th anniversary celebrations of the Republic of Türkiye, we launched the "Renovation of 100 schools in earthquake-affected areas" project in cooperation with UNICEF.

Our Gender Equality projects also left their mark on this year. We took our place in the 2023 edition of the Bloomberg Gender Equality Index, which reports data on gender equality in the workplace. We published the "Gender Equality Guide" in compliance with UN SDG 5 - Gender Equality and Women's Empowerment Principles (WEPs). As another breakthrough in the banking industry, we publicly announced in the Guide our commitment by specifying the "Gender Equality-Sensitive Banking Principles". We will continue to work relentlessly on this issue.

In 2023, we continued to carry out corporate social responsibility activities in line with our sustainability mission. As the main sponsor of the "Nature Pioneers Youth Programme", realized in cooperation with WWF-Türkiye (Wildlife Protection Foundation) and the Directorate General for Basic Education of the Ministry of National Education, we provided training to 10,000 children in 10 provinces in the last academic year.

Our bank and group companies demonstrated superior performance beyond expectations. Like last year, I have full faith that 2024 will be a year in which we will grow and develop with the goal of "increasing the number of our customers in all segments and channels by offering products and services that make life easier" and take our strong place in the sector even further.

I would like to thank all our employees, customers, and business partners who contributed to this success.

Kind regards

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Messages from the Management

Message from the CEO

Ömür Tan
General Manager

Dear Esteemed Stakeholders,

We have left behind 2023 in which many significant events, including the earthquake disaster, general elections, shifts in economic policies, and escalating geopolitical risks on a global scale, took place. The earthquake disaster that struck the country at the beginning of the previous year completely shifted our agenda. In the aftermath of the earthquake, we mobilized to overcome the challenges in the disaster-stricken area, and took an active part in solidarity efforts. Our bank launched the Integrated Disaster Management project to increase preparedness and resistance against earthquakes, which are the undeniable reality of Türkiye. With this project, our aim is to significantly strengthen our organization, mitigate the risk of loss of life in potential earthquakes, and ensure uninterrupted services for our customers. To achieve this goal, we will raise awareness and take preparedness steps, including earthquake training and preparedness actions.

A year full of uncertainties

The second significant agenda of the year was dominated by changes in economic policies. Growth-oriented policies took center stage in the first half of the year, while the second half witnessed a shift towards more austerity-oriented measures, prioritizing the fight against inflation. The measures implemented to enhance financial stability, including efforts to combat inflation, have improved the economic outlook and expectations. Changes in economic policies and the implementation of macro-prudential measures have also had a positive impact on Türkiye's risk premium and its outlook for international credit scores. The simplification of certain regulations in the last 2 years has increased the predictability in the banking industry.

The predominant focus in global markets was also centered on the battle against inflation. Inflation, which had reached record-high levels in developed countries in recent years, set into a downward trend following interest rate increases and fiscal tightening policies. Many countries, and particularly the developed ones, are expected to initiate gradual monetary easing in 2024. On the other hand, the increase in geopolitical risks and hot conflicts worldwide in recent years heightens the possibility of a slowdown in economic growth in the coming period.

Profitable growth by QNB Finansbank

In 2023, QNB Finansbank achieved successful financial results despite the changing market conditions and continued to grow in a sustainable and profitable manner. As of 31 December 2023, the Bank's total assets increased year-on-year by 64 percent, reaching TL 987 billion 817 million . In the same period, net loans increased by 66 percent to TL 571 billion 44 million, and customer deposits increased by 58 percent to TL 606 billion 466 million . Thanks to the implementation of our strategies and our successful financial performance, we recorded a net profit of TL 33 billion 172 million in 2023. We sustained profitable growth and significantly expanded our customer base through strategic investments in this period. Concurrently, we successfully met all the targets set by the Central Bank.

We continued to further increase our investments in digitalization.

Since we anticipate a gradual growth in digitalization practices and recognize their potential to bring a substantial competitive advantage to organizations, we actively promote digitalization in both our internal processes and among our customers.

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

We have continuously improved our digital assistant, Digital Intelligence Q which provides services to our customers through QNB Mobile. Following the integration of the new Extensive Language Model, Q's rate for correctly understanding the customer increased to 98%. This empowered us to deliver substantial added value for enhanced customer satisfaction.

We announced our new sustainability vision.

We bolstered our successful financial performance through innovative practices and remained steadfast in our commitment to responsible banking principles through sustainability initiatives. We are bringing our activities to the next level with our "Becoming 1 with the World" vision, based on our aspiration to create a more livable future. In a world where environmental and social challenges are constant, we adopt the protection of the nature, the defense of equal rights and freedoms, and being the spokesperson of children's future as firm principles, and we proudly state that we are becoming one with the world.

We continued to contribute to the revitalization of the Turkish economy through syndicated loans linked to sustainability, a key driver of our "Becoming 1 with the World" strategy. We concluded a sustainability-linked syndicated loan deal of USD 860 million in two periods to restore international markets' trust in our economy. We also entered into a loan agreement with IFC, EBRD, Proparco, and EFSE, totaling USD 220 million , for the financing needs of disaster victims and SMEs in the provinces affected by the earthquake.

We provided both financial and non-financial incentives for the transformational economy.

We prioritize transferring resources to renewable energy for climate action and endorse highly energy-efficient technologies and applications. In 2023, all the energy projects we financed have been transformed into investments in renewable energy. By the end of the year, the total loan amount we extended to the renewable energy industry reached USD 368 million . We introduced the "Green Transformation Loan Program" to expedite the transition to a green economy. Within the scope of this program, we offer financing to support our customers' green transformation initiatives, providing additional incentives such as interest advantages that promote energy efficiency in their operations, leading to a reduction in greenhouse gas emissions. We also introduced the "Green/Sustainable Deposit" product in order to facilitate support for high-impact environmental projects and encourage the allocation of investments to sustainable resources.

We fulfilled our social responsibilities.

We continue to invest in children for a sustainable future through our efforts under the umbrella of our corporate social responsibility platform, "Tiny Hands Big Dreams."

As part of the "Nature Pioneers Youth Program", sponsored by our Bank and delivered in collaboration with WWF-Türkiye (World Wide Fund for Nature) and the Republic of Türkiye Ministry of National Education, 10,000 children across 10 provinces have been offered a training. Children from 16 schools in 6 provinces, who attended the National Youth Conference organized by our Bank following training sessions, once again demonstrated their awareness for a better world through the nature conservation projects they prepared.

Following the prioritization of the vital needs after the earthquake, we turned our focus onto education, which is also the basis of our Bank's corporate social responsibility projects. To enable the children living in the earthquake zone to resume their education, we allocated a fund of TL 36 million and launched the "Tiny Hands Big Dreams Education Scholarship" in cooperation with TEV and TED.

We transformed the "Climate Protectors Are Growing Up" project, ongoing since 2022 in collaboration with the Educational Volunteers Foundation of Türkiye (TEGV), into the "Socially and Emotionally Based Post-Disaster Activities" project and reached 1,750 children in the earthquake-affected region and provided them with psychological support. In addition, we offered 16-month educational scholarships to 45 students affected by the earthquake in collaboration with the Turkish Female Physicians' Education Support Foundation (KAHEV). We opened an education center in İskenderun for children with special educational needs in collaboration with the Turkish Down Syndrome Association.

We celebrated the 100th anniversary of the Republic of Türkiye.

2023 had a special place in our hearts as it was the 100th anniversary of our Republic. In this connection, we would like to commemorate the founder of our Republic, Gazi Mustafa Kemal Atatürk, with respect and longing. Our Bank continues to strengthen its commitment to support the Turkish economy, ensuring the perpetuity of our Republic and its unwavering progress.

In an effort to create a brighter world for our children, who are the guarantee and future of our country, and to contribute to the education of children in commemoration of the 100th anniversary of our Republic, we partnered with UNICEF and launched the "Renovation of 100 Schools in Earthquake-Affected Areas" project. With the successful completion of the renovation of 100 schools attended by a total of 31,531 students, we made a significant contribution to their preparation for the 2023-2024 academic year.

We strive to become an employer who prioritizes people.

With our "Gender Equality Guide" prepared following a servant leadership understanding and launched with "Our goal is an equal world... QNB Finansbank is breaking the glass ceiling!" slogan, we demonstrated that our Bank is also a pioneer in this field. Our efforts to advance gender equality have led to our inclusion in the 2023 Bloomberg Gender Equality Index. We are committed to maintain our role as an exemplary organization by providing training and fostering a commitment to raise awareness and ensure equal participation of women in the workforce, setting a benchmark for all companies.

A trusted institution for 36 years

We celebrated the 36th anniversary of our Bank in 2023. Since 1987, our Bank has played a pivotal role in Türkiye's development, consistently progressing with unwavering principles, and advancing together with its free-thinking and well-equipped human resources. We will continue to do our best to strengthen our position in banking.

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

Kind regards

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QNB Finansbank: Becoming 1 with the World

About QNB Finansbank

QNB Group at a Glance

We are proud to be a part of QNB Group, a highly-rated bank with significant international presence, serving more than 30 million customers across its network. Established in 1964 as the first Qatari-owned bank, QNB is the largest financial institutions in the Middle East and Africa (MEA) and one of the leading banks in the MEA and Southeast Asia (MEASEA) region. QNB Group is a trusted business partner for its growing customer base in more than 28 countries today.

By leveraging the strength of its relationships and the diversity of its footprint, QNB Group fuels growth across multiple, strategically-selected regions, creating long-term sustainable value for individuals, institutions, countries, communities and its shareholders.

Businesses

1 - Wholesale and Commercial Banking

A comprehensive suite of wholesale, commercial and SME banking products and services. These include structured finance, project finance, sustainable finance, transaction banking, financial institutions, treasury, investment banking and advisory services.

2 - Asset and Wealth Management

Asset and Wealth Management A broad collection of onshore and offshore private banking and asset management products, with a bespoke relationship-driven approach for our institutional, high net and ultra-high net worth clients. These offerings are complemented by brokerage and custody services in our major markets.

3 - Retail Banking

A broad array of retail banking products and services across a multichannel network with nearly one thousand branches and an ATM network of more than 5,000 machines (including those of its subsidiaries and associates). These include premium banking services through QNB First and QNB First Plus, designed for its affluent clients.

4 - International Business

Leading the expansion of QNB's global presence and enabling international cooperation, consistency and unrivaled customer service by providing oversight and best practice sharing across its network.

Credit Ratings

Standard & Poor's	Moody's	Fitch Ratings	Capital Intelligence
A+	Aa3	A	AA

ESG Ratings

MSCI	S&P Global	Sustainalytics
A	50 (85th percentile)	23.6 (Medium Risk)

Key Financial Indicators of QNB Group

Assets
USD **338.1** billion

Earnings per Share
USD **0.43**

Net Profit
USD **4.3**(*) billion

Capital Adequacy Ratio
19.8%

(*) Profit Attributable to Equity Holders of the Group

Subsidiaries and Associates

- QNB Finansbank (Türkiye) - **99.88%**
- QNB ALAHLI (Egypt) - **95.0%**
- QNB Indonesia - **95.63%**
- QNB Tunisia - **99.99%**
- QNB Suisse S.A. (Switzerland) - **100%**
- QNB Capital LLC (Qatar) - **100%**
- QNB Financial Services (Qatar) - **100%**
- Digital-Q-FS Ltd (U.K.) - **100%**
- Mansour Bank (Iraq) - **54.2%**
- QNB Syria - **50.8%**
- Commercial Bank International (CBI) (UAE) - **40%**
- Housing Bank for Trade and Finance (HBTF) (Jordan) - **38.6%**
- Ecobank Transnational Incorporated (Ecobank) (Togo) - **20.1%**
- Al Jazeera Finance Company (Qatar) - **20%**

About QNB Finansbank

QNB Finansbank at a Glance

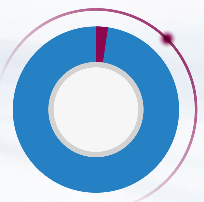
QNB Finansbank, established in 1987 as Finansbank A.Ş, has 11,756 employees and is Türkiye's 5th largest private bank in terms of total assets, customer deposits and net loans. In the year 2016, Qatar National Bank (Q.P.S.C.) (QNB Group) acquired majority stake of 99.9% in Finansbank. Since this date, QNB Finansbank has continued to create value under QNB Group and take steps to further its success story.

As of the end of 2023, QNB Finansbank serves its customers at its headquarters; the Kristal Tower (Kristal Kule), Operation Centers in Erzurum and Istanbul (Ümraniye), 15 Regional Directorates and with 436 branches – 434 in Türkiye, 1 abroad (Bahrain) and 1 at the Atatürk Airport Free Zone.

The bank also offers products and services to its customers in factoring, leasing, consumer finance, insurance, portfolio management services, and e-transformation products through its subsidiaries and affiliates.

Shareholder Structure

0.12%
Others



99.88%
Qatar National Bank
(Q.P.S.C)

Subsidiaries and Affiliates

- QNB Finansleasing
- QNB Finansinvest
- QNB Finans Asset Management
- QNB Finansfactoring
- QNB Asset Leasing
- QNB Health Life Insurance and Pension
- QNBeyond Ventures B.V.
- IBTech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş.
- eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.
- Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.

About QNB Finansbank

Board of Directors

M. Ömer A. Aras
Chairperson of the Board of Directors

QNB Finansbank Chairperson of the Board of Directors Dr. Ömer Aras is the founding executive of Finansbank, which was established in 1987. He served as Assistant General Manager at the Bank until 1989, as General Manager (CEO) between 1989-1995, and as Executive Member of the Board of Directors between 1995-2006. Dr. Aras also served as Vice Chairperson of the Board of Directors at Fiba Holding, Member of the Board of Directors of Finansbank's subsidiaries in Switzerland, France, Netherlands, Romania and Russia, Chairperson of the Board of Directors of Marks & Spencer Türkiye, and Member of the Board of Directors of Gima. Following the acquisition of Finansbank by the National Bank of Greece (NBG) in 2006, Aras was appointed as the Vice Chairperson of the Board of Directors and Group CEO of the Bank. In 2008, he served as the Member responsible for International Affiliates (Serbia, Romania, Albania, Bulgaria, Macedonia) on NBG's Executive Board. Appointed as the Chairperson of the Board of Directors of Finansbank in 2010, Dr. Aras has been the Chairperson of the Board of Directors at QNB Sağlık Hayat ve Emeklilik A.Ş. since 2007. He has been serving as the Chairperson of the Board of Directors of the Bank since Qatar National Bank acquired Finansbank in 2016. Dr. Aras worked at Citibank Türkiye (1984-1987) and Yapı Kredi Bank (1987) before his duty at QNB Finansbank. Aras served as a member of the TÜSİAD Board of Directors between 2003 and 2007, and is currently the President of the TÜSİAD High Advisory Council in addition to his memberships in the GBA Angel Investor Network, the Advisory Board of the Darüşşafaka Society, the Board of Trustees of the Boğaziçi University Foundation, and Bogazici University ECONFIN Honorary Board Member. He also serves as a Mentor for the Women on Board Association Turkey (WOB Turkey). Dr. Aras received his MBA (1978) and PhD (1981) from Syracuse University and worked as a faculty member at Ohio State University's Faculty of Business Administration for three years (1981-1984).

Yousef Mahmoud H. N. Al-Neama
Vice Chairperson of the Board of Directors

Al-Neama joined QNB in 2005 and currently serves as the Group Chief Business Officer. Before joining QNB Group, Al-Neama had 20 years of experience in financial institutions in various positions in finance and corporate banking in Qatar and abroad. He received a BS in Aviation Management from the Florida Institute of Technology in the United States and a diploma in Business Management from the University of Glamorgan, Wales. Al-Neama, who currently serves as Vice Chairperson of the Board of Directors at Iraq Bank Mansour and Jordan Housing Bank for Trade and Finance (HBTF), is also a Board Member at QNB Capital.

Temel Güzeloğlu
Board Member

Güzeloğlu was born in 1969 and has a BSc from Boğaziçi University, Departments of Electrical and Electronics Engineering and Physics. Later, he earned an MSc in Electrical and Computer Engineering from Northeastern University and an MBA in Business Administration from Bilgi University. Güzeloğlu worked as Executive Vice President responsible for Consumer Banking at Finansbank A.Ş. until August 2008 and then served as a Member of the Executive Committee and Executive Vice President responsible for Retail Banking at Finansbank A.Ş. Güzeloğlu was appointed as General Manager in April 2010 and served in this position until the end of 2021. Güzeloğlu was appointed as a Board Member at QNB Finansbank A.Ş. on 1 January 2022. He is also the Chairperson of the Board of Directors at QNB Finansinvest, QNB eFinans, IBTech, QNB Wise, and a Board Member at QNB Sağlık Hayat ve Emeklilik A.Ş.. Before joining QNB Finansbank, he worked at Unilever between 1994 and 1996, at Citibank between 1996 and 2000, and at McKinsey Consulting between 2000 and 2004.

Osman Ömür Tan
General Manager and Board Member

Born in 1971, Ömür Tan graduated from Ankara Atatürk Anatolian High School, and after obtaining his BA degree at Hacettepe University, Department of Statistics, he received a Master of Business Administration (MBA) from Bilgi University. Tan started his career in banking as an MT at Yapı ve Kredi Bankası in 1995 and joined Finansbank A.Ş in 1998. He held various positions in corporate branches and served as Corporate Branch Manager, Head Office Key Account Management Group Manager, and Group Manager responsible for Corporate Banking. In 2011, he served as Executive Vice President of Corporate and Commercial Banking and was responsible for Project Finance, Cash Management, and Foreign Trade Finance. Between 2014 and 2022, he served as the Chairperson of the Board of Directors, Vice Chairperson of the Board of Directors, and a Board Member at QNB eFinans, QNB Finansfactoring, QNB Finansleasing, and QNB Finansinvest. He was appointed as the General Manager of QNB Finansbank in January 2022. Ömür Tan also serves as the Chairperson of the Board of Directors of QNB Finansfactoring and the Vice Chairperson of the Board of Directors at QNB eFinans.

Adel Ali M. A. Al-Malki
Board Member

Al-Malki is Senior Vice President at QNB Group Retail Banking Division. He received his diploma in Computer Information Technology from Qatar University in 2001. He has more than 20 years of experience in the field of information technology and has held various executive positions in this field. He served as the General Manager of the Group's Information Technologies Department between 2010 and 2021, and as the Assistant General Manager of Development and User Services between 2009 and 2010. He also served as the Executive Manager of Development and User Services between 2007 and 2009. He managed several projects at the Bank and in Kuwait and served as an E-Business Manager between 2005-2007 and as a Systems Analyst between 2003-2005. Al-Malki started his career in the Information Systems Department at the Ministry of Interior of Qatar in 1998, and Al-Malki is also a board member in the Group's subsidiaries, including, Al-Mansour Investment Bank in Iraq, in addition to his membership in the board of directors of Egypt's QNB Al Ahli since October 2015.

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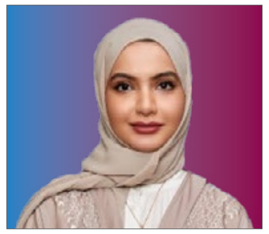
About QNB Finansbank

Board of Directors

Durmuş Ali Kuzu
Board Member

Dr. Durmuş Ali Kuzu graduated from Business Management Department of Political Science School at Ankara University in 1996, received an MBA degree in 2008 from University of Illinois at Urbana-Champaign, and obtained his PhD degree in the field of Accounting and Finance at Başkent University in 2018 with his thesis titled "Factors Determining Credit Volume: An Empirical Study on Turkish Banking Industry". He has a CPA and an Independent Auditor Certificate. Participating to many national and international committees during this period, Dr. Kuzu represented Turkey as a member at BASEL and FSB Banking Committees, carried out many studies on regulation and supervision practices in banking-finance sector of many countries including but not limited to US, England and European Union, actively worked in the workshops of Banking Laws and related legislations, attended various seminars and conferences, published many articles, and lectured at universities. He began his professional career in Vakıfbank in 1996 as an Assistant Loan Analyst and then served as Internal Auditor at Türkiye Emlak Bankası between 1997-1999. From 1999 to 2016, he worked as Vice President at the Undersecretariat of the Treasury, Public Oversight Accounting and Auditing Standards Authority, and Banking Regulation and Supervision Agency (BRSA). He worked on teams for creating and developing banking legislation, participating in project development, implementation and leadership, and group presidency. He held various managerial positions as team leader, coordinator, head of department and vice president. During his executive duties, he has gained experience in studying in detail particularly in loans, deposits and treasury operations, banking activities and processes, asset-liability management, enabling the compliance of corporate principles in the institutions, restructuring and turnaround practices, rehabilitation of banks and the other financial institutions, information technologies governance, risk management, compliance, internal audit, loan portfolio and corporate loan individual assessment and classification with IFRS and applying other accounting standards. Dr. Kuzu also served as an executive as Coordinator, Head of Office and Vice President in BRSA and public Oversight Accounting and Auditing Standards Authority, where he also took a part in foundation phases. Currently, Dr. Kuzu is a member of board of directors of TMA Türkiye and Bank Examiners Foundation. Since August 2016, he has been serving as a member of the Board of Directors and Audit Committee at QNB Finansbank.



Fatma Abdulla S. S. Al-Suwaidi
Board Member

Dr. Al-Suwaidi joined QNB in 2000, and with over 20 years' experience in banking, she currently serves as the Group Chief Risk Officer, having previously been Assistant General Manager of Credit Risk Management. In addition, she is also President Commissioner of PT Bank QNB Indonesia Tbk. She has a BSc in Accounting, a Master's Degree in Business Administration (Qatar University), a MSc in Risk Management (University of New York), a Juris Doctor Degree (Hamad Bin Khalifa University), and a Doctorate in Business Administration from Grenoble University France, on the subject of 'Innovation in Banking and Financial Markets', focusing on crypto currencies.

Noor Mohd J. A. Al-Naimi
Board Member

Al-Naimi joined QNB Group in 2000 and has 23 years of banking experience. She received her BA in Business Administration from Qatar University in 1999. After working in various positions in the Treasury Operations and Control Departments, she served as a Assistant General Manager of Treasury Operations, Trading & Investment and was subsequently appointed as the General Manager responsible for Treasury of the QNB Group. Al-Naimi has attended various trainings, conferences, and local and international seminars such as legal aspects of banking, leadership skills for bankers, international cash and treasury management, clear stream, treasury documentation, and the IIF Future Leaders Program. Al-Naimi also completed the 2017-2018 Qatar Executive Leaders Program. She is a Member of the Board of Directors and Audit Committee at QNB Finansbank.

Saleh Nofal
Board Member and Chairperson of the Audit Committee

Nofal joined QNB Group in 2003 and served as the Group Chief Compliance Officer for Compliance for more than 20 years. He has over 36 years of experience in banking and financial services and has specialized in Compliance, Audit, and Risk Management throughout his career. Before joining QNB Group, Nofal worked with the Arab Bank Group, Jordan Ahli Bank, the Arab World Auditing Bureau and a Jordanian Public Accountancy Firm. He holds a Bachelor's Degree in Commerce from University of Jordan in 1985 with a number of professional certifications like the Certified Internal Auditor (CIA) from the Institute of Internal Audits (USA 2002), Certified Fraud Examiner (CFE), Certified Compliance Officer (CCO - USA 2007) and has a professional Diploma in Audit and Accounting from Arab Banking and Financial Sciences Academy (Jordan 2000). Nofal is also a member of the Association of Certified Fraud Examiners (ACFE), Association of Certified Anti-Money Laundering Specialists (ACAMS) and Institute of Internal Auditors (IIA). In addition, he is a member of MENA Financial Crime Compliance Group (FCCG) in partnership with the Union of Arab Banks.

Ramzi T. A. Mari
Board Member

Mari joined QNB Group in 1997 after working at the Bank of Jordan. He currently serves as the Group Chief Financial Officer. With 30 years of experience in the banking sector, Mari is also a Board Member and Audit Committee Member at Housing Bank for Trade and Finance (Jordan), QNB Finansbank, Board Member at QNB Capital LLC and Chairperson at Qatar International Holdings LLC (Luxembourg). Mari became a Certified Public Accountant in the State of California, USA in 1989, and he has an MA in Accounting from California State University.

Yeşim Güra
Board Member

Born in 1967, Güra has a BA from Boğaziçi University, Department of Business Administration, and an MBA from Indiana University Kelley School of Business, where she studied with a TEV scholarship. Güra started her career as a Financial Analyst at Procter & Gamble A.Ş. in 1991, where she took on important responsibilities in Sales Finance, Finance Group Manager at the same company and at Sanipak A.Ş., a joint venture of P&G and Eczacıbaşı, between 1995 and 1999. She then served as Corporate Finance and Financial Analysis - Budget Planning Director at P&G Tüketim from 1999 to 2004. Güra worked in senior management positions as Finance Director and as Business Unit Director at Danone Hayat İçecek ve Gıda Sanayi A.Ş. between 2004 and 2017, and after this, she served as a General Manager at Danone Hayat İçecek ve Gıda Sanayi A.Ş. for 8 years starting from 2009. Güra worked as General Manager at Altıparmak Gıda A.Ş. and at Draeger Medikal ve Korunma Teknolojileri respectively. Since 2020, she has been working as a Business Coach within the scope of the European Innovation Council and as an International Strategic Consultant in the Corporate Growth Program of the European Bank for Reconstruction and Development. She received a Risk Director certificate from a global institution in 2022. She takes part in various panels and organizations on Risk Governance. She is also an International Finance Corporation (IFC) nominated Board member at Acıbadem City Clinic BV, based in Holland; and in Turkey, she is an Independent Board Member at Super Film, an affiliated company of Sanko Holding, and at Pınar Süt Mamulleri and Altın Yunus Cesme Tourism Company, two affiliated companies of Yasar Holding. She is also a member of the IU Kelley School of Business Global Dean's Council, a member of the DCRO (Directors and Chief Risk Officers) Institute and a Board Member of the Board of Directors Association.

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Senior Management

Adnan Menderes Yayla
Executive Vice President

Yayla graduated from the Economics Department, Faculty of Political Science, Ankara University in 1985, and completed his MBA at the University of Illinois at Urbana-Champaign between 1992 and 1994. He worked at the Ministry of Finance as Assistant Auditor and Auditor from 1985 to 1995; at the Privatization Administration as Project Valuation Division Chief from 1995 to 1996; at PriceWaterhouseCoopers Istanbul and London offices as Manager, Senior Manager and Partner from 1996 to 2000; and at Türk Dış Ticaret Bankası (Fortis) as the Executive Vice President in charge of the Financial Control Group, ALM and Risk Management from 2000 to 2008. As of May 2008, when he joined Finans Bank A.Ş., Yayla has been working as Executive Vice President of Financial Control and Planning and the Group CFO.

Av. Ali Yılmaz
Executive Vice President

Yılmaz graduated from İstanbul University, Faculty of Law in 1999. Active in business since 1996, Yılmaz received his finance education at University of Toronto between 2000-2002. With an MBA from Koç University, he started his banking career at Dışbank in 2003. Later, he served as Director of Legal Affairs at Fortisbank A.Ş. and as a member of the Board and Legal Counsel at Societe Generale Türkiye. Yılmaz joined QNB Finansbank A.Ş. in 2016. Appointed as Chief Legal Counsel in May 2018, Yilmaz has been serving as Executive Vice President since January 2020.

Burçin Dündar Tüzün
Executive Vice President

Tüzün completed her undergraduate study in Civil Engineering at the Engineering Faculty, Middle East Technical University in 1997, and her MBA at Bilkent University Business Administration Faculty in 1999. She started her banking career as Assistant Auditor at Finansbank A.Ş. Internal Audit Department in 1999, joined the Corporate Credits Allocation Department in 2005, where she served as corporate credits manager, division manager and department manager. She was appointed as Corporate and Commercial Credits Director responsible for Corporate, Commercial and Structured Finance Credits Allocation in 2016. Tüzün has undertaken Credits Monitoring and Financial Institutions Credits Management responsibility in 2018. She has been serving as Corporate and Commercial Credits Executive Vice President since December 2019. Current responsibilities are Corporate, Commercial, Financial Institutions and Structured Finance Credits Allocation.

Cenk Akıncılar
Executive Vice President

Akıncılar graduated from the Mathematics Department, Faculty of Science and Literature at Eskişehir Anadolu/ Osmangazi University in 1996. Akıncılar, who worked as a Mathematics teacher for three months, worked as the Senior Officer responsible for Salary and Industrial Relations at Human Resources Department of Pamukbank from 1998 to May 2003. He joined QNB Finansbank in May 2003. He worked as Human Resources Assistant Manager responsible for Recruitment, System Development and Projects; manager of Organizational Development, Performance, Strategic Reporting and Revenue Management, Employee Rights and Systemic Authorization Management. He was then appointed as division manager of Human Resources Management Systems and Revenue Management, Employee Rights and Systemic Authorization Management Department. Akıncılar was appointed as the Director of Human Resources in July 2018, and as Human Resources Executive Vice President in January 2019.

Cumhur Türkmen
Executive Vice President

Born in 1976, Türkmen has BSc degree from the Mathematical Engineering Department of Yıldız Technical University and MBA Degree from Bilgi University. He began his career in 1997 as a Software Engineer in Sabancı Holding. He joined Finansbank in 2000 and worked as a Software Engineer and Project Manager at IBTech A.Ş., a technology subsidiary of Finansbank until 2010. He became the Manager of Business Development and Strategy Office of Finansbank in 2010, Group Manager of CEO Office in 2012 and Director of Digital Banking at Enpara.com in 2015. Being one of the founding executives of Enpara.com, Cumhur Türkmen continues his role as Executive Vice President in Enpara.com since July 2018.

Derya Düner
Executive Vice President

Düner graduated from the School of Engineering at Bogazici University with a Bachelor of Science degree in Industrial Engineering. Düner undertook several positions in the fields of marketing, project management and strategy at Mercedes Benz between 2003 and 2006, and at Pfizer between 2006 and 2007. In 2007, she joined QNB Finansbank as Retail Banking Manager. Following various responsibilities, she acted as one of the founding executives of Enpara.com. After Enpara.com's launch in October 2012, she worked as Director of Customer Management. In 2015, in addition to her existing responsibilities, she launched and ran the Customer Experience Management Office of QNB Finansbank. In January 2018, Düner founded QNBEYOND, the innovation center, and ran the department as Director responsible for Innovation. Since January 2020, Düner continues her role as Executive Vice President responsible for QNBEYOND and QNBEYOND Ventures, the corporate venture capital arm of QNB Finansbank.

Engin Turhan
Executive Vice President

Turhan graduated from Marmara University, Faculty of Economics and Administrative Sciences, Department of Economics and has a master's degree in International Political Economy and Management. He began his banking career at Finans Bank A.Ş. as a Management Trainee in 2003 and took various responsibilities in Credits Department. In 2005, he joined Project Finance Department and served in several positions in Structured Finance, Project Finance, Corporate Finance and Syndicated Loans Departments. In 2012, he was appointed Corporate Banking Structured Finance and Syndicated Loans Group Manager and continued his career as Director in 2014 with additional responsibilities in Derivative Products Sales. Commercial Banking was added to his responsibilities in 2015 and started to act as Executive Vice President in Commercial Banking and Project Finance in June 2016. As of January 2022, he has been appointed Executive Vice President in charge of ME and Commercial Banking, together with the functions of Cash Management and Foreign Trade. At the same time, he serves as a Board member in QNB Finansfactoring and QNB Finansleasing.

Enis Kurtoğlu
Executive Vice President

Kurtoğlu graduated from Bogazici University Electrical and Electronics Engineering Department in 1999, and completed his MBA in London Business School in 2006. He served in several managerial positions in marketing and sales at Citibank Türkiye between 1999 and 2002, and in Citibank Europe, Middle East and Africa Region London Central Office between 2002 and 2006. He worked as Marketing Director in Citibank Türkiye between 2006 and 2010. He joined Finansbank A.Ş. as Group Manager in charge of Retail Products in 2010. He served as Mass Banking Director between 2012 and 2014, and as Director of Mass Banking and Direct Sales from 2014 to May 2015. Appointed as Executive Vice President of Retail Banking as of May 2015 and of Retail and Private Banking as of June 2016, Kurtoğlu continues to serve as Executive Vice President of Retail, Private Banking and Small Business Banking as of January 2022.

About QNB Finansbank

Senior Management

Ersin Emir
Chief Audit Officer

Emir graduated from Department of Business Administration, Middle East Technical University in 1994, and received his Master of Science degree in Organizational Psychology at University of London in 2011. He started his banking career as Assistant Internal Auditor at İş Bankası in 1995. Joining Finans Bank in 1998, he was in charge of the duties of investigations, branch and head office audits as well as various administrative responsibilities in Internal Audit Department between 1998 and 2004. Emir was appointed as Deputy Chief Audit Officer in 2004, and continues his assignment as Chief Audit Officer since 2011. At the same time, he serves as a Board member in QNB Finans Asset Management.

İsmail Işık
Executive Vice President

Born in 1980, Işık graduated from Istanbul University, Faculty of Business Administration, and completed his executive MBA at ITÜ Management Engineering Faculty in 2006. He began his banking career at Internal Audit Department of Finansbank A.Ş. as an Assistant Auditor in 2003, and worked as Auditor, Senior Auditor and Division Head at this department. In 2012, he joined the Credits Department as Division Manager responsible for SME Loan Monitoring and Remedial Management Department, and was appointed as Loan Monitoring, Remedial and NPL Management Director in charge of SME, Commercial and Corporate segments in 2017. All segments were added to his responsibility in September 2021. Işık serves as Loan Monitoring and Follow-Up Executive Vice President since January 2023.

Köksal Çoban
Executive Vice President

Çoban received his bachelor's degree from the Business Administration Department, Middle East Technical University in 1990. He completed his MBA at Cass Business School in London. He worked at Türk Eximbank and Demirbank between 1990 and 1997. He joined Finansbank in 1997 and served as the International Markets Group Manager from 1998 to 2000. Assuming a number of managerial posts in the Treasury Department thereafter, he was appointed Executive Vice President of Treasury in August 2008. He assumed the responsibility of International Banking Division in April 2018, and has been the Executive Vice President of Treasury and International Banking Divisions since then. He also serves as a Board Director of QNB Finans Asset Management and QNB Finans Asset Leasing.

Mehmet Kürşad Demirkol
Executive Vice President

Graduating in 1995 from the Department of Electrical and Electronics Engineering, Bilkent University as valedictorian, Demirkol received his MSc. and PhD. degrees at Stanford University. He worked as Associate Application Engineer at Oracle - Redwood from 1996 to 1997 and Research Assistant at the Stanford University from 1997 to 1999. He served as Senior Associate at the Atlanta and Istanbul offices of McKinsey&Company between 1999 and 2003. He worked as the Group Head of Business Development and Strategy Department at Finans Bank A.Ş. between 2004 and 2005, and worked as Executive Vice President of IT and Card Operations at Finans Bank A.Ş. Russia in 2005. He served as Business Development and Marketing Director at Memorial Healthcare Group from 2005 to 2007, and as the Head of Information Technologies at Vakıfbank in 2007. He then was appointed as Chief Information Officer and became the Chief Operation Officer in 2008 at Vakıfbank. In the same year, Operations and ADC responsibilities were also assigned to his position. He started working as Executive Vice President at Finans Bank A.Ş. in August 2010, and since November 2011 Demirkol has been working as Executive Vice President in charge of Information Technologies, Operation and Channels and Business Development.

Murat Koraş
Executive Vice President

Koraş graduated from the Industrial Engineering Department, Bogazici University in 1999, and completed his MBA at Ozyegin University. He worked as a specialist at Finans Bank A.Ş. between 1999 and 2001. In 2004, he was assigned as Assistant Manager in Aviva. He took the tasks of Strategy Office Assistant Manager, Analytic Marketing Unit Manager and Portfolio Management and Analytics Group Manager at Finans Bank A.Ş. from September 2004 to 2012. Koraş took the Consumer Payment Systems Director position between 2012 and 2015. He has been working as Payment Systems Executive Vice President since May 2015.

Sercan Kısas(1)
Chief Officer of Internal Control and Compliance

Kısas graduated from Hacettepe University, Business Administration Department in 2008 and completed his MBA Degree at Sakarya University in 2013. He started his career in 2008 and held various roles in Internal Audit Departments at Eurobank Tekfen A.Ş., Turklandbank A.Ş. and Zorlu Holding A.Ş. between 2008 and 2017. He joined QNB Group in 2017 and served in QNB Group Compliance as Vice President till December 2023. Throughout his career, he specialized in Compliance, Internal Control and Audit, holding professional certifications and licenses such as Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), Certification in Risk Management Assurance (CRMA), International Compliance Association in Financial Crime Prevention (ICA), Capital Markets Board – Level II and Qatar Financial Markets Authority Regulations (CISI – QFMA).

Zeynep Aydın Demirkıran
Chief Risk Officer

Demirkıran completed her undergraduate study at the Economics Department, Bilkent University, and earned a master's degree in Economics at Georgetown University, Washington D.C. After having lectured at Georgetown University until December 1998, she worked as a specialist at the Risk Management Department at İşbank between 1999 and 2002 before joining Finansbank A.Ş. in 2002. After working in various roles within the Risk Management Department, Demirkıran has been working as Chief Risk Officer since September 2011. Demirkıran also serves as a Board Member in QNB Finansinvest and QNB Finans Asset Leasing.

Zeynep Kulalar
Executive Vice President

Kulalar was born in 1971, received her bachelor's degree from the Faculty of Economics and Administrative Sciences Department of Business Administration, Middle East Technical University in 1994. She served as Portfolio Assistant Manager at Yapı Kredi Bank from September 1994 to December 2002, and as Corporate Portfolio Assistant Manager at MNG Bank from January 2003 to July 2005. Kulalar joined Finansbank as Corporate Marketing Team Assistant Manager in July 2005, whereby she acted as Key Customer Vice President, Corporate Banking Sales and Marketing Vice President, Performance and Foreign Trade and Portfolio Management Senior Vice President, Foreign Trade and Portfolio Management Division Manager and Corporate Banking Portfolio Management Division Manager at the bank, respectively. She was appointed as Corporate Banking Director in June 2016, and has been acting as Executive Vice President since December 2019. She undertook the function of Corporate and Commercial Project and Restructured Financing as of January 2022 and continues to work as Executive Vice President of Corporate Banking and Project Financing.

(1) Ahmet Erzengin, who had been serving as the Chief Officer of Internal Control and Compliance since 2011, resigned from his post and Sercan Kısas took over his duties effective as of 1 January 2024.

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About QNB Finansbank

Vision, Mission, Purpose and Values

Our Vision

Being the architect of every individual and commercial financial plan that will catalyze Türkiye's success

Our Mission

Establish lifelong partnerships with all stakeholders by understanding their needs, finding the right solutions and aiming for maximum customer satisfaction

Our Purpose

We go beyond expectations and create long lasting value

Our Values

- Human First
- Trust
- Leadership
- Adaptation
- Mutual Development

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About QNB Finansbank

Milestones

1987
Finansbank A.Ş. was established.

1988
Finansbank A.Ş. joined Commercial Union's insurance subsidiary in Türkiye as a founding partner.

1990
Shares of Finansbank A.Ş. started to be traded on the Istanbul Stock Exchange.

Finans Finansal Kiralama A.Ş. was established and entered the financial leasing market.

1993
Shares of Finans Finansal Kiralama A.Ş. started to be traded on the Istanbul Stock Exchange.

1995
Fiba Faktoring A.Ş. was established and entered the factoring market.

1999
Finansbank was among the 5 selected banks in the world and became the first bank to implement the Reuters Mail system worldwide.

2000
Investment banking operations of Finansbank A.Ş. were transferred to the newly established Finans Yatırım A.Ş.

Finansbank Call Center was established, and the Internet Branch launched.

2003
With the decision to enter the retail banking market, 150 branches were opened between 1995 and 2003.

2004
The Bank moved to its Headquarters building in Esentepe, Istanbul.

2005
IBTech was established in Tübitak Marmara Research Center Technology Free Zone.

2007
CardFinans was selected as Türkiye's superbrand by Superbrands in the credit cards category in 2007.

The number of ATMs reached 1,000.

2008
Finansbank Erzurum Operations Center was established.

With the acquisition of Fiba Holding's shares, NBG Group became the owner of 94.8% of Finansbank's shares.

2009
For the first time in the world, customers were offered the opportunity to pay in installments for their purchases with CardFinans Nakit debit card.

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About QNB Finansbank

Milestones

2010

Finansbank Mobile Branch was opened.

FixCard was launched as the first credit card with standard credit card features and no card fees.

With a study carried out with the guarantee of the European Investment Fund (EIF), SME customers were able to overcome the problem of providing collateral to a great extent for the first time in Türkiye.

CardFinans Vadekart was launched as a first in the industry to reduce the use of checks and promissory notes by business owners.

2012

The Call Center was established in Erzurum.

Cigna, one of America's largest health and life insurance companies, purchased 51% of Finans Emeklilik.

A 15-year agency agreement was signed with Sompo Japan Sigorta, one of the world's largest insurance companies.

For the first time in Türkiye, debit and credit card functions were combined in FixCard.

Enpara.com, Türkiye's first digital banking platform, was established.

2013

QNB eFinans was established.

2014

The highest amount of syndicated loans in the Bank's history were obtained from abroad.

2015

A child-focused social responsibility platform named Tiny Hands Big Dreams (Minik Eller Büyük Hayaller) was established.

2016

With Qatar National Bank's (Q.P.S.C.) acquisition of the majority stake in the Finansbank, the Bank joined QNB Group, and its trade name changed to QNB Finansbank.

2017

As a first in the sector, the Bank was a case study at Harvard University for the fourth time (in 1994, 2006, 2015, and 2017) since its establishment.

2018

QNB Finansbank and Turkish Airlines signed a 5-year cooperation agreement to issue Miles&Smiles credit cards to Turkish Airlines members within the scope of the Turkish Airlines Passenger Program.

IBTech's second technopark branch Dokuz Eylül University Technopark was opened in DEPARK Tınaztepe Campus in Izmir.

IBTech received a certificate from the Ministry of Industry and Technology to establish an R&D Center and the Kristal Tower R&D Center Branch was opened.

Fincube Business Incubator and Acceleration Program was launched.

2019

QNB Finansbank became the first and only institution in the Turkish banking industry to provide a 3-year syndicated loan with the syndication agreement signed in December 2019.

For the Digital transformation of firms, QNB Finansbank launched the Digital Bridge project.

Fincube turned into a global brand and started to continue its activities under the name QNBEYOND.

2020

QNBEYOND Ventures was established.

It was selected as the Best Bank in SME banking in Central and Eastern Europe by Euromoney.

QNB Finansbank signed the "CEO Declaration for Renewed Global Cooperation" prepared to commemorate the 75th anniversary of the United Nations.

2021

The new QNB Mobile, supported by Digital Intelligence Q, became available to users.

2022

QNB Finansbank received the Best SME Bank of Türkiye award within the scope of the SME banking award program organized every year by Global Finance Magazine.

2023

QNB Finansinvest led the IPOs of Söke Flour (Söke Un) and CW Energy, bringing these important brands in the renewable energy and food sectors to the capital markets.

With the share purchase agreement signed between QNB Finansbank and Cigna Nederland Gamma B.V., "Cigna Sağlık Hayat ve Emeklilik Anonim Şirketi" was renamed as "QNB Sağlık Hayat Sigorta ve Emeklilik Anonim Şirketi".

Process was initiated for Enpara to resume its operations under a separate legal entity through a spin-off.

Business Context

Global Economic Developments

Monetary tightening policies were implemented around the world in 2023 to combat high inflation.

Global economic activities have slowed down as a result of monetary tightening and geopolitical developments. According to IMF's October 2023 World Economic Outlook Report forecasts, global growth will decline from 3.5% in 2022 to 3% in 2023 and 2.9% in 2024. The slowdown will be more prominent in developed economies than in developing economies. The post-pandemic recovery in services in the global economy is almost complete. Tightening credit conditions put pressure on housing markets, investments, and economic activities. Increased volatility in commodity prices due to climate and geopolitical shocks poses risks to global growth and inflation. The global banking sector has experienced turmoil in 2023, such as bank failures and a widespread loss of confidence in the resilience of banks, banking systems, and financial markets. The IMF assessed that risks to financial stability continue, although they have eased.

Economic Developments in Türkiye

Macroeconomic policies focusing on stability and balancing have started to be implemented in the Turkish economy as of June 2023.

CBRT gradually increased the monetary policy rate from 8.5% to 45% between June 2023 and January 2024. In addition, the policy framework was simplified and monetary tightening was strengthened with micro- and macro-prudential regulations. Annual CPI inflation, which decreased to 38.2% due to the base effect in the first half of 2023, rose in the second half due to various factors such as exchange rate increase, strong domestic demand, minimum wage and tax adjustments and closed 2023 at 64.8%. In its 2024 Q1 Inflation Report, the CBRT predicted that disinflation would begin in the second half of this year as a result of the monetary tightening. Economic activity displayed a strong outlook in 2023, driven by domestic demand. GDP grew by 4.5% in 2023 despite the earthquake disaster in February. Growth is expected to slow down in 2024 due to the tightening monetary policy stance.

Sectoral Expectations

Credit growth remained strong in the Turkish banking sector in early 2023, and credit growth began to stabilize with the monetary tightening implemented since June and supportive selective credit and quantitative tightening steps. Following the simplification steps taken in macro-prudential policies, stable growth was observed in commercial loans, while the share of export and investment loans in commercial loans increased, and the growth in individual loans had a significant slowdown. As the CBRT maintains its tight monetary policy, credit growth may continue to slow down in the future. The asset quality of the banking sector displayed a strong outlook in 2023, and overdue receivables remained at low levels. FX protected deposits increased in the first half of the year. However, as a result of the macro-prudential measures, the FX protected deposit balance started to decrease in the following period. Banks' strong capital ratios are supported by strong profits in 2023.

[2] Gross Domestic Product

Business Context

Non-Financial Developments that Impact Activities

Climate Emergency

Climate change and related extreme weather events remain on the agenda in 2023. Despite increasing global awareness and efforts, greenhouse gas emissions continue to increase and lead to rising global temperatures, extreme weather events, sea level rise, and biodiversity loss. Global greenhouse gas emissions have continued to increase, and CO_2 levels exceeded 415 parts per million (ppm), significantly higher than pre-industrial levels of approximately 280 ppm. The Earth's average temperature has risen by about 1.2 degrees Celsius above pre-industrial levels. The global average sea level has risen by approximately 20 cm since the late 19th century. It is predicted to rise further, threatening coastal communities and ecosystems. Climate change caused by humans has been a major driver of biodiversity loss and species are at an increased risk of extinction due to habitat loss, changing ecosystems, and temperature changes.

As a result of these developments, intense heat waves, storms, forest fires and floods are experienced more frequently throughout the world. In order to mitigate the serious effects of climate change, it is necessary to reduce emissions, ensure the transition to renewable energy, protect ecosystems, and implement sustainable practices in production and consumption. Although international agreements such as the Paris Agreement aim to manage the crisis, faster and more coordinated action is required at both global and local levels to reduce the damage and build a sustainable future.

QNB Finansbank supports the transformation economy for climate action. Please see the Green Transformation section to learn about QNB Finansbank's efforts in this field.

Access to Talent

One of the most important elements in creating a competitive advantage for organizations across the world is to access to talented employees and ensure employee commitment. As the technological transformation of financial institutions accelerates, there is an increased demand for technically qualified employees, especially in the fields of artificial intelligence and big data. Qualified employees are in high demand in all sectors. Another requirement for the technological transformation of institutions is to increase the technological literacy of their current employees. Increasing digitalization in all units, integration of artificial intelligence and big data processing systems embedded into decision mechanisms require all employees to have a minimum level of knowledge in these areas.

QNB Finansbank implements many projects and practices to increase the commitment and satisfaction level of its current employees, to bring competent graduates to the Bank, to increase the technology content in development programs, and to offer future competencies to the institution. Please see the Transformation of Finansçı section to learn about QNB Finansbank's efforts in this field.

Cyber Security

Rapidly increasing digitalization, integration of artificial intelligence, the banks' increasing number of business partners due to open banking applications, and "deepfake" incidents that gradually become more realistic continue to emphasize the importance of cyber security measures. 70% of Deloitte Global Future of Cyber Survey [3] participants reported that cyber security is regularly on the board meeting agenda. The same research reveals that 54% of companies with revenues of USD 5 billion or more spend more than USD 250 million annually on cyber security. These indicators prove that cyber security is included in the strategic business decision-making process and considered as a significant financial and operational risk.

Ensuring cyber security and the trust created among customers in this regard provide a significant competitive advantage for financial institutions. QNB Finansbank follows the developments in cyber security closely and utilizes the latest technologies. Please see the Responsible Transformation section to learn about QNB Finansbank's efforts in this field.

Artificial Intelligence (AI)

Integrating artificial intelligence and big data applications into banking systems is a global trend that has remained on the agenda for a long time. A study by McKinsey reveals that AI can reduce operational expenses in the banking and finance industry by USD 200 to USD 300 billion and increase efficiency by 3-5%[4].

Generative AI, a subset of artificial intelligence focused on natural language processing and content production, stands out with promising potential for the banking sector, especially to improve customer services and experience.

QNB Finansbank integrates artificial intelligence into all of its processes and supports efficient and responsible artificial intelligence applications. Please see the Operational Transformation section to learn about QNB Finansbank's efforts in this field.

Geopolitical Risks

In its semiannual Financial Stability Report, the US Federal Reserve noted that geopolitical tensions pose significant risks to global economic activity, including the possibility of continuous disruptions to regional trade of food, energy, and other commodities. The World Economic Forum's 2023 Risk Report similarly placed geopolitical risks in the top 10 lists of both short-term (two-year) and medium-term (10-year) global concerns. According to the World Economic Forum's 2023 Global Risks Report, conflicts and geo-economic tensions have triggered a series of interconnected global risks. These risks include shortages in energy and food supply, which are likely to continue in the coming years, and increases in the cost of living and debt payment difficulties.

QNB Finansbank follows global developments closely with its global know-how and competent risk management staff and manages geopolitical risks as a part of the risk management system. Please see the Risk Management section to learn about QNB Finansbank's efforts in this field.

[3] "Deloitte Global Future of Cybersecurity Survey", Deloitte, October 2023.
[4] "The economic potential of generative AI: The next productivity frontier," McKinsey, 14 June 2023.
[5] https://www.japantimes.co.jp/commentary/2023/10/25/world/businesses-geopolitical-risk/

QNB Finansbank's 2023 Performance Evaluation

Assessment of the Year 2023

QNB Finansbank continued to support the Turkish economy throughout the year 2023. In line with the Bank's goal to expand the client base by focusing on core banking activities, net loans increased to TL 571 billion 44 million. The total number of branches stood at 436 as of 31 December 2023 (31 December 2022 - 436), with 434 domestic (31 December 2022 - 434), one off-shore (31 December 2022 - 1) and one airport branch (31 December 2022 - 1) located at the Atatürk Airport Free Zone.

Assets

The Bank maintained its customer-oriented activities during year 2023 and continued to grow both in retail and business loans. While net loans increased by 66% compared to the year end of 2022, reaching TL 571 billion 44 million, total assets grew by 64% in the same period, reaching TL 987 billion 817 million. In 2023, the Bank also increased the securities portfolio by 66%, strengthening its net interest income and assets growth, while further reinforcing its already robust liquidity buffers.

Liabilities

In line with this growth in assets, QNB Finansbank sustained its deposits' growth in a balanced manner. Total customer deposits of the Bank rose by 58% compared to the year end of 2022, reaching TL 606 billion 466 million, as shareholders' equity increased by 84% to TL 81 billion 618 million.

Profitability

In 2023, the Bank's net interest income reached to TL 34 billion 549 million, while net fees and commissions income realized at TL 18 billion 317 million. Profit before tax amounted to TL 37 billion 733 million, and net profit for the year period realized at TL 33 billion 172 million.

Solvency

Thanks to its strong capital base and high ROE, QNB Finansbank maintained its firm financial structure. The Bank has utilized its capital efficiently for its banking activities and has maintained its profitability of shareholders' equity. When taking into consideration of its funding structure; beside large deposit base that QNB Finansbank has also funded its loans by using long-term external sources. The Bank utilized cost advantage due to benefiting from such various funding sources and at the same time minimized risks due to maturity mismatch of its assets and liabilities. 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.

Key Financial Performance Indicators

TL million, Unconsolidated	2019	2020(*)	2021(*)	2022(*)	2023(*)
Net Loans	110,683	138,719	200,832	344,957	571,044
Deposits	105,626	130,560	226,923	394,284	632,050
Shareholders' Equity	16,685	19,212	22,144	44,266	81,618
Total Assets	181,681	227,243	371,369	601,755	987,817
Net Interest Income(**)	5,863	6,684	7,669	32,665	30,072
Net Fees and Commissions Income	2,691	2,363	3,391	6,128	18,317
Net Profit for the Period	2,622	2,747	3,928	17,224	33,172
Return on Equity (%)	17.1	15.8	19.0	53.1	57.5
Capital Adequacy Ratio (%)	15.7	16.4	15.9	15.1	16.7

TL million, Consolidated	2019	2020	2021	2022	2023
Net Loans(***)	116,749	146,449	212,565	363,105	602,746
Deposits	105,500	130,275	225,877	392,763	630,728
Shareholders' Equity	16,765	19,241	22,152	44,276	81,634
Total Assets	187,526	235,020	383,849	621,144	1,023,422
Net Interest Income(**)	6,280	7,177	8,135	33,836	33,848
Net Fees and Commissions Income	2,824	2,601	3,682	6,689	20,306
Net Profit for the Period	2,865	2,755	3,908	17,226	33,178
Return on Equity (%)	18.4	15.8	18.9	53.0	57.5
Capital Adequacy Ratio (%)	15.2	15.8	15.2	14.3	15.9

(*) IAS-27 equity method consolidation has been implemented as of 2021, and 2020 figures have been restated retrospectively.

(**) After swap expenses

(***) Includes leasing and factoring receivables

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Credit Ratings

Moody's Investor Service(*)	
Rating Outlook	Positive
Long-Term / Short-Term FC Deposits Rating	B2/ NP
Long-Term / Short-Term LC Deposits Rating	B1/ NP
Baseline Credit Assessment	b3
Adjusted Baseline Credit Assessment	b1
Long-Term / Short-Term FC Counterparty Risk Rating	B2/ NP
Long-Term / Short-Term LC Counterparty Risk Rating	B1/ NP
Counterparty Risk Assessment	B1(cr)/ NP(cr)
Senior Unsecured	B2
Subordinate	Caa1(hyb)

Fitch Ratings	
Long-Term / Short-Term FC Issuer Default Rating (IDR)	B- (Outlook: Stable) / B
Long-Term / Short-Term LC Issuer Default Rating (IDR)	B (Outlook: Stable) / B
National Long-Term Rating	AA(tur) (Outlook: Stable)
Viability Rating	b-
Shareholder Support Rating	b-
Long-Term / Short-Term Senior Unsecured	B- (Outlook: Stable) / B
Long-Term Subordinated	CCC+

(*) On 17 January 2024, Moody's revised the credit ratings and relevant outlooks of 17 Turkish banks, including QNB Finansbank, following its decision on 12 January 2024 to change the outlook on Türkiye's sovereign ratings from "Stable" to "Positive", and revise Türkiye's both local currency and foreign currency country ceilings up by one notch.

Owing to higher sovereign ceiling at "B2", Moody's upgraded the Bank's Long-term Foreign Currency Deposits Rating, Counterparty Risk Rating, Senior Unsecured Rating from "B3" to "B2", as other ratings of the Bank were affirmed. Moody's also changed the outlook on Bank's ratings from "Stable" to "Positive".

2023 Performance

Corporate Banking and Project Finance

QNB Finansbank Corporate Banking serves multinational companies with an annual turnover of more than TL 2,500 million, with three corporate branches operating in Istanbul and Ankara and four corporate representative offices in Adana, Antalya, Bursa, and Izmir.

QNB Finansbank Corporate Banking aims to offer tailored financial services to its customers with its credit and non-credit products, increase efficiency in daily transactions, and provide holistic financial services with a long-term cooperation strategy. As the main bank for its customers, Corporate Banking continues to offer financial solutions not only to local companies but also to companies with commercial relations in the regions where QNB Group operates.

As of 2023 year-end, QNB Finansbank's cash loan market share in corporate and commercial loans realized at 2.44%.

In 2023, providing financial support to exporters, companies producing import substitution products, and energy and efficiency projects have been priorities in corporate banking, as they were also incentivized by the regulations.

Another area of focus for the Corporate Banking business line is digital development, which aims to provide unique and hassle-free services to customers. Corporate Banking implements the "eco-system" banking approach. Accordingly, services are also provided to customers' ecosystems and different strategic partners in the value chain.

The Project and Structured Finance Department is responsible for the evaluation and coordination process of medium-term loans and project financing requests, including syndicated / club loans financed by several banks.

In Project Finance, growth has been targeted to be in line with market performance. The main products offered to achieve this goal are project finance loans, ECA loans, syndicated loans, and secondary market loans.

As of 2023 year-end, QNB Finansbank's market share in cash project finance loans was 5.6%.

In 2023, non-cash loans provided to finance the purchase of machinery and equipment became prominent in project finance loans. The application processes initiated in 2023 for the investment of a solar power plant with an installed capacity of 27 MW for the Bank's own consumption continue.

MSE and Commercial Banking

MSE and Commercial Banking provides services in 40 provinces with a total of 151 branches (21 being in the commercial segment and 130 being in the MSE segment). MSE Banking provides services to companies with an annual turnover above TL 25 million, and Commercial Banking provides services to companies with an annual turnover of TL 250 million and higher. QNB Finansbank MSE and Commercial Banking offers tailored solutions to its customers with specialist staff in the fields of cash management, foreign trade, real estate project finance, and tourism banking in addition to traditional banking products.

In 2023, private corporate loan and deposit market shares were increased by adapting to rapidly changing economic policies and regulations. In particular, business and investment financing products were offered as required by companies in their commercial lives to support export financing, and solutions were developed for customer needs in line with the sector's liraization strategy. This strengthened the Bank's position in the sector. Asset quality is also increased thanks to the effective risk and portfolio management approach. Various privileges were offered to companies through acquisition programs implemented with the strategy of gaining new customers and financial deepening with existing customers. Customers are able to carry out their banking transactions faster and more advantageously with expanded product and service packages tailored to their varying needs.

In 2023, within the scope of the protocol signed with the Turkish Exporters Assembly (TIM), USD 50 million of financing was provided to exporters with favourable maturity and pricing conditions. As a shareholder of Ihracatı Geliştirme A.Ş. (IGE), which provides special guarantee support to exporters, QNB Finansbank acts as an intermediary for exporter SMEs to make their payments for business financing with İGE collateralised loans. With the European Bank for Reconstruction and Development fund, special loans have been offered to female entrepreneurs and companies located in the earthquake zone. Within the scope of cooperation with the Credit Guarantee Fund (KGF), KGF-guaranteed loans were offered to investors and exporter companies. The scope of the letter of guarantee application given through digital channels, where QNB Finansbank is the sectoral leader, has been expanded with the addition of PPP (Public Procurement Agency) provisional letters to the product range. BCH loans started to be offered in internet and mobile banking. The application and disbursement process of KGF guaranteed loans has been accelerated with the systemic integration between the Bank and KGF.

In November 2023, the MSE, Commercial and Business Segment launched the "Green Transformation Loan" product, which offers interest discount advantages to raise

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awareness among customers about green transformation and support their investments in this field. Within the framework of the cooperation initiated with the Union of Chambers and Commodity Exchanges of Türkiye (TOBB) and Captanomy (Carbon Footprint Measurement Platform), companies can receive privileged pricing for different products and services at the bank to the extent they document the reduction of their carbon footprint.

In 2023, in cooperation with the electronic wallet infrastructure QNB Wallet and the Bank's business partner Mono, prepaid cards made of recycled materials were offered to customers. Mono's functions, such as regular tree planting and donations, allowed the Bank to contribute to environmental sustainability.

Retail Banking and Business Banking

The primary objective of QNB Finansbank Retail Banking Department is to be the leader of the Retail Banking sector by meeting the financial needs and expectations of all individual customers with the highest quality of service. The Retail Banking Department creates "unique and leading" service and product packages by examining the different needs in the sector.

Since 2023, the "Consumer Loan" product has been offered in the direct sales channel as well as QNB Mobile, Branch, Call Center, and web channels. Thanks to the co-operation with Hepsipay, the shopping credit to wallet application was launched. It has become possible to use personal loan with a single click via QNB Mobil. With the "Application Project" implemented for the overdraft account, customers without a recommended limit were offered the opportunity to open an Overdraft Account (KMH) via QNB Mobile. In addition, customers were provided with the opportunity to pay their transactions from demand deposit accounts and overdraft facilities in installments.

As of the end of 2023, in personal loans, a volume of TL 78 billion was reached with a 53% growth rate. The private sector market share of consumer loans reached 9.94% by the end of 2023.

Business Banking offers banking products and services to legal customers with an annual turnover of TL 0-25 million or a maximum liability risk (cash and non-cash) of TL 12.5 million and a limit of TL 9 million in the Bank.

As of the end of 2023, the Business Banking loan volume grew by 39% compared to the previous year, reaching a volume of TL 71 billion. In 2023, various developments were made in digital banking to facilitate customers' access to products. In addition, a carbon footprint calculation platform service was launched to enable customers to measure their carbon emissions.

Enpara.com

Enpara.com serves individual customers and small-scale legal entities. Enpara.com is preferred by customers who prefer self-service banking transactions and are prone to digital processes.

Enpara.com gained 1.5 million retail customers in 2023, reaching 5.8 million customers. With 54 thousand customer acquisitions, the number of corporate customers reached 201 thousand.

In retail customers, Enpara.com's market share in the sector in terms of the number of customers acquired through digital customer acquisition processes was realized at a monthly average of 19%. Product market shares increased year-on-year from 3.04% to 3.58% in Consumer Personal Loans and ODA, and from 2.27% to 2.70% in credit card products.

Feasibility and technical studies continued throughout 2023 for the Enpara.com business line to continue its activities with a separate license and a separate bank organization. As a result of these studies, the banking license was obtained on 8 August 2023, and a new Bank with commercial title Enpara Bank A.Ş. was established on 4 December 2023. Processes for obtainment of operating permit for the new entity and spin-off are ongoing.

Payment Systems

QNB Finansbank was one of the leading banks in the sector with 12 million 285 thousand credit cards and a card turnover of approximately TL 89.6 billion in 2023. The total credit card receivable balance was TL 162.9 billion by the end of 2023, and the market share was 10.6%.

In the field of Payment Systems, customer acquisition through digital channels increased by 2.2 times in 2023 compared to the previous year. Also, the increasing use of the Immediate Delivery Card application resulted in increased efficiency and customer satisfaction.

Periodic campaigns aimed to provide maximum support to earthquake victims in the region affected by the earthquake. Ramadan package aid was offered during Ramadan and educational sets were distributed during the back-to-school period.

CardFinans GO: CardFinans GO, one of Türkiye's first digital credit cards, is tailored to the needs of e-commerce. Offering privileged services for the digital world, CardFinans GO has made the credit card experience more interactive and entertaining with advantageous opportunities and gamification for users in 2023.

QNB Finansbank Miles&Smiles: QNB Finansbank successfully continued and expanded its cooperation with the Miles&Smiles passenger program in 2023 with the contract signed with Turkish Airlines in 2019. In 2023, Miles&Smiles QNB Finansbank credit card users continued to earn miles at privileged rates from purchases and campaigns with their credit cards. Cardholders benefited from extra mile opportunities in various sectors and on special days throughout the year and gained special discounts at various restaurants and venues during the summer.

CardFinans Nakit: CardFinans Nakit offered QR and Near Field Communication (NFC) payment solutions to its customers in 2023 and allowed them to use debit cards for their shopping with various campaigns.

CardFinans Commercial Cards: CardFinans KOBİ is designed to manage the cash flow of businesses and facilitate their commercial transactions. CardFinans SME allows customers to earn while buying by offering maturity, installment, account statement deferment, and instant credit features for their expenses. Additionally, by popularizing Turkish Payment System (TROY) branded commercial credit card, a market share of 9.0% was achieved with 960 thousand cards.

POS: QNB Finansbank provides solutions for all collection requirements of member businesses with its strong infrastructure support and POS types for different needs. In 2023, another step was taken for a sustainable future with the power of digitalization. The Digital Slip Project provided customers with the opportunity to protect nature by reducing paper use with their Digital Slip preferences. As of the end of 2023, the number of POS devices reached 302 thousand and the number of member businesses reached 233 thousand with a turnover market share of 4.76%.

Credits

Managing the loan portfolio quality by expert teams in parallel with the credit policies determined by the Bank, the Loans Department aims to increase the quality of credit decisions at every stage of the credit process through developed models, systems, and designed workflows. The activities of the Loans Department are carried out by experienced teams, from the application and allocation of loans to the collection, close monitoring, and legal follow-up. This structure is supported by a strong analytical and portfolio management organization.

The Financial Institutions Credit Management Department continued to evaluate all domestic and foreign bank risks within the framework of the Bank's credit and risk policies in 2023 and to allocate limits by expert teams accordingly.

QNB Finansbank carries out the environmental and social risk assessment process of lending activities and credited projects in accordance with the Environmental and Social Risk Assessment Policy and the Sustainability Policy.

Treasury

In QNB Finansbank Treasury Department, fixed income securities (FIS), foreign exchange and derivatives trading activities are carried out by the Foreign Exchange and FX Markets Department. Transaction limits, limit utilisation and profitability are closely monitored. In 2023, the Foreign Exchange and US Securities Markets Department made a high contribution to profitability in line with the Bank's targets by analysing the volatility in the markets and the risks arising.

In 2023, QNB Finansbank Treasury Sales Department was competitive, solution-oriented and proactive in offering financial solutions to its customers with a customer-centric approach. In 2023, it gained momentum in gaining new customers with the different hedge instruments it offered to its customers and continued to increase its momentum in deepening its existing customers. In addition to being the first bank to offer its customers the first sustainable deposit product in the market, the Bank has achieved significant success in achieving its goal of becoming the main bank of its customers with competitive pricing in commodity hedging transactions, FX and interest rate hedging products, fixed income securities transactions and spot foreign exchange transactions, and has made a significant contribution to the Bank's profitability.

In 2023, particular importance was given to balance sheet management in order to maintain the balance between active and passive items and to maintain the financial soundness of the Bank. Avoiding risks and increasing interest income became prominent in 2023. Cautious strategies were followed in this regard. Appropriate hedging strategies have been implemented to minimize risk against changes in interest rates and fluctuations in foreign exchange rates. This made a significant contribution to maintaining the financial soundness of the Bank and interest income was managed at an optimal level despite increasing funding costs. A more prudent balance sheet structure was adopted against possible shocks and developments with the composition of the balance sheet and effective management of duration risks.

In line with its short, medium and long-term funding strategies, QNB Finansbank continued to expand its product range and strengthen its relations with its investors in 2023. In 2023, QNB Finansbank issued subordinated bonds with a nominal amount of USD 300 million, and in addition to this issuance, QNB Finansbank raised approximately USD 1.4 billion through private issuances under the MTN Programme and became a pioneer among Turkish Banks in this field. In 2023, a loan agreement totalling USD 220 million was signed with IFC, EBRD, Proparco and EFSE to meet the financing needs of individuals and SMEs in earthquake-affected provinces. In addition, sustainability-related syndicated loans totalling USD 860 million were obtained in two separate periods.

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Information Technologies, Operations and Channels & Business Development

The Department is engaged in software development, researching software technologies, developing methodologies and standards, producing new software, meeting the digital and core banking software needs of QNB Finansbank and its subsidiaries, planning and managing the design, installation and development of Information Systems infrastructures in terms of capacity, technological innovations and system sustainability, and collaborating with companies related to the above-mentioned fields of activity.

In recent years, applications with microservice architecture have begun to appear in the market and when the need arises to develop a new application within the banking system, QNB Finansbank prioritizes the development of the application in accordance with the microservice architecture. There are completed and ongoing studies on API Management and modularization of core banking systems.

"Machine learning" and "deep learning" models and services developed in-house are used to support processes in terms of shortening transaction times, determining operation process prioritization, reducing the possibility of error, and providing the ability to perform certain tasks that would take too long or cannot be done with manpower.

In the field of digital onboarding, Natural Language Processing (NLP) and computer vision methods are used in the recognition and verification of different types of identities, identity verification by comparing people's faces, and liveness analysis for online/offline interviews over photos and videos.

The document masking service automatically obscures important information on images in high-volume data.

With the document classification and named-entity recognition (NER) projects, models that classify documents in different fields such as customer instructions, foreign trade documents, checks/notes, receipts/invoices, legal information request documents, detect the type of suspicious transactions, and extract information from documents have been implemented, minimizing error rates and shortening processing times.

With the Anti Money Laundry project developed within the Bank, innovations were added to the system to meet the current needs of business units as well as significant cost savings.

In 2023, QNB Finansbank Disaster Recovery Center was moved from its old location and made ready for operation at its new address. Scope expansion and capacity increases were made in the Information Continuity systems.

As part of the Information Continuity in 2023 project, the QNB Finansbank Disaster Recovery Center was redesigned to successfully serve the Bank in the coming years and moved to its new headquarters.

Business Development and Strategy Office (FİGS)
The Business Development and Strategy Office analyzes market trends, customer needs and the competitive environment, designs the best customer experience by designing basic banking processes and digital banking flows in line with the Bank's strategy, works with Information Technologies teams to implement them and monitors business results together with other business lines.

At the same time, the Department closely follows the rapidly developing technology, closely monitors robotic automation projects, call center and ATM applications, GPT innovations that will support digital assistant service, and works to incorporate the latest technology into the Bank's applications.

In accordance with the BRSA's Electronic Banking Circular, Login, Transaction Verification and Contract Signing processes in internet and mobile banking must be signed cryptographically. Infrastructure work was carried out for this purpose and the first phase of the work was completed in 2023.

In January 2023, after individual customers, the flow of sole proprietorships becoming remote customers was launched. In November 2023, the face recognition and authentication function with artificial intelligence started to be used in FinansPassword retrieval. The application is planned to be extended to different functions and flows in 2024.

Core Banking and Branch Operations
All operational processes of check - promissory note, cash management, regular reporting to legal authorities, deposit and safe deposit box operational processes, audit reports and compliance of expense commission processes with legal processes, EFT - Wire Transfer, foreclosure processes, customer information management, branch processes are carried out.

Foreign Trade, Treasury and Credit Operations
Foreign trade, letters of credit and external guarantees, loans, treasury, corporate payments, legal follow-up, mortgages, signatures and insurance are carried out for corporate branches.

Call Center and Customer Solution Center
QNB Finansbank Call Center Channels serve approximately 28 million inbound calls, 18.5 million outbound calls and 7.5 million chat requests annually through telephone calls (voice), written live support (chat) and video calls as Individual Call Center, Corporate Call Center, Digital Bridge, Your Financier Listens to You Line, Xclusive Line, Western Union Line, Private Customer Line, Telesales and Customer Recovery channels with approximately 1,000 seats in three locations.

The Customer Solution Center ensures that the processes from recording and resolving customers' requests, complaints and objections that cannot be met at the time of the first contact to informing customers are carried out within the framework of specified quality standards.

In record resolution processes, the potential for the same problem to be experienced by other customers is also evaluated, the root causes of the problem, if any, are identified, corrective actions are determined and necessary follow-up and coordination is ensured until they are implemented. The priority of the Customer Solution Center is to increase customer satisfaction and service quality. During the recording solutions, the records that can be met at the first contact on the front ends are identified and necessary feedback is provided to the channels and support is provided through trainings. Based on analyses, flow changes and improvements that are determined to improve the first contact fulfillment rate are implemented.

The Direct Banking Department determines the growth strategy of the Bank's ATMs and ensures that ATMs are installed in locations determined accordingly. The department monitors the performance of existing ATMs and takes necessary actions.

Call Center Channels performed above the service levels stipulated in the "Regulation on Determining the Service Level and Quality of Banking Call Centers". It is also an important channel for new customer acquisition.

The chat channel is constantly being developed in line with the needs and expectations of customers. In 2023, 7.5 million live chats were realized.

Construction Real Estate and Appraisal Management
Construction, Real Estate and Appraisal Management is responsible for the leasing of branches, buildings and Off-Site ATM locations in line with the Bank's needs, execution of contract processes, construction, electrical and mechanical project manufacturing, maintenance and operation processes. Appraisal Services include the reporting and valuation of the Bank's real estate and securities loans.

22 branches relocated and/or new branches opened in 2023. 18 branches extensively renovated. 3 direct sales office renovations and minor renovations at 304 locations. Ümraniye E Block Data Center capacity expansion was completed. Ankara DRC Data Center moved to Turkcell İletişim Hizmetleri A.Ş. Equinix Enpara Data Center became operational. Ankara Head Office space was rented and construction will be completed and operational in 2024.

A 24 MW call letter application was made in November 2023 for the QNB Finansbank Solar Power Plant Project. Land has been leased in Kırşehir province. Following the positive outcome of the applications, construction will start in 2024. The mandatory ISO:50001 Energy Management System was obtained for the Kristal Tower and Ümraniye E Block buildings.

Legal Counseling

The divisional structure of Legal Counsel consists of Consulting, Litigation, Process and System Management and Board of Directors and Corporate Governance Office.

Consulting Division is comprised of two departments namely: Consumer Banking and Payment Systems Consultancy and Corporate, Commercial Banking and Project Finance Consultancy, and it is organized as separate units, which are responsible for consumer banking, payment systems, corporate and commercial banking, treasury and structured finance, project finance and competition law.

Consultancy teams evaluate the banking products and services that are offered and legislative changes that affect business processes, and within this scope, provide legal opinion on all transactions, processes, new products, projects and campaigns from a legal point of view. They prepare agreements, finance documents in conformity with the Bank's needs, prepare internal regulations, guidelines and procedures on legally relevant matters and they participate committees relating to their scope of duty. The legal support that headquarters units and branches require in daily workflow is provided by the Consulting Division via the Legal Request System. Additionally, Consulting teams represent the Bank before public institutions and professional associations and contribute to the sector-specific regulations.

Litigation Division consists of four units organized under Penal Suits and Commercial Lawsuits, Labour, Intellectual Property and Service Procurement Lawsuits, Consumer Lawsuits and Administrative Suits and Ankara Region Litigation Unit. The Division represents the Bank in entire lawsuits and enforcement proceedings brought by the Bank or against the Bank, excluding the disputes arising from non-performing loans, as well as investigations by prosecution office, cooperates with other units of the Bank to work on matters of any potential litigation, follows criminal complaints and lawsuits filed by the Bank or against the Bank, guides external lawyers so as to ensure that cases are followed across the country and represents the Bank before authorized public institutions and professional associations.

Process and System Management creates and follows all operational projects, particularly the Litigation System, carries out works for the determination and follow-up of the target budget, meets the report and presentation requests, and carries out operative procedures regarding the litigation processes of the Litigation Division.

The Board of Directors and Corporate Governance Office is tasked to organize the meetings of the Board of Directors and the meetings of the General Assembly, make material events disclosure as per the Communiqué on Material Events and Internal Procedures of the Bank on Public Disclosure of Material Events and attend to all procedures regarding corporate governance.

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Subsidiaries and Affiliates

QNB Finansleasing (QNB Finans Finansal Kiralama A.Ş.)

QNB Finansleasing is one of the first established companies in the leasing sector. Since its establishment in 1990, QNB Finansleasing has been playing an active role in financing investments. As one of the leading companies in the sector it has always followed a customer-oriented strategy, and developed tailor-made financing models.

Having a widespread branch network across Anatolia, enabling it to analyze the needs of its clients on-site, QNB Finansleasing operates through a network of 14 branches, 1 being in the Free Trade Zone.

In 2023, leasing sector generated USD 3,742 million new business volume, and QNB Finansleasing's share realized at 10.4% with USD 388 million.

> QNB Finans Leasing's total assets reached TL 24.8 billion as of 2023 year-end, as its net profit in the year realized at TL 824 million.

www.qnbfl.com

QNB Finansinvest
(QNB Finans Yatırım Menkul Değerler A.Ş.)
Established in 1996 to engage in capital market activities, Finansinvest operates with the desire to stand out as innovative and reliable in capital markets. As a fully-fledged investment house, it always aims to provide the best in class service to its customers with its product diversity and technological investments, and aims to be innovative and a pioneer in the investment world, by closely following the changes and developments in the financial sector.

QNB Finansinvest offers brokerage services for a wide range of products such as investment funds, domestic and international stocks, fixed income securities, futures and options markets and leveraged trading transactions, as well as intermediation in public offerings.

QNB Finansinvest's net profit reached TL 933 million in 2023. Revenue growth in equities, Futures and Options Market (VIOP) and loans were 76%, 48% and 229%, respectively.

In 2023, QNB Finansinvest led the public offerings of CW Enerji, an important player in the renewable energy sector with an annual solar panel production capacity of 1.8 GW, and Söke Flour (Söke Un), which is critical to ensuring food security in the MENA Region.

QNB Finansinvest was awarded Türkiye's Best Investment Bank at the World Finance Banking Awards 2023 and was deemed worthy of third prize in the Future of Operations category at the Future Enterprise Awards by International Data Corporation (IDC), a research and consultancy company in the IT sector.

www.qnbfi.com

QNB Finans Asset Management
(QNB Finans Portföy Yönetimi A.Ş.)
QNB Finans Asset Management, which was established and started its activities in 2000, manages the retirement funds of QNB Health Life Insurance and Pension, in addition to the securities investment funds and exchange-traded funds.

> Reaching a market share of 5.33% in securities investment funds as of 2023 year-end, QNB Finans Asset Management recorded consolidated net profit of TL 250 million in 2023.

QNB Finans Asset Management was awarded "Pension Mutual Funds Return Leader" within the scope of the "Golden Bull Awards" of the Turkish Capital Markets Association in 2023. Thanks to its stable performance in fund management, the management of Türkiye's largest stock-intensive pension fund, "Agesa Hayat ve Emeklilik A.Ş. Stock Pension Investment Fund", has been transferred to QNB Finans Asset Management.

In 2023, the bank was awarded "Best Wealth Management Provider" at the "World Finance Wealth Management Awards" and "Türkiye's Best Asset Management Company" at the "Global Banking & Finance Awards" organized by "Global Banking & Finance Review".

www.qnbfp.com

QNB Finansfactoring (QNB Finans Faktoring A.Ş.)
Established in 2009, QNB Finansfactoring is one of the leading companies in the factoring industry thanks to its specialized staff with significant experience in the banking and factoring industry. It is a member of F.C.I., the world's most important international factoring organization.

Headquartered in Istanbul, QNB Finansfactoring continues its operations through 17 branches and digital channels in Adana, Ankara, Antakya, Antalya, Anadolu Ticari, Avrasya Ticari, Bursa, Denizli, Eskişehir, Gebze, Halkalı, İzmir, Kayseri, Konya, Ostim, Samsun and Gaziantep.

As of the end of 2023, QNB Finansfactoring's shareholders' equity reached TL 1.5 billion, total assets reached TL 16 billion and factoring receivables reached TL 15.3 billion.

> As of year-end 2023, net profit stood at TL 939 million and the Company's market share in terms of total factoring receivables was 7.8%.

www.qnbff.com

QNB Asset Leasing
(QNB Finans Varlık Kiralama Şirketi A.Ş.)
QNB Asset Leasing was established in 2018 as a subsidiary of QNB Finansinvest , one of the leading investment companies in the sector. The company is an asset leasing company that exclusively issues domestic and international lease certificates. The company has adopted the principle of introducing the lease certificate to investors, increasing awareness, and informing investors.

www.qnbfv.com

QNB Health Life Insurance and Pension
(QNB Sağlık Hayat Sigorta ve Emeklilik A.Ş.)
QNB Health Life Insurance and Pension was established in 2007 under the name Finans Emeklilik ve Hayat A.Ş., and was restructured in 2012 as Cigna Finans Sağlık Hayat ve Emeklilik A.Ş., with a partnership structure of 49% QNB Finansbank and 51% Cigna Nederland Gamma B.V. In 2020 it has continued it activities under the name of Cigna Sağlık Hayat ve Emeklilik A.Ş.

In 2022, QNB Finansbank acquired 51% of the shares of Cigna, the other shareholder of the Company, and the Company became a 100% subsidiary of the Bank. The Company changed its trade name to QNB Sağlık Hayat Sigorta ve Emeklilik (QNB Health Life Insurance and Pension) with the amendment of its articles of association at the Extraordinary General Assembly held on 30 May 2023, and continues to serve its customers with the motto "Today, just live the day with QNB Sigorta".

As of 2023 year-end, net assets of 23 retirement investment funds established by QNB Sigorta reached TL 4 billion, including BEFAŞ and government contribution. Providing services in Health, Life, Personal Accident, Personal Accident Insurance and Private Pension products, QNB Sigorta's net sales revenue for 2023 is TL 4.5 billion.

Sustainability was added to the company's performance targets in 2023, and the sustainability module was included in mandatory training and employee orientation programs. The lives of more than 2000 people were touched through various social responsibility projects. QNB Sigorta was awarded the Zero Waste Certificate in 2023.

www.qnbsigorta.com

QNB Finansbank – 2023 Integrated Annual Report

QNB Finansbank's 2023 Performance Evaluation

2023 Performance

Subsidiaries and Affiliates

QNBEYOND Ventures B.V.
QNBEYOND Ventures, a corporate venture capital investment fund that invests in early stage technology startups and Venture Capital (VC) funds in Türkiye and around the world, aims to have an advantageous position that adapts to the future structure of banking.

QNBEYOND invests in initiatives aimed at enriching R&D activities, reducing competitive risks and understanding emerging technology and business trends.

IBTech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş.
Founded in 2005, IBTech develops software and infrastructure projects in the field of digital and core banking and provides design and development services. IBTech collaborates with companies to provide design, installation and development services in the areas of capacity building innovation and systemic sustainability brought about by emerging technologies and changing conditions.

www.ibtech.com.tr

IBTech recorded TL 11.4 million net profit in 2023 with an asset base of TL 179.5 million as of 2023 year-end.

QNB eFinans
(eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.)
QNB eFinans was established in 2013 to ensure e-Invoice integration in the financial sector. It has been operating as a 100% subsidiary of QNB Finansbank since 2018. Continuing to serve as the leader of the e-Transformation sector in Türkiye, QNB eFinans has transformed into a fintech company with its renewed and expanded e-Transformation applications.

QNB eFinans provides services in e-Invoice, e-Ledger, e-Archive Invoice, e-Waybill, POS Invoice, e-Foreign Exchange Receipt, e-Self-Employment Receipt, e-Producer Receipt, e-Dispatch and Registered Electronic Mail (REM) products, and in 2023, it added e-Insurance Commission Expense Certificate to its product tree and sign an agreement with Türkiye's first 22 major insurance companies has provided.

QNB eFinans operates with more than 350 different types of ERP / Accounting software thanks to its ERP independent structure, provides uninterrupted service with remote connection through digital technologies and offers a 24/7 customer experience with digital assistants and customer representatives from all digital channels.

With more than 91,000 active customers as of 2023, QNB eFinans has made a significant contribution to sustainability by creating 473 million e-Documents and 42 million A4 pages of equivalent financial book data, digitising 515 million pages of data equivalent to 24.35% of GDP(*).

QNB eFinans continues to improve the process of digitalisation and transmission of financial data of companies with the "Financial Analysis with e-Ledger" product launched in cooperation with QNB Finansbank. The e-Invoice Collateralised Loan product, which is offered by QNB Finansbank with QNB eFinans integration, continues to be offered to customers as an alternative source of financing.

QNB eFinans is the largest solution partner of the Digital Bridge project, which was introduced by QNB Finansbank in 2019. The Neovade product, developed by QNB eFinans, serves the e-Transformation needs of SMEs in order to meet the financing requirements of companies and to offer an alternative solution by QNB Finansbank on the Digital Bridge platform.

The Neovade product was turned into a service package and found a place in the real sector and was sold as a special solution to a large national holding with a dealer supplier network, and the software is in the harmonisation phase.

QNB eFinans was ranked among the top 10 e-Invoice service providers by CIO Applications Europe, published in Silicon Valley in 2023 and became the only Turkish company to win this award 4 times in a row.

QNB eFinans' total assets reached TL 289.5 million as of the end of 2023, and its net profit for 2023 was TL 63.4 million.

www.qnbefinans.com

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.
Bantaş was established in 2009. 33.33% of its shares belong to QNB Finansbank A.Ş., 33.33% to Denizbank A.Ş., and 33.33% to Türk Ekonomi Bankası A.Ş. Bantaş provides secure asset transfer services between branches and cash centers and provides cash support to ATMs. As of the end of 2023, Bantaş's total asset value reached TL 391 million.

QNB Finansbank – 2023 Integrated Annual Report

Our Value Creation

Value Creation Model

QNB Finansbank's value creation model summarizes the value created for all its stakeholders in the short, medium, and long term within the scope of five capital elements: Social and Relational Capital, Human Capital, Intellectual Capital, Natural Capital, and Financial Capital. These capital elements were determined according to the classification of capital elements recommended by the International Integrated Reporting Council (IIRC). QNB Finansbank continues its banking activities by taking environmental, social, and economic sustainability into account and contributes to the United Nations Sustainable Development Goals with the outputs of its value creation model.

How We Create Value / Value We Create

Capitals	Inputs	Outputs	Outcomes
Financial Capital	• TL 3,350 million paid in capital • TL 632,1 billion total deposits • First bank to receive CMB approval for Green and Sustainable issuance eligibility under its MTN Program • ESG-Linked Syndicated Loan and Repo Agreements	• TL 33,172 million net profit • 64% increase in total assets • 66% increase in net loans • 16.7% Capital Adequacy Ratio • USD 860 million sustainability - linked loans borrowings	• Ensuring the continuity of operations • Transparency and reliability • Sustainable growth and profitability
Social and Relational Capital	• Sponsorship and volunteering activities • Loans to enterprises and SMEs • Accessible and multi-channelled customer experience • USD 220 million earthquake fund agreement with IFC, EBRD, EFSE, Proparco for earthquake affected people and institutions	• TL 56.8 million community investment • 9.6 billion TL loan to 4,416 women entrepreneurs • Support for green transformation with the Green Transformation Loan Programme • Serving 6.2 million retail and corporate customers digitally	• Uninterrupted customer experience • Transparency and reliability • Strengthening stakeholder communication • Sustainability performance improvements in supply chain and sustainable value chain • Social and environmental awareness
Human Capital	• 11,747 employees • Ethical practices, innovative policies, and developmental platforms • Employee Satisfaction Survey & Employee Feedback Activities • Internal Communication Platform "Teşekkür" • Coaching and Mentoring Center	• 59% women employees with 46.48% women in management positions • TL 107.7 million total value invested in employee learning and development • 93% employees subjected to regular performance and career development evaluation • 82% participation in the annual satisfaction survey with 64% average loyalty and satisfaction rate	• Equal pay for equal work • Transparency, employee engagement and satisfaction • Career and talent development • Retention
Intellectual Capital	• Personal data protection and Information security studies • Digital Bridge Platform • Entrepreneurship Ecosystem with QNBEYOND • Paperless banking • The first branchless digital banking service in Türkiye - Enpara.com • Digital Channel Services	• 6 million customers for Enpara.com • 20 digital solutions with the Digital Bridge Platform • Saving 55 million sheets of paper through customers' use of digital statements • Transaction completion with Digital Confirmation saving 52 million sheets of paper	• Industry impact on innovation and digitalization • Privacy and data security • Transfer of information
Natural Capital	• 100% renewable energy consumption • USD 2,662 million of loan subjected to Environmental and Social Risk Assessment as of December 2023 • First green bond of USD 50 million with EBRD issued • Carbon Offset Certificate for digital channels • Sustainable Finance and Product Framework	• TL 27,062 million total green lending • LEED certificated Headquarters • Sustainability-linked Funding /Wholesale Funding Portfolio is 48% (Loan amount above USD 10 million) • 146,569 tCO$_2$eq annually avoided GHG emissions in 2023 through renewable energy projects (only those aligned to the Sustainable Finance and Product Framework)	• Ensuring operational continuity • Transparency and reliability • Sustainable growth • Monitoring of environmental and social risks of our portfolio • Increase in environmental and social awareness of our Bank employees and our clients

Operational Procedures / Value Creation Items

Our Value Creation

Sustainability Strategy

The sustainability framework of QNB Group is the main guidance in QNB Finansbank’s sustainability strategy. The Bank has created a sustainability roadmap in line with this framework and has revealed its sustainability priorities and targets, taking into account the needs and expectations of its stakeholders.

QNB Group Sustainability Framework

QNB Group defines sustainability as creating long-term positive value in financial, environmental, social, and humanitarian terms for its customers, shareholders, employees, society, and all its stakeholders. The Group is aware of the significant contribution it can make to society as a financial institution by integrating sustainability into its corporate culture. Within this scope, QNB Finansbank adopts business practices that prioritize environmental, social, and governance (ESG) issues through commercial operations, financing, and social responsibility activities.

The concepts of Sustainable Finance, Sustainable Operations, and Beyond Banking are the building blocks of QNB Group's sustainability framework. In line with this framework, QNB Finansbank has adopted the Group's sustainability framework and created the "QNB Finansbank Sustainability Roadmap". The Bank aims to achieve sustainable financial performance by reducing risks, creating new business opportunities, and strengthening brand perception around these three building blocks. Each of these three building blocks addresses important issues for the Bank in terms of sustainability and several action plans to improve performance.

QNB Finansbank Sustainability Roadmap

Sustainability is one of the most important strategic focal points for QNB Finansbank. The bank defines sustainability as a transformation journey that starts from its own activities and extends to all its stakeholders.

With its sustainability roadmap summarized with the motto "Becoming 1 with the World", QNB Finansbank aims to integrate with the world in humanitarian, environmental, economic, and social terms and to fulfill its responsibilities for the welfare of the global ecosystem.

In line with this purpose, QNB Finansbank contributes to the fight against climate change, supports gender equality, carries out social responsibility projects that prioritize children's rights, facilitates unlimited access to information, and works to ensure equal opportunities in education. Pioneering works in the field of digital banking contribute to uninterrupted access to financial services. As a financial institution, QNB Finansbank aims to create a more sustainable world by supporting clean and inclusive economic development.

QNB Finansbank's sustainability roadmap focuses on four main impact areas: "Green Transformation", "Responsible Transformation", "Operational Transformation" and "Transformation of Finansçı". The first two impact areas, Green Transformation and Responsible Transformation, focus on the sustainable transformation of customers; while the other two, Operational Transformation and Transformation of Finansçı focus on the sustainability of the Bank's own activities. Material issues, possible risks and opportunities, performance indicators, and related Sustainable Development Goals have been determined for each impact area.

Sustainable Finance

QNB Finansbank integrates ESG criteria into its financing activities within the scope of its sustainable finance approach. The main purpose of the Bank is to support customers in managing environmental and social risks, to provide financing to businesses that contribute to sustainable development, to facilitate access to finance for SMEs and individuals and companies with limited access to financial services, and to provide responsible service to customers.

Sustainable Operations

QNB Finansbank integrates ethical principles and ESG criteria into all its operational processes. The Bank aims to further strengthen its corporate governance and risk management structure, support equality and diversity in the field of human resources, and minimize carbon emissions resulting from operations.

Beyond Banking

QNB Finansbank aims to increase the added value created by its social responsibility activities and contribute to social welfare.

DÜNYAYLA1

	Sustainable Finance		Beyond Banking	Sustainable Operations
	Client's Transformation		QNB Finansbank Transformation	
Climate Change	Green Transformation	• Responsible Financing, Products, Services and Sustainable Invesment in Integrating ESG Criteria • Climate Change Mitigation and Adaptation	Operational Transformation	• Enviromental Impact of Operations • Business Continuity • Digital Transformation and Innovation • Responsible Procurement and Supply Chain
Social Development	Responsible Transformation	• Financial Inclusion and Financial Literacy • Customer Experience and Satisfaction	Transformation of Finansçı	• Talent Attraction, Development and Retention • Social and Community Invesment • Equal Oppurtunity, Diversity and Gender Equality • Employee Engagement and Satisfaction

QNB Finansbank – 2023 Integrated Annual Report

Our Value Creation

Sustainability Journey

2017

- The first Annual Report including sustainability studies was published.

2018

- The first Sustainability Report was published.

2019

- The UN Global Compact (UNGC) was signed.

2020

- The CEO Declaration for the United Nations Global Cooperation was signed.
- The Environmental and Social Management System was updated.

2021

- Two syndicated loan agreements indexed to sustainability criteria were signed.
- The first green bond issuance was carried out with the European Bank for Reconstruction and Development (EBRD).
- The UN Women's Empowerment Principles (WEPs) were signed.
- Carbon Disclosure Project (CDP) Climate Change Program reporting was started.
- All of the Bank's electricity consumption was provided by renewable sources.

2022

- The first Integrated Report was published.
- New coal thermal power plants and new coal mine investment projects were added to the exclusion list.
- Digital platforms have been made climate-friendly by neutralizing carbon emissions originating from online bank channels.
- A loan worth USD 50 million was offered to women-led businesses from the European Bank for Reconstruction and Development (EBRD).
- QNB Finansbank and Barclays Bank carried out the first repo transaction in which the cost was determined depending on QNB Finansbank's energy efficiency performance. With this transaction, QNB Finansbank once again demonstrated its long-term commitment to a low-carbon, environmentally friendly economy.
- Within the scope of the SWAP agreement with Merrill Lynch International, an agreement was signed to receive a refund if the Bank's electricity consumption is sourced from renewable resources.
- Two syndicated loan agreements indexed to sustainability criteria were signed.
- The Bank became a member of the Business World and Sustainable Development Association (bcsd Türkiye).
- A project called "Climate Protectors Are Growing Up" was implemented in cooperation with the Turkish Education Volunteers Foundation (TEGV).
- The Bank received one of the highest ratings in the Turkish financial sector by increasing its Carbon Disclosure Project (CDP) Climate Change Program rating from C to the "A-" Leadership Category.
- Three headquarters received TÜV SÜD approved Environmental Management System certificates within the scope of TS EN ISO 14001:2015 standard.
- Three headquarters received a Zero Waste Certificate valid for 5 years.
- "QNB Finansbank Clean Energy Index" was created to include companies traded on Borsa Istanbul.
- The Bank became an EyeBrand with the Blindlook integration, which offers a voice guidance service to facilitate the use of digital channels for visually impaired customers.
- The Bank became a supporter of the Nature Pioneers Youth Program, where WWF Türkiye and the Ministry of National Education were the project managers.

2023

- The first Integrated Annual Report was published.
- CDP Water Security reporting was made for the first time.
- The Bank participated in the 2023 Bloomberg Gender Equality Index.
- Türkiye's first Sustainable/Green Deposit product was offered to customers.
- The Green Transformation Loan Program was launched to support customers' green transformation.
- In cooperation with WTECH, the Bank supported the "Leading 100s in Technology on the 100th Anniversary of the Republic" Project.
- Became a member of the Global Compact Signatories Association.
- Two Head Office Buildings (Kristal Tower and Ümraniye) received Energy Management System certification in accordance with TS EN ISO 50001 standard.
- The sustainability-related syndicated loan was renewed by 102% in June and 108% in November.
- The Gender Equality Guidebook, which includes 'Gender Equality Sensitive Banking Principles' and 'Action Plan' prepared in collaboration with Kadir Has University, was published.
- The Tiny Hands Big Dreams Education Scholarship worth TL 36 million was launched in cooperation with the Turkish Education Foundation and the Turkish Education Association to support the education of children affected by the earthquake.
- A loan agreement totaling USD 220 million was signed with EBRD, IFC, Proparco and EFSE to meet the financing needs of individuals and SMEs in earthquake-affected provinces.
- The Bank continued to support the Nature Pioneers Youth Program, a project implemented by WWF Türkiye and the Ministry of National Education, and hosted the Nature Pioneers National Youth Conference.

QNB Finansbank – 2023 Integrated Annual Report

Our Value Creation

Materiality Assessment

During the preparation of the 2023 Integrated Annual Report, the comprehensive materiality assessment carried out in 2022 was reviewed. Within this context, the Bank's strategies, stakeholder expectations, legal requirements, methodologies of UNEP FI Responsible Banking Principles, Banking Regulation and Supervision Agency (BDDK) Sustainable Banking Strategy Document, Turkish Banking Association (TBB) Sustainability Guide for the Banking Sector, SASB Standards, and various rating agencies have been analyzed. As a result of the study, it was decided that the current priority list reflected the Bank's strategies without any need for amendment.

Building Blocks, Basic Principles and Priorities

Four of the fifteen issues identified within the scope of the materiality analysis are called "Fundamentals of Sustainability". These issues are not prioritized because they are equally important fundamental elements that must be achieved under all circumstances in terms of sustainability for QNB Finansbank.

Material Topics

Very High Priority

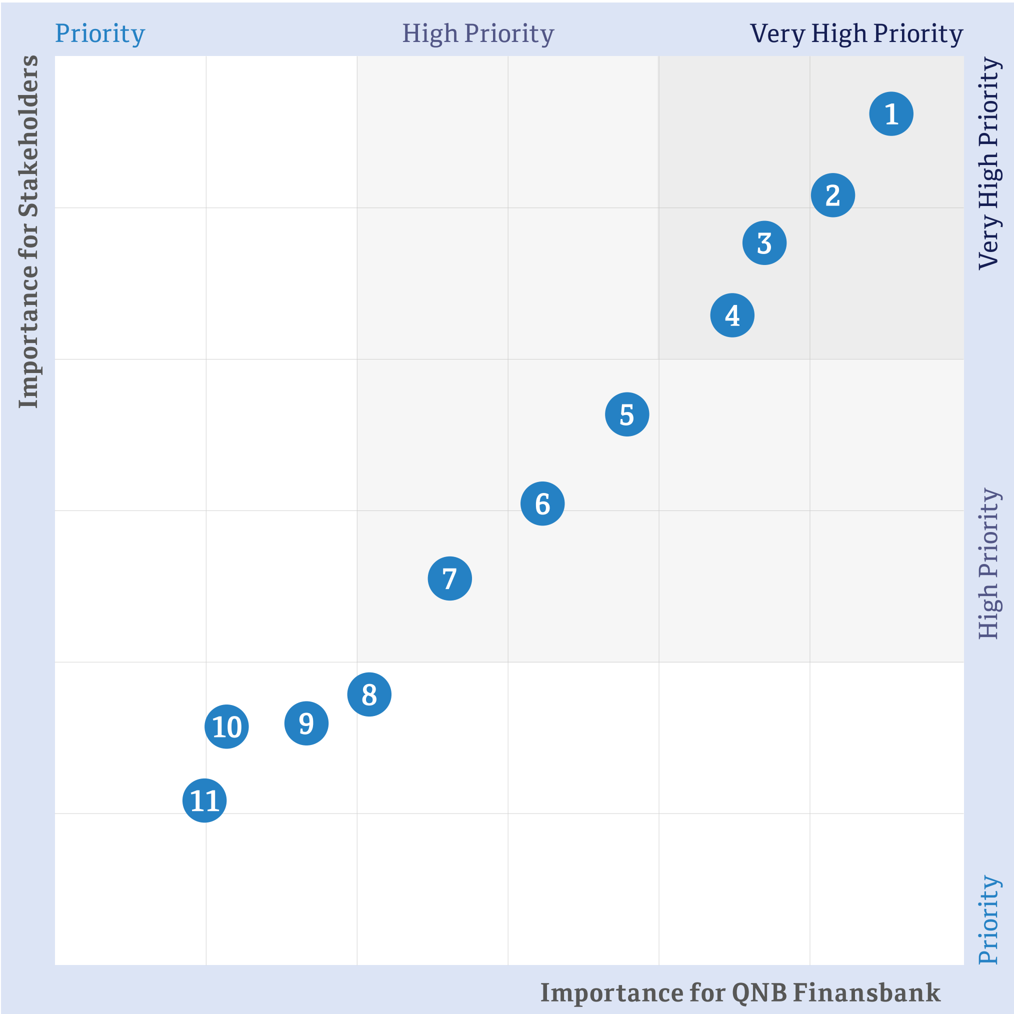
1. Customer Experience and Satisfaction
2. Talent Attraction, Employee Development and Engagement
3. Climate Change Mitigation and Adaption
4. Business Continuity

High Priority

5. Financial Inclusion and Financial Literacy
6. Digital Transformation and Innovation
7. Responsible Financing, Products, Services and Sustainable Investments on Intergating ESG Criteria

Priority

8. Equal Opportunity, Diversity and Gender Equality
9. Enviromental Impact of Operations
10. Social and Community Investment
11. Responsible Procurement and Supply Chain



Fundamentals:

- Corporate Governance and Risk Management
- Legal Compliance and Business Ethics
- Sustainable Financial Performance
- Cyber Security and Confidentiality of Customer Information

Material Topics, Sustainability Strategy, and SDGs

Strategic Focus	Material Topic	SDG	Related Capital Element	Related Reporting
Green Transformation	Responsible financing, products, services integrating ESG criteria	6 Clean Water and Sanitation, 7 Affordable and Clean Energy, 8 Decent Work and Economic Growth, 9 Industry, Innovation and Infrastructure, 11 Sustainable Cities and Communities, 12 Responsible Consumption and Production, 13 Climate Action, 14 Life Below Water, 15 Life on Land, 17 Partnerships for the Goals	Natural	CDP, EFR
	Reducing the impact of climate change, adapting to climate change		Financial, Natural, Intellectual	CDP, EFR, BM KIS
Responsible Transformation	Financial inclusion and literacy	1 No Poverty, 3 Good Health and Well-Being, 5 Gender Equality, 8 Decent Work and Economic Growth, 9 Industry, Innovation and Infrastructure, 10 Reduced Inequalities, 12 Responsible Consumption and Production, 17 Partnerships for the Goals	Financial	EFR, Bloomberg GEI
	Customer experience and satisfaction		Social	EFR
Operational Transformation	Environmental impact of operations	7 Affordable and Clean Energy, 8 Decent Work and Economic Growth, 9 Industry, Innovation and Infrastructure, 12 Responsible Consumption and Production, 13 Climate Action, 17 Partnerships for the Goals	Natural, Intellectual	CDP, EFR
	Business Continuity		Financial, Intellectual	EFR
	Digital transformation and innovation		Intellectual	EFR
	Responsible purchasing and supply chain		Social, Natural	EFR, BM KIS
Transformation of Finansçı	Talent acquisition, employee development, and commitment	4 Quality Education, 5 Gender Equality, 8 Decent Work and Economic Growth, 10 Reduced Inequalities, 17 Partnerships for the Goals	Intellectual, Humanitarian	EFR, Bloomberg GEI, BM KIS
	Equal opportunity, diversity and gender equality		Humanitarian, Social	EFR, Bloomberg GEI, BM KIS
	Social investment		Social	EFR, BM KIS

QNB Finansbank – 2023 Integrated Annual Report

Our Value Creation

Sustainability Governance

QNB Finansbank has a multi-layered and participatory management structure to ensure the integration of environmental, social, and governance (ESG) objectives into all its processes. The Bank's Sustainability Governance Framework is the main guide in the field of sustainability and is supported by relevant guides, procedures, and memberships in local and global sustainability initiatives.

> The highest unit responsible for the management of QNB Finansbank's sustainability issues is the Board of Directors.

The Sustainability Committee meets at least twice a year and creates a strategic roadmap of the Bank's sustainability activities. The Sustainability Committee is the decision-making body on all matters related to the Bank's sustainability performance. Every member of the Sustainability Committee evaluates climate and sustainability-related issues in their fields of expertise. The Sustainability Committee discusses the developments on global or national issues related to climate change and sustainability.

The Sustainability Committee reports important risks and opportunities that may affect the Bank to the Board of Directors through the Corporate Governance Committee. The Sustainability Committee reports to the Board of Directors and Corporate Governance Committee about the sustainability strategy and performance at least once a year. The Chief Risk Officer attends the Sustainability Committee meetings as an observer.

You can find detailed information about the Sustainability Committee under the Corporate Governance Section, Committees Operating Under the Board of Directors and Other Committees.

The competencies and expertise of QNB Finansbank Board Members meet the requirements of the Banking Law. In addition to the Banking Law, the environmental competencies of the members are also taken into account in the Board of Directors selection criteria. Sustainability-related responsibilities are included in the job descriptions and key performance indicators (KPI) of the CEO and C-level managers at the Bank. Annual incentives are applied depending on the realization of the relevant KPIs.

The Sustainability Management Team is responsible for the coordination of sustainability activities and Sustainability Working Groups, tracking performance against targets, and consolidation of sustainability data. The Sustainability Team evaluates activities in terms of sustainability objectives and carries out internal and external communication activities regarding sustainability issues.

Sustainability Working Groups create and execute sustainability-related projects according to their areas of expertise. Sustainability Working Groups are responsible for implementing the strategy determined by the Sustainability Committee and working with the Sustainability Management Team.

For more information about the sustainability management framework, please see QNB Finansbank Sustainability Policy.

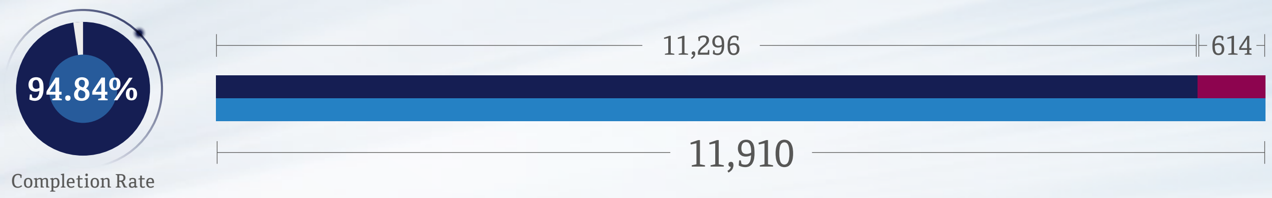
Our Value Creation

Sustainability Trainings*

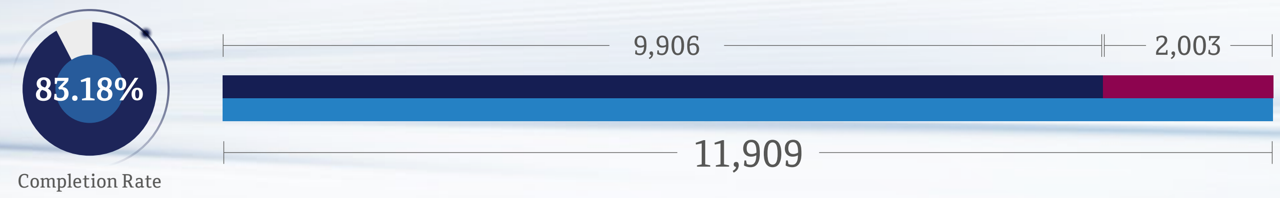
The main tool for integrating sustainability into business strategies and decision-making at QNB Finansbank is the trainings on sustainability and climate action assigned to employees and managers at all levels.

In 2023, the following trainings were assigned to all employees of the Bank (including subsidiary companies) via Finarmoni, an online training platform on sustainability and the environment within QNB Finansbank, in order to raise awareness.

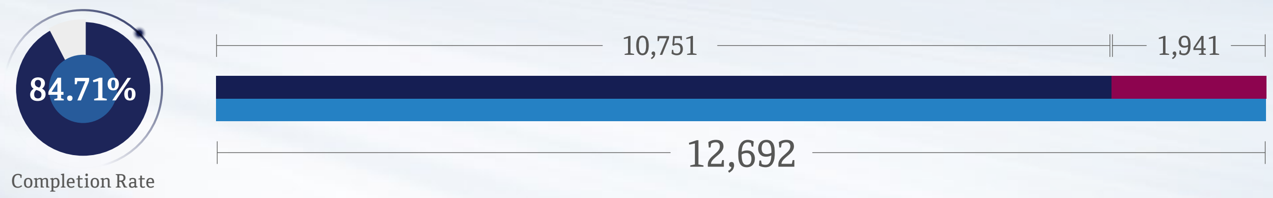
Zero Waste and Environmental Awareness Training



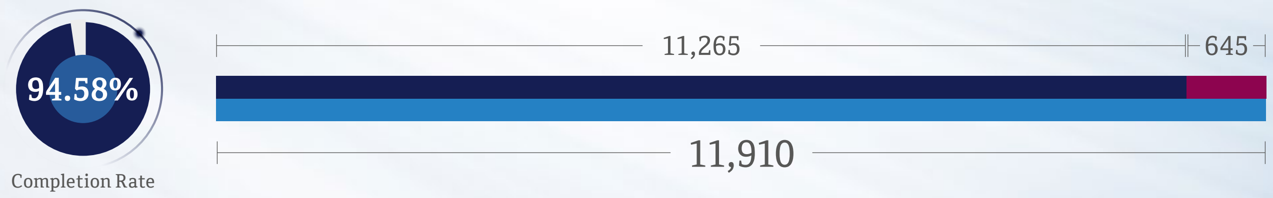
ISO 50001: 2018 Energy Management System Training



TBB Basic Sustainability Training



ISO 14001 Environmental Management System Training



Assigned to Training | Completing the Training | Incompleting the Training

* As of 31.12.2023

In addition, in order to support the certification processes of the Sustainability Team in 2023, guidance was provided to the following certification programs on an individual basis.

Nature Positive Masterclass Certificate Program
(bcsd Türkiye)

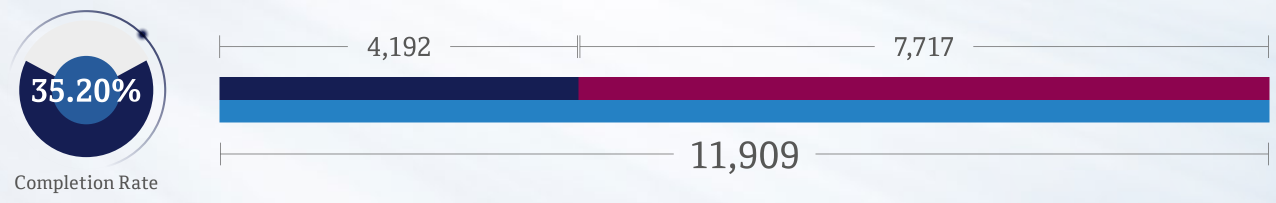
Green Transformation Training Program
(TCMA)

ESG Reporting Masterclass Training Program
(bcsd Türkiye)

In addition to e-trainings and certifications, a half-day Climate Finance Market training open to the participation of the entire Bank was organized within the scope of the 2023 Development Catalog.

The Bank also organized various training activities to raise awareness on gender equality issues. Gender Equality E-training was assigned to all employees via Finarmoni.

Gender Equality Training



Assigned to Training | Completing the Training | Incompleting the Training

In 2023, "Breaking Unconscious Bias" and "Preventing Harassment" trainings were assigned to all employees as mandatory training.

Our Value Creation

Stakeholder Engagement and Communication

At QNB Finansbank, many different methods and communication channels are used to establish open, honest and transparent communication with all stakeholders, and the opinions and feedback obtained are used as a valuable resource in shaping the Bank's strategies.

The Bank has created a dedicated sustainability page on its corporate website in order to share with the public the activities it carries out with the vision of "Becoming 1 with the World" within the scope of sustainability. This page transparently covers all the steps taken by the Bank in the field of sustainability, from responsible products and services to local and global collaborations, from corporate social responsibility projects to projects carried out jointly with its subsidiaries.

QNB Finansbank considers its social media accounts as an important communication tool and uses them actively. The Bank has nearly one million followers on LinkedIn, Facebook, Instagram, TikTok and X (Twitter) accounts. Social media account information can be found on the QNB Mobil homepage.

The Bank believes in the importance of collaborating with different stakeholders and therefore supports various initiatives. You can find more detailed information about the Bank's corporate memberships in the Corporate Memberships section of the report.

Key Stakeholder Groups

- Customers
- Employees
- Shareholders and Investors
- Public Institutions
- Civil Society Organizations
- International Financial Institutions
- Media
- Suppliers

Stakeholders	Customers	Employees	Shareholders and Investors	Public Institutions	NGOs	International Finance Institutions	Media	Suppliers
Why Is It Important for QNB Finansbank?	QNB Finansbank realizes its corporate strategy in line with our mission of achieving the highest level of customer satisfaction. The Bank provides the financing of the growth strategy with its diverse and broad customer base.	QNB Finansbank regards its human resources as its most valuable capital. The Bank contributes to sustainable development with its qualified labour force.	Shareholders and investors of QNB Finansbank provide financial strength to the Bank. The Bank creates a positive corporate reputation through mutual value creation understanding.	QNB Finansbank follows the new regulations and carries out its reporting in accordance with the laws and regulations. The Bank participates in conferences and shares information with public institutions.	"QNB Finansbank realizes its social investments and fulfils its social responsibilities in cooperation with the non-governmental organizations it supports.	International Financial Institutions, in order to ensure the sustainable growth of the Bank, offer comprehensive financing packages.	QNB Finansbank is in contact with many media institutions in order to transparently share developments with the public, to follow current developments and to receive information about other institutions and organizations in the sector.	QNB Finansbank implements practices that will ensure sustainable change through long-term supplier relationships.
Communication Channels	• Customer Solution Center Communication Channels • QNB Finansbank Corporate Website • Mobile and Online Banking Channels • Call Center • Corporate Social Media Accounts • Branches • Digital Bridge Customer Service Center • SME Banking Service (SME Cloud) • By Sales Support Representative calls	• Finansçı Internal Communication Platform • Employee Engagement Survey • Art1 Appreciation and Recognition System • Leap Employee Support Program • Ombudsman • Hotline (Inspection Board) • Training and Development Programs • Finclub Life Workshop Events • Finarmoni Education Portal	• Activities of the Investor Relations Unit • Integrated Annual Reports • Investor Meetings • Public Disclosure Platform (KAP) Notifications	• Audits • Regular Reporting Activities • Regular Meetings • Conferences	• Social Responsibility Projects • Sponsorships • "Volunteer Finansçı" Program • Annual Reports • Membership in Local and Global Initiatives	• Meetings • Presentations • Conferences and Trainings • Annual Reports	• QNB Finansbank Corporate Internet Site • Press Releases • Classifieds • Annual Reports • Corporate Social Responsibility Activities	• Meetings • Procurement Processes (Tenders, etc.) • Audits
Communication Frequency	Continuous	Continuous	Annual and Quarterly	As Needed	As Needed	Continuous	As Needed	As Needed
Needs and Expectations	• Quality Service and Satisfaction • Easy to Use Products and Services • Transparency and Accountability	• Professional Development • Justice and Equal Opportunity • Work-Life Balance	• Share Performance • Operational and Financial Performance • Strong Corporate Governance, Risk Management Structure • Successful Rating Results • Transparency and Public Disclosure	• Compliance with Applicable Legal Regulations • Strong Anti-Bribery and Corruption Precautions • Strong Risk Management and Governance Structure	• Positive contribution to the solution of the problems faced by society	• Transparency and Public Disclosure • Strong financial and corporate governance infrastructure	• Transparency, accountability and public disclosure • Identification of financial, environmental and social risks and opportunities • Making a positive contribution to society	• Fair and Transparent Tender Process • New Business Opportunities
QNB Finansbank's Response	In line with its mission, QNB Finansbank is committed to ensuring that its stakeholders by understanding their needs and providing the right solutions and to create the highest level of customer satisfaction. To this end, the Bank aims to offer the best customer experience through all channels. The Bank offers different products and services to customers and meets with them through online channels, mobile applications, face-to-face banking services and various meetings."	QNB Finansbank carefully selects its employees and invests in their professional and personal development. Various trainings are organized to enhance employee development by increasing their technical and management knowledge and skills. The Bank attaches importance to employee satisfaction, communicates with employees through various channels and receives their opinions.	The Company considers providing information to shareholders as its fundamental responsibility. Shareholders' requests for information are directed to the Investment Relations Department as quickly as possible and Public Disclosure Platform and the corporate website are actively used for the necessary information. Ordinary General Assembly Meetings are held regularly	QNB Finansbank carries out all its reporting and activities with a legal compliance perspective.	QNB Finansbank carries out joint projects with many non-governmental organizations to create social value.	QNB Finansbank strives to fulfil the environmental and social performance criteria of its stakeholders. The Bank fulfils its responsibilities and makes regular reports to explain the relevant procedure.	QNB Finansbank makes corporate disclosures quickly and reliably through various media channels.	QNB Finansbank establishes long-term relationships with its suppliers equivalent to its corporate ethical values.
Related Capital	Financial Capital, Social-relational Capital, Intellectual Capital, Manufactured Capital, Natural Capital	Human Capital	Financial Capital	Financial Capital, Social-Relational Capital	Social-relational Capital, Intellectual Capital, Natural Capital	Financial Capital, Social-relational Capital, Intellectual Capital	Social-relational Capital	Social-relational Capital, Financial Capital

Our Value Creation

Initiatives Supported in the Field of Sustainability

QNB Finansbank attaches importance to developing collaborations with national and international initiatives that will carry its sustainability performance to higher levels. The Bank supports national and international initiatives and increases the number of its voluntary commitments in the field of sustainability every day.

United Nations Sustainable Development Goals

The Sustainable Development Goals (SDGs) are a global call to action consisting of 17 goals that the United Nations (UN) set in 2015 and aims to achieve worldwide by 2030. Aiming to be an important solution partner for global problems, QNB Finansbank matches the outputs of its activities with the UN SDGs and demonstrates the value it creates for its stakeholders.

United Nations Global Compact

The United Nations Global Compact (UNGC) is the world's largest corporate sustainability initiative consisting of ten core principles on human rights, labour standards, environment and anti-corruption. By joining the UNGC in 2019, QNB Finansbank committed to making these ten principles a part of its strategy, culture and daily activities. In 2020, the Bank once again showed its support for the United Nations by signing the CEO Declaration for Renewed Global Cooperation, commemorating the 75th anniversary of the founding of the United Nations. QNB Finansbank also became a member of the Global Compact Signatories Association, which was established in May 2023 to carry out UNGC activities in Türkiye.

Carbon Disclosure Project

The Carbon Disclosure Project (CDP), the world's most widely participated environmental reporting platform, provides up-to-date information on companies' performance in reducing their climate impact. QNB Finansbank has been transparently sharing its environmental targets and performance with its stakeholders under the CDP Climate Change Programme since 2021. In 2023, the Bank increased its CDP Climate Change Programme score and was included in the Global A List. The Bank started CDP Water Security Programme reporting for the first time in 2023 in order to announce its actions regarding water use and management of its impact on water resources, and its reporting score was "A-" Leadership level.

United Nations Women's Empowerment Principles

The Women's Empowerment Principles (WEPs) is an initiative that provides guidance to achieve gender equality in the economy and support women's empowerment in society. As a signatory of the WEPs in 2021, QNB Finansbank has made a commitment to comply with 7 principles to create practices that will ensure gender equality.

Bloomberg Gender Equality Index

The Bloomberg Gender Equality Index (GEI) is one of the most comprehensive methodologies in the world to measure the performance of companies committed to gender equality. QNB Finansbank was included in the 2023 Bloomberg GEI by reporting its data on gender equality.

Business Council for Sustainable Development

Business Council for Sustainable Development (BCSD Türkiye) works with Türkiye's leading companies in sustainability within the framework of the UN Sustainable Development Goals to increase the awareness and impact of the business world on sustainable development. QNB Finansbank became a member of BCSD Türkiye in 2022.

The Global Reporting Initiative

The Global Reporting Initiative (GRI) is an international organisation established to provide a global common language in sustainability reporting and to enable organisations to report their sustainability impacts. QNB Finansbank has been reporting its sustainability performance in accordance with GRI Sustainability Reporting Standards since 2018.

Our Value Creation

Highlights of 2023

Green Transformation

"Global A List"
CDP Climate Change Program score

"A-" Leadership Level
CDP Water Security Program score

Green Transformation Loan Program
Support for green transformation in carbon-intensive sectors

Sustainable/Green Deposits
Türkiye's first sustainability-focused deposit product

Carbon Platform Project
Implementation of the platform in partnership with TOBB and Captanomy

Sustainable Finance and Product Framework
Extending the scope of the framework in accordance with international standards

USD 860 million
Sustainability-related syndicated loan amount

100%
Share of renewable energy projects in the total portfolio of energy projects

USD 368 million
Amount of project finance loans provided to the renewable energy sector

USD 1,205 million
Green and Social loan portfolio in line with the Sustainable Finance and Product Framework

Operational Transformation

2.3 billion
Number of transactions made through digital channels

5.9 million
Number of individual digital customers

6.1 million
Number of mobile banking customers

400 Branches
Transition to zero waste implementation

ISO 50001 Energy Management System Certificate
2 Certification for the Head Office building

Zero Scope 2 Emissions
100% use of renewable energy sources in electricity consumption

Environmentally Friendly Approach with QNB Wallet and MonoKart Cooperation
Preference for recycled plastics, neutralising and offsetting post-processing carbon footprint

IsrafVar Project
Preventing waste in Bank operations with employee participation

86%
Transition to drinking water treatment system in branches

Responsible Transformation

USD 220 million
IFC, EBRD, EFSE, Proparco to be lent to earthquake-affected individuals and organisations loan agreement

4 International Awards
4 prestigious international awards for Digital Bridge

20 Digital Solutions
Digital solutions for SMEs with Digital Bridge Platform

Digital Bridge Academy
Support for digitalisation, sustainability and financial literacy of companies

Renewed Sustainability Website
Inclusive and transparent stakeholder communication with the vision of "Becoming 1 wtih the World"

Transformation of Finansçı

11,747
Number of employees

14,059
Number of employees including subsidiaries

59%
Ratio of female employees

23.5%
Ratio of female managers

27%
Ratio of female employees on the Board of Directors

Participation in Bloomberg Gender Equality Index
International success with gender equality performance

Gender Equality Guidelines and Commitments
Leading the sector with internal targets and social awareness

One with the Society

700,000 children
Reaching 700,000 children with 4,000 volunteer finansçı (financier) and 80 projects with the Tiny Hands Big Dreams Platform

11th International Best in Biz Awards "Grand Prize"
Significant success in the corporate social responsibility category of the Tiny Hands Big Dreams Platform

Support for the Resumption of Education in 100 Schools in the Earthquake Region
Supporting education with a donation of TL 10 million to the earthquake region in cooperation with UNICEF and MoNE

Support for the Education of 350 Children in the Earthquake Region
TL 36 million scholarship opportunity with the cooperation of TEV and TED

Psychosocial Support for 1,750 Children
Social and emotional-based post-disaster activities in cooperation with TEGV

Establishment of "+1 Academy for the Future" in the Earthquake Region
Türkiye Down Syndrome Association cooperation

Scholarship Opportunity for 45 Medical Students in the Earthquake Region
Support to education for 2 years in cooperation with the Association of Women Physicians

Climate Awareness for 10,000 Children
Climate education for 1,000 teachers and 10,000 children through the Nature Pioneers Youth Programme in cooperation with WWF and MoNE

Support for "Leading 100s in Technology on the 100th Anniversary of the Republic" Project
Bringing women engineers into business life in cooperation with WTECH

Young Energy Meetings with 600+ Student Participation
Raising awareness on sustainability and gender equality

Climate Crisis and Environmental Problems Focused "Breaking Point: You Write the End of the Story" Exhibition
Artkolik Art Platform and the exhibition meeting with art lovers at Kristal Tower

QNB Finansbank – 2023 Integrated Annual Report

Becoming 1 with the World Banking

“QNB Finansbank provides banking services at international standards by adopting strategies focused on combating climate change and inclusive economic growth.”

In this Section:

Green Transformation
Responsible Transformation

SDG's

3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

Green Transformation

Material Topics

Reducing the Impact of Climate Change, Adapting to Climate Change

Responsible Financing, Products, Services, and Investment Integrating ESG Criteria

Related Capital Elements

Natural Capital

Financial Capital

Relevant SDGs

7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Opportunities

- New business opportunities in financing the transition to a low-carbon economy
- Offering consultancy services that promote green transformation
- Increased innovation capacity to develop products and services suitable for the transformation economy
- Positive contribution of the increase in green products and services to the Bank's brand perception
- Benefits of creating a dynamic work environment through developing products and services aligned with the transition economy for employee satisfaction

Risks

- Physical losses and damages that climate change may create to operations
- Market losses due to slow climate adaptation activities
- Third-party risks arising from corporate customers falling behind in climate adaptation processes
- Insufficient human resources with a good understanding of the dynamics of the transformation economy
- Penalties that may be imposed due to non-compliance

QNB Finansbank, with the awareness of the impact of climate change, supports Green Transformation by partnering with its customers on their transformation journey. With this understanding, the Bank aims to both minimize the impact of emissions from its portfolio on the environment and manage climate-related risks with a proactive approach by developing products and services in line with the transformation economy. Within the scope of the management of climate-related risks, the Bank invests in the development of climate risk assessment management in order to understand the financial impacts of potential climate risks and to reflect these risks to lending practices. In addition, climate-related opportunities arising from the transition to a transformation economy are utilized by developing green products and services.

Targets

Realized | Ongoing | Not realized

2023 Targets	Realization Status	Targets for 2024 and Beyond
Aligning the Bank's climate strategy with Türkiye's 2053 target, establishing a comprehensive stress testing framework to measure the financial impacts of climate-related risks, establishing a transition risk model in this context, measuring physical risks associated with climate change	Realized	Developing strategies to measure and manage the Bank's climate change risks; Continuing the annual measurement of transition risks and physical risks related to climate change
Conducting CDP Climate Change and Water Security Reporting	Realized	Maintaining the current target
Conducting the Task Force on Climate-related Financial Disclosures (TCFD) reporting for 2024	Ongoing	2024 Preparation of the Integrated Annual Report according to Turkish Sustainability Reporting Standards, including TCFD reporting
Not providing financing for new coal power plants and new coal mine investments	Realized	Expansion of the Exclusion List
Raising customer awareness of the Carbon Border Adjustment Mechanism, contributing to the climate transformation of these companies by offering green products and services	Realized Green Transformation Loan Program was launched.	Maintaining the current target

Performance indicators related to priority issues are given in the Annexes - Key Performance Indicators page.

Green Transformation

Climate Change Adaptation Roadmap

The financial sector plays a crucial role in climate action and accelerates the transition to a low-carbon economy by channeling the leverage on capital into sustainable projects and green technologies. Financial institutions play important roles in assessing and managing climate-related risks, contributing to policies that support sustainability, and encouraging innovation by financing research and development of environmentally friendly technologies. Financial institutions promote transparency through the environmental reporting they require from their customers and create specialized financial instruments such as green bonds to channel investments into environmentally beneficial initiatives. Increasing the knowledge of consumers and businesses, offering “green” products and services, and encouraging sustainable behaviors further increase the impact of the industry and shape the economy towards a more sustainable future.

QNB Finansbank believes in the power of a shared mentality and action in combating climate change and the important role financial institutions play in driving sustainable change. The Bank's commitment to combating climate change is the cornerstone of its vision for a sustainable future. With a focus on sustainability, innovation, and global impact, the Bank's climate strategy is a comprehensive approach to reducing environmental risks, promoting green finance, and supporting inclusive growth. With collaborative partnerships, pioneering initiatives, and a commitment to sustainability-focused practices, QNB Finansbank is at the forefront of practices that shape a more sustainable world for future generations.

QNB Finansbank's climate transformation strategy is based on a double-materiality approach and focuses on the environmental impact of the Bank's portfolio and operations.

Climate-related issues at QNB Finansbank are brought to the agenda of the Board of Directors by the Sustainability Committee and the Board of Directors Risk Committee. The Sustainability Committee holds regular meetings to manage and oversee ESG strategies and policies. The Bank's risk management activities are being carried out by the Risk Management Unit, which reports to the Board of Directors Risk Committee and the Board of Directors. Financial and non-financial risks are reported to the Board Risk Committee and the Board of Directors at least once a month. In conjunction with the activities of the Sustainability and Risk Committees, significant decisions related to climate-related risks, strategies, key action plans, risk management policies, business plans, and financial planning are included in the agenda of the Board of Directors for review and guidance.

QNB Finansbank works to reduce the carbon footprint of its operations and the activities it finances and sets its long-term targets in line with Türkiye's 2053 Net Zero targets.

The Bank invests in the development of climate risk assessment tools and management to evaluate the exposure of its portfolio to climate-related risks. These tools are important for understanding the potential financial impacts of climate change and reflecting these risks in lending practices. To this end, the Bank has conducted a risk study on climate risks and opportunities, taking into account global developments and industry analysis. It is planned that this study will be more comprehensive in the coming period.

Renewable energy investments are one of the important tools in the transition to a low-carbon economy. Therefore, it is important to support investments in this field in order to expand the use of energy from renewable energy sources. As one of the financial institutions supporting renewable energy investments in Türkiye, as of the end of 2023, QNB Finansbank provided USD 368 million in project finance loans to the renewable energy sector. In this way, the Bank played an important role in ensuring the expansion and development of clean energy infrastructure, reducing dependence on fossil fuels, and limiting greenhouse gas emissions in the economy.

QNB Finansbank is on CDP Global A List!

QNB Finansbank demonstrates its performance in fighting climate change through the Carbon Disclosure Project (CDP) Climate Change Program as well. The Bank increased its score in the 2023 CDP Climate Change Program and became one of the 346 companies on the Global A List among 23,202 companies reporting on sustainability and the environment. In addition, with its first reporting under the 2023 CDP Water Security Program, the Bank received an "A-" Leadership level score, presenting its performance and sensitivity in protecting water resources to all stakeholders.

Integrating an environmental and social risk assessment system with QNB Finansbank’s lending processes strengthens the assessment processes of the environmental impact and sustainability performance of businesses seeking loans and reduces climate-related risks by promoting responsible and environmentally conscious practices.

You can find detailed information about ESG integration with the lending processes in the Environmental and Social Risk Management System Section of the report.

QNB Finansbank develops projects and practices to reduce the environmental impacts of its operations as well as emissions from its banking portfolio. Water and energy are being used efficiently, and recycling is being encouraged in branches and offices. All electricity consumed in the operation buildings is generated from renewable sources. QNB Finansbank acts in line with Türkiye's “2053 Net Zero” target. The Bank encourages its suppliers to adopt environmentally friendly practices, promoting circular economy principles.

You can find detailed information about the Bank's climate-friendly activities in the Environmental Impacts of Operations Section of the report.

QNB Finansbank helps the country adapt to climate change and become climate resilient by providing climate-related financial products, supporting sustainability supply chains, and investing in climate-resilient infrastructure. As a major player in the Turkish financial sector, the Bank acts responsibly in shaping a sustainable and climate-resilient future.

Management of Climate Risks

QNB Finansbank relies on scenario analysis and stress testing tools to navigate uncertainties of future under global climate change considerations. Rather than providing precise forecasts, the main goal of these studies is to test resilience of Bank’s business strategies and financial performance and identify vulnerabilities under hypothetical scenarios. These scenarios address different severity levels of climate-related risks, including transition and physical risks.

Bank reported results of its first climate risk stress test in the scope of the Internal Capital Adequacy Assessment Process (ICAAP) report prepared as of 2022 YE. During 2023, climate risk stress testing framework is improved with the ‘Climate Risk’ Project carried out in Coordination with QNB Group. Upon the completion of the project in first quarter of 2024, a roadmap for the management of climate-related risks will be determined where the sustainability strategy and risk management perspective overlap.

QNB Finansbank mainly relies on Network for Greening Financial System (NGFS) scenarios for climate change related studies. NGFS is a group of Central Banks and Supervisors committed to promote best practices and contribute to the development of climate and environment related risk management in the financial sector.

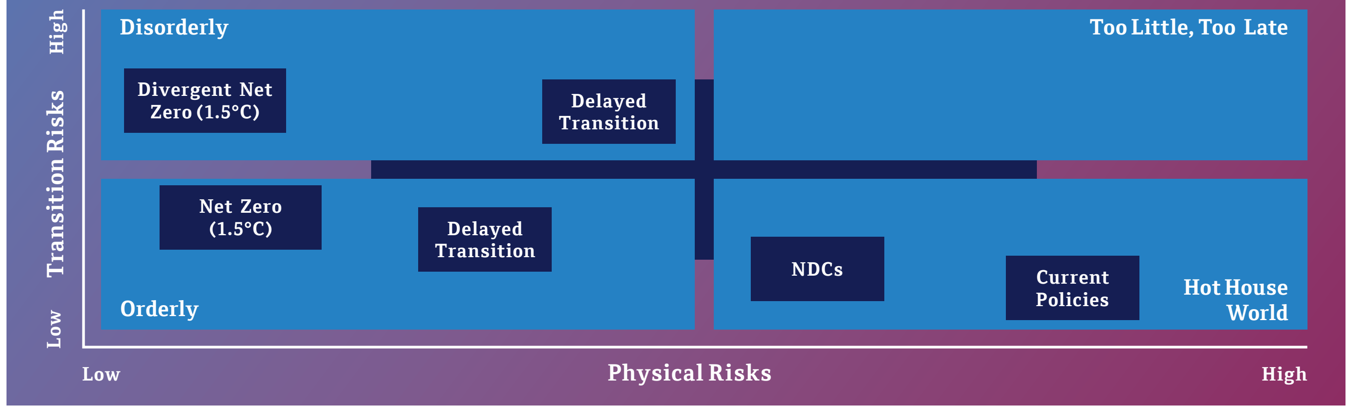
The NGFS Scenarios have been developed to provide a common starting point for analyzing climate risks to the economy and financial system. These scenarios serve to detect potential risks associated with climate change and provide a range of plausible outcomes rather than precise forecasts.

For transition risk stress testing purposes QNB Finansbank adapts three NGFS scenarios:

1. **Orderly Transition:** Global climate policies are introduced early and become gradually more stringent to limit the temperature increase to 1.5-2 degrees.
2. **Disorderly Transition:** There are delays in the implementation of climate policies and a holistic transition cannot be achieved timely due to divergent practices between countries/sectors.
3. **Hot House World:** Due to insufficient global efforts regarding climate change, temperature increase will be above 2.5 degrees, and some regions and industries may experience significant environmental and physical impacts.

The scenarios provide insights for short-, medium- and long-term future covering the period between 2023-2050.

NGFS Scenarios Framework



QNB Finansbank – 2023 Integrated Annual Report

Green Transformation

Management of Climate Risks

QNB Finansbank's transition risk study covers business loans portfolio excluding micro-loans. Impact analyses are being carried out on how the balance sheets and debt repayment capabilities of the companies included in the Bank's loan portfolio will change under the assumptions of above-described climate scenarios. In line with the emission reduction targets of the European Union region, efforts are continued through comparative estimates determined at industrial level, such as carbon taxes and green investment rates to which companies are expected to be exposed. Initial emission values on an industrial basis are obtained from the Global Trade Analysis Project (GTAP) data set.

As a result of the study, the impacts of transition risks on the business loans portfolio are quantified in terms of the change in firms' default probabilities and expected credit losses in the short/medium and long term.

QNB Finansbank conducts additional analysis on its credit portfolio to assess the physical risks associated with extreme weather events. Bank identifies main industries that are sensitive to the physical risks due to the nature of business and supply chain constraints. Geographical location is also taken into account as an additional layer while assessing borrowers' level of exposure to the physical risks.

Upon establishment of the heat map associated with industry and geographical location, a firm specific financial analysis is performed. Supported by their financial strength, some of the firms are assumed to be able to find alternative solutions or direct their resources to other kinds of investments and continue to generate income and therefore are not going to face significant difficulties in repaying their debts. For other firms, stage deterioration is assumed and ECL impact is estimated accordingly.

Greenhouse gas (GHG) emission levels of the loan portfolio financed by QNB Finansbank are calculated annually. The results, which are grouped and reported in areas such as asset classes and industries, provide an important insight in shaping the Bank's climate risk policies as part of the Bank's transition plan to a low carbon economy. Within the framework of the "Climate Risk" project launched in the second half of 2023, the Bank continues to improve the processes for calculating GHG emissions classified under Scope 3 Article 15.

QNB Finansbank relies on internationally accepted Partnership for Carbon Accounting and Financials (PCAF) methodology for portfolio emissions calculations. PCAF enables FIs worldwide to consistently measure and disclose the greenhouse gas (GHG) emissions of their financial activities. It provides detailed methodological guidance to measure and disclose GHG emissions associated with different asset classes.

Based on the PCAF methodology, the Bank considers the following asset classes when measuring the emissions of its portfolio:

- Corporate loans excluding micro customers (including factoring and financial leasing risks)
- Sovereign Debt
- Real Estates Collateralized for Mortgage Loans
- Project Finance Loans

Motor Vehicles are excluded from calculations due to very limited portfolio size,

Across all asset classes calculation methodology relies on driving an attribution factor to estimate the contribution percentage of QNB Finansbank to borrowers' overall emissions.

Depending on the level of disclosure of the firms, different measurement approaches are applied. For firms which do not disclose their emission information, emission levels are estimated using average sectoral coefficients per unit revenue generated. Reported emissions data, when available, are preferred to estimated data.

Based on the methodology and assumptions described above, as 2023 year end, Scope 3 category 15 emissions for QNB Finansbank are estimated around 11.4 million tons.

The impacts of climate-related risk factors on the Bank's liquidity position are analyzed annually within the scope of the Internal Liquidity Adequacy Assessment Process (ILAAP).

QNB Finansbank aims continued efforts to enhance its climate related tasks and services. Bank consistently keeps track of regulatory developments and participate in mandatory submissions as required.

Management of Biodiversity and Forest Risks

QNB Finansbank considers the impacts of investment projects on biodiversity and integrates these impacts into its decision-making processes. The Bank evaluates project finance loans in accordance with the Environmental and Social Risk Assessment in Loans Policy. The management of risks related to biodiversity is defined at both the Board and executive levels.

QNB Finansbank's Environmental and Social Risk Management Policy and the related Environmental and Social Risk Assessment Model include questions on biodiversity. In the model, it is questioned whether the company has identified and assessed its impacts on biodiversity, whether it operates in legally declared protected areas, and whether the company considers similar biodiversity impacts in its supply chain.

Attention is paid to impacts on birds and bats in wind power plants, impacts on birds, bats, and reptiles in solar power plants, and impacts on fish in hydroelectric power plants. Attention is paid to discharge standards if there is any discharge to an aquatic habitat due to the project and to noise emission levels if there is a facility close to a natural habitat. If the project is close to migration routes and/or protected areas, an Ornithological Assessment Report or Flora & Fauna Assessment and Monitoring studies are requested.

In addition, QNB Finansbank implements QNB Group's Sustainable Finance and Product Framework. The Sustainable Finance and Product Framework defines key performance indicators (KPIs) for financed industries. For example, renewable energy from biomass is only credited if the biomass source is certified, while investments involving biomass sources located in high biodiversity areas, depleting terrestrial carbon sinks, or competing with food production are excluded from lending. The framework considers forest, forestry, and fisheries financings as green bonds only if they are covered by the Forest Stewardship Council (FCS), Program for the Endorsement of Forest Certification (PEFC), and/or if they have Marine Stewardship Council (MSC) or Aquaculture Stewardship Council (ASC) Certifications.

Management of Water Risks

> Conservation of water, which is a diminishing resource all over the world, is among the priorities of QNB Finansbank as well.

For projects of USD 10 million or more, Environmental Impact Assessment (EIA) reports are requested for investments within the Environmental and Social Risk Assessment (ESRA) Model. The EIA report includes information on water consumption, well water use, wastewater treatment methods, and discharge limits, and environmental and social risk experts check performance in this area. For projects that are assessed under ESRA and where the EIA report does not contain sufficient information on water security issues, additional questions are asked to the project owner. If the project is located in a region with high water scarcity and there is water consumption within the scope of project activities, the use of well water is also questioned. In case the actions taken by the customer on water safety are found to be insufficient, an Environmental and Social Action Plan (ESAP) is prepared depending on the risk category of the project, and new preventive/mitigating actions are determined.

Within the scope of the study, which evaluates the effects of climate change-related physical risks on the loan portfolio, the risks of customers in the agriculture, energy, industry, animal husbandry, forestry and fisheries sectors are particularly taken into account in terms of water risks.

Coal-fired power plants put pressure on water resources due to their intensive water consumption. QNB Finansbank has aimed to reduce the pressure on water resources with its decision not to finance new coal power plants and new coal mines.

Green Transformation

Environmental and Social Risk Management System

QNB Finansbank carries out its lending activities in accordance with the risk management system established to take into account the environmental and social risk assessments of projects.

The scope and practices of the Environmental and Social Management System, established in 2019 in accordance with international standards, are reviewed every year and updated in line with needs. Within this scope, the implementation of environmental and social risk assessment and supporting procedures in lending processes is systemized and thus strengthened.

All loan applications submitted to QNB Finansbank are checked against the Bank's Exclusion List.

Exclusion List

All of QNB Finansbank's loans are evaluated within the framework of the Exclusion List found in the Bank's Environmental and Social Risk Management Policy. Investments involving human rights violations, child labor, forced labor, unconventional weapons production, or the production or trade of products prohibited by international agreements and ozone-depleting substances are among the activities listed on the Exclusion List.

In 2022, the Bank expanded the scope of its Exclusion List by adding “new coal power plants” and “new coal investment projects”.

QNB Finansbank's “Exclusion List” can be found in the Environmental and Social Risk Management Policy on its website.

In climate-related risk assessments, the Bank aims to ensure full compliance with existing regulations and policies and to adapt quickly to new regulations and policy changes. In the management of direct and indirect risks, existing national and international regulations and the latest recommendations of reputable scientific sources are taken into account.

QNB Finansbank uses the ESRA Model to assess the environmental, social, and reputational risks of its customers. The ESRA Model, which is applied to project loans of USD 10 million and above with a maturity of 2 years or more, has been designed as per the International Finance Corporation (IFC) Performance Standards. Within the scope of ESRA, the social impacts of projects are also assessed.

In the system, project investments are assessed with different criteria such as the use of natural resources, greenhouse gas emissions, biodiversity, waste management, air, soil, and water quality, water scarcity, noise emission, dust, occupational health and safety, working conditions, community health and safety, and stakeholder engagement. These assessments are carried out by taking into account national legislation and international best practices.

According to the results of the assessment, investment projects are classified into four risk level categories: high (Category A), medium-high (Category B+), medium (Category B-) and low (Category C). The Bank engages in discussions with customers on the environmental and social risks associated with their operations or projects, highlighting any special considerations that may require additional analysis or review.

If there is a risk that local communities may be affected by the project, the Bank checks the road map determined by investors based on the subject, identified mitigation measures, actions taken to compensate for damages, and whether a mechanism is in place to address local people's complaints and requests. Public participation/information meetings are expected to be organized. The details of the public participation/information meetings held within the scope of the EIA, such as the duration of the announcement, announcement note, announcement methods, participant list, whether the participants are from the local community, requests, complaints, and questions of the local community, investor responses, and resolution processes of complaints, are examined. The existence of any resistance by the local people in relation to the project is examined; if any, the reasons are investigated, the investor's approach to the issue is learned, and investors are informed about the necessary actions to be taken.

If the project involves the resettlement of local people, this moves the project risk category to Category A. An International Independent Environmental and Social Consultant is engaged for projects categorized as Category A. In this case, the Independent Consultant first prepares an Environmental and Social Due Diligence Report, an Environmental and Social Action Plan, and field monitoring studies. In addition, if further management plans are required due to the subject of the investment, they are prepared separately.

In 2023, 18.24% of QNB Finansbank's total corporate loan portfolio consisted of loans subject to the ESRA Model. In 2023, 17 projects were subjected to the ESRA Model. The project financing of 10 of these projects was accepted, and 3 were rejected. Four projects are still in the committee process.

A total loan amount of USD 335.2 million was approved for these investment projects. In 2023, 17.65% of the projects subject to the Model were in Category A, 35.29% in Category B+, and 47.06% in Category B-. There were no projects in Category C in 2023. As of the end of 2023, the risk categorization and sectoral distribution table of the projects subject to the ESRA Model is as follows:

Risk Category	Number of Projects Implemented Using the Environmental and Social Risk Assessment Model	Distribution (%)
Total A	3	17.65
Total B+	6	35.29
Total B-	8	47.06
Total C	0	0

Sectors	Sectoral Distribution of Projects Implemented Using Environmental and Social Risk Assessment Model is Applied	Breakdown of Loan Amounts (USD)
Energy	3	38,037,217
Production	7	490,372,345
Infrastructure	5	73,394,160
Tourism	2	41,007,750

The number of projects subjected to Environmental and Social Risk Assessment since the establishment of the ESRA Model is 121.

Regular site visits are conducted to monitor the environmental and social impacts and observe the work carried out to decrease mitigation measures. In 2023, 8 site visits were made.

In 2023, among the loan applications received by the Bank, none of the projects were declined due to non-compliance with the Environmental and Social Risk Management Policy.

QNB Finansbank considers operational risks as well as financial risks in environmental and social risk management. The possible financial values of operational risks have been disclosed in QNB Finansbank's Operational Risk Management Policy. Within the scope of risk assessments, a maximum impact score is given for financial impacts above TL 3 million, and action plans are activated as the final risk score for medium-level risks. In addition, serious losses above TL 4 million and TL 40 million are reported to QNB Group Operational Risk Management and Group Risk Management Committee. QNB Finansbank directs business units to take action for operational risk events with a financial impact of more than TL 100 thousand. Risks with a financial impact above TL 4 million are categorized as having a significant financial impact on the Bank. Operational risks and control actions are determined in accordance with the Policy criteria.

Stress scenarios created within the scope of Basel Loss Event Categories are used for operational risk capital requirement calculations. Two stress scenarios were created in the “Loss of Physical Assets” category. The first scenario is a study related to the Istanbul earthquake. The Istanbul earthquake is recognized as the greatest risk threatening the Bank's assets. In this scenario, the impact of the Istanbul earthquake on the Bank's assets is evaluated by considering only the losses due to physical damages. Assuming that the buildings owned by the Bank will be damaged after the earthquake, amounts related to the reconstruction and interior decoration of the buildings are included in the stress scenario. The second study is a stress scenario based on fire, flood, and social events. In this study, an analysis was made by taking into account that even if not all of the Head Office buildings were burned, certain parts may be damaged, and the interior decoration and infrastructure systems would have to be redone. Within this scope, the flood disasters in particular that have increased in recent years were taken into consideration.

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Green Transformation

Products and Services Supporting the Transformation Economy

Financing the transition economy is the most fundamental way for QNB Group to support national and global sustainable development goals. Sustainable financing also enables the Bank to reduce the reputational risk of its portfolio and maximize climate-related opportunities arising from the transition to a greener, more inclusive economy. In this field, the Bank collaborates with international institutions, finances renewable energy, and develops a wide range of innovative products.

Sustainable Finance and Product Framework

QNB Group established a Sustainable Finance and Product Framework (SFPF) for the processes that determine climate-related financing. The SFPF was prepared to identify financing and loans eligible to be financed with proceeds from Green, Social or Sustainability Bonds issued by QNB. It sets out the Bank's classification approach and methodology for labeling any product, service, or transaction that aims to have a positive impact on society and the environment as sustainable or transition finance. The SFPF includes appropriately qualified themes, categories, activities, and criteria aligned with international standards and taxonomies.

The framework complies with the International Capital Markets Association (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) categories, the Climate Bonds Initiative (CBI) taxonomy, and/or the EU taxonomy. The framework also includes information on Green Funds (UoP) eligibility criteria, reporting of estimated annual emissions reduced and/or avoided, annual energy consumption, and project energy savings. As of 2023, 12.35% of QNB Finansbank's corporate and commercial loans are categorized in accordance with the sustainability criteria set out in QNB Group's Sustainable Finance and Product Framework.

As of year-end 2023, 39% of project loans of USD 10 million and above and 2-year maturity and above met the requirements of the Sustainable Development Goals (SDGs). In line with QNB Group's Sustainable Finance and Product Framework, this list includes renewable energy projects (7.21%), energy efficiency (3.6%), green building projects (42.4%), clean transport projects (23.07%) and hospital projects (23.72%).

Sustainable Finance and Product Framework 2023

International Collaborations

Recognizing the responsibility of the banking and finance sector in the transition to a green economy, QNB Finansbank contributes to accelerating the transition to sustainable business models by providing the external financing resources needed by the real sector. In this respect, the May and November syndication agreements renewed in 2023 were realized in line with sustainability targets. The total amount of these two syndicated loans is USD 860 million, which is being used to finance foreign trade to support the real sector and sustainable development. The sustainability performance criteria used in these loans were determined in parallel with the Bank's prioritized sustainability goals, especially the provision of loans to the earthquake region within the scope of earthquake disaster support due to the earthquake that deeply affected Türkiye in February 2023 and the improvement of the gender pay gap as stated in the QNB Finansbank Gender Equality Guide.

With the motivation to develop sustainable funding collaborations in various fields, it also contributed to the financing of sustainable product imports in the field of foreign trade.

In 2022, QNB Finansbank became the first bank to receive Capital Markets Board (CMB) approval for Green and Sustainable loan issuance eligibility under the Medium-Term Notes (MTN) Program. The Bank issued a 3-year, USD 50 million green bond from the European Bank for Reconstruction and Development (EBRD) thanks to the strength of the Group's participation in the Green, Social, and Sustainable Bond (GSSB) Framework Agreement in the previous years as well. In addition to being the Bank's first green-themed issuance, this is also the first green bond investment of the EBRD in a financial institution in Türkiye. The Bank's green-themed issuance amount reached USD 113 million as of year-end 2023. This funding is being used to finance internationally certified green building projects in the portfolio.

Notable international financing sources in 2023

Sustainability-Linked Syndication: **USD 860 million**

Disaster Support Led by the European Bank for Reconstruction and Development (EBRD): **USD 110 million**

International Finance Corporation (IFC) Disaster Support: **USD 110 million**

In 2023, an active role was taken in Murabaha transactions in Islamic funding.

Renewable Energy and Energy Efficiency Finance

One of the most important requirements for the transition to sustainability is to increase energy from renewable sources by enabling energy transition, creating green energy systems, and promoting the transition to energy-efficient technologies. Investments in renewable energy not only mitigate the consequences of climate change but also support socio-economic development by creating new employment opportunities.

QNB Finansbank prioritizes renewable energy projects in project financing for electricity generation investments. As of year-end 2023, the total installed capacity of all renewable energy projects financed by the Bank is 1,569 Mwe. The share of renewable energy projects in total project finance loans is 11%.

As of the end of 2023, QNB Finansbank provided USD 368 million in project finance loans to the renewable energy sector.

100% of cash loans provided to power generation projects in 2023 belong to renewable energy projects.

Self-Consumption-Based Unlicensed SPP Financing
With the increasing importance of unlicensed solar power plant investments based on self-consumption, financing support for Solar Power Plant investments through the self-consumption model developed in accordance with the Bank's sustainability targets is provided.

Eco-Friendly Housing Loan
In addition to the interest rate advantage, a 50% discount on the loan allocation fee is offered for housing purchase with A and B Energy Class Certificates. In 2023, TL 24 million worth of Eco-Friendly Housing Loan were disbursed.

Eco-Friendly Vehicle Loan
In addition to the interest rate advantage, a 50% discount on the loan allocation fee is offered for the purchase of electric or hybrid vehicles. In 2023, TL 695 thousand worth of Eco-Friendly Vehicle Loans were disbursed.

Eco-Friendly Personal Loan
The Eco-Friendly Personal Loan is available to customers who want to contribute to a sustainable world by making environmentally friendly renovations to their residentials in 2023. In 2023, loans worth of TL 500 thousand were disbursed.

Distribution of project finance loans provided for renewable energy investments (%):

Green Transformation

Products and Services Supporting the Transformation Economy

QNB Finans Asset Management Clean Energy and Water Fund of Funds
QNB Finans Asset Management Clean Energy and Water Fund of Funds aims to enable customers to participate in the earnings of companies operating for a sustainable future through domestic and foreign funds and to benefit from medium and long-term returns.

Within the scope of this fund, the Bank established the "QNB Finansbank Clean Energy Index". The Bank supports the investment of companies working in the field of renewable energy and whose shares are traded on Borsa Istanbul. The size of the portfolio, which follows the relevant Index and is defined as the "Sustainable Fund", reached TL 142 million by the end of 2023.

Sustainability Linked Loan Disbursements

QNB Finansbank aims to increase investors' sensitivity to sustainability through sustainability-related loan disbursements.

In 2021, QNB Finansbank committed to improve the interest rate of a Project Finance loan if the performance criteria of improving energy efficiency, supporting the local community and providing local employment were achieved.

In 2023, the committed improvement was realised by QNB Finansbank upon achievement of the performance criteria.

Green Transformation Loan Program

QNB Finansbank's Green Transformation Loan Program was launched in November 2023 to reduce the environmental impact of the climate crisis by providing financing for investments aimed at reducing carbon footprint as part of global and local sustainability policies, identifying the needs of companies by raising their sustainability awareness in the pre-financing period, and promoting sustainability by measuring the environmental performance of companies in the post-financing period and rewarding their green transformation capability.

With the Green Transformation Loan Program, customers can gain opportunities to expand into foreign markets and maintain their position in the existing market, have and maintain the opportunity to work with global brands, prepare for the net zero target, and gain cost advantages.

With the Green Transformation Loan Package offered under the program, customers are offered access to consultancy services as well as the financing opportunities they need in the green transformation process triggered by the European Green Deal and the Carbon Border Adjustment Mechanism. The projects to be evaluated within the scope of the loan were studied and listed on a sector basis with consultancy firms. If the customer's investment is among these projects, the investment will be evaluated within the scope of the green transformation loan.

At the end of the first year of the loan payments, after the customer reports the carbon footprint reduction, the loan interest will be discounted according to the reduction rate. At the end of the second year of loan payments, an additional interest rate reduction will be applied if carbon footprint reduction is reported in line with the criteria. The Bank collaborated with TOBB and Captonomy to provide support and awareness to customers on measuring their carbon footprint.

Within the framework of the program, sector-based green transformation trainings were provided to the Bank's field personnel, and a system was designed to enable field personnel to inform customers more accurately and to identify their needs together. The program aims to support customers' compliance with green transformation and regulations.

Green/Sustainable Deposits
Designed for investors who want to invest their excess cash in environmentally friendly projects, Green/Sustainable Deposits finance businesses and projects that support the transition to a low-carbon, climate-resilient, and sustainable economy. The deposits collected are being used to fund green and social loans compatible with the QNB Group Sustainability Framework. QNB Finansbank publishes reports on its website at regular intervals about its resource utilization and environmental impact performance.

This product enables investors to invest in projects that are compatible with the United Nations Sustainable Development Goals while enabling the Bank to fund sustainable and environmental loans. While this product encourages companies to do sustainability reporting and share ESG indicators, investors benefit from having a reliable and sustainable offering in addition to deposit returns.

As of year-end 2023, this deposit product reached a portfolio of more than TL 1 billion. The disbursement report on deposits invested and loans disbursed is available on the Bank's website. It is also shared with customers who invest in deposits.

Digital Statement
QNB Finansbank supports paperless banking operations and offers solutions that enable its customers to make such choices. Reducing printed statements in paperless banking provides a significant improvement in this area. At QNB Finansbank, the proportion of customers using digital statements reached 90% of the total customer portfolio, and 55 million sheets of paper were saved.

Digital Approval
In 2023, new products and transactions were added to the digital approval flow, and the digital approval rate of documents that can be digitally approved for retail and corporate customers has been 91%. In line with the Bank's paperless banking targets, 52 million sheets of paper were saved by completing transactions with Digital Approval.

Responsible Transformation

Material Topics

Customer Experience and Satisfaction

Financial Inclusion and Financial Literacy

Related Capital Elements

Social and Relational Capital

Financial Capital

Relevant SDGs

3 GOOD HEALTH AND WELL-BEING

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

Opportunities

- Increased market share and profitability through customer satisfaction
- Having greater efficiency in operations
- Creating new resource opportunities with innovative products
- Increasing the value created by the Bank through stakeholder capitalism
- Inclusion and employment of vulnerable groups

Risks

- Low risk of penetration in disadvantaged groups
- Risks of reputation and market loss due to customer dissatisfaction
- Poor understanding of complex financial products due to low financial literacy
- Legal sanctions and loss of reputation due to loss of customer information

QNB Finansbank aims to provide services and products that meet the needs and expectations of its customers with its Responsible Transformation approach. The Bank considers it one of its priorities to offer a user-friendly and accessible product portfolio that will increase customer satisfaction with a service approach that encompasses all segments of society. In this context, the Bank develops products and services with a customer-oriented and innovative perspective in order to facilitate customers' access to financial services, support their financial decision-making processes, and adapt to new technologies and customer expectations. With an unconditional customer satisfaction approach, the needs and expectations of customers are identified through all communication channels, and remedial actions are taken in business processes in line with customer feedback. In addition, the issue of ensuring the confidentiality and data security of customer information, which is a part of the Bank's customer-oriented business approach, is handled with great sensitivity.

Targets

Realized | Ongoing | Not realized

2023 Targets	Realization Status	Targets for 2024 and Beyond
Maintaining the Customer Experience Score of the Digital Bridge Platform at 70% throughout the year	Realized 2023: C-Sat70%	Maintaining the current target
Supporting and prioritizing the development of "Green" and "Social" products and services, along with providing information to employees about regulations and sectoral expectations.	Realized Sectoral field trainings were provided to field personnel so that sales personnel can better understand the sectoral needs of customers and guide them to the right green investment.	Providing specialized trainings on green transformation to field staff in 2024
Renewal of the sustainability page of the corporate website to increase the sustainability awareness of all stakeholders	Realized	Enriching the page with content aimed at increasing sustainability literacy

*Defined according to the QNB Group Sustainable Finance and Product Framework.

Performance indicators related to priority issues are given in the Annexes - Key Performance Indicators page.

Responsible Transformation

Customer Experience and Satisfaction

In line with its mission of "Establishing a lifelong partnership based on understanding needs, producing the right solutions and satisfaction, and aiming to succeed", QNB Finansbank strives to provide high-quality and innovative services and products by considering the needs and expectations of its customers.

With an unconditional customer satisfaction approach, the needs and expectations of customers are identified through all communication channels, and remedial actions are taken in line with customer feedback. The root causes of customer requests and complaints received by the Bank through the Customer Solution Center are investigated, and action plans are determined and monitored to proactively reduce the number of complaints. With the quick solution alternatives created, it is aimed to resolve customer requests and complaints at the first contact. In addition, Expert Solution Groups evaluate customer requests and provide detailed feedback after investigations. If any problems are identified, necessary measures are taken immediately to improve the quality of services and products.

Customer feedback is monitored in multiple ways through gender-based categorizations, and retention rates of female customers are measured to ensure gender equality in access to financial services. Furthermore, employee feedback on customer experience is received through the Excellent Customer Experience Platform.

The Customer Experience Office, established in 2015 to improve customer experience, measure customer satisfaction, identify areas for improvement, and support business units in determining basic business conduct principles, continues its efforts in accordance with the Customer Experience Principles. In addition to the Net Promoter Score (NPS) measurement conducted through various channels under the roof of the Customer Experience Office, Customer Satisfaction Score (C-Sat) measurements, which report the satisfaction of customers at the moment of their experience, are also conducted.

Net Promoter Score (%)	2021	2022	2023
QNB Finansbank	51	55	57.3
Enpara.com	78	78.5	78

The Customer Experience Office created the Satisfaction Score Prediction Model by utilizing machine learning algorithms to predict the satisfaction scores of all individual customers. With the model, the satisfaction levels of customers who do not respond to satisfaction surveys are also measured, and products and transactions with low satisfaction levels are identified and reported.

Responsible Procurement and Supply Chain

While offering comprehensive solutions to meet customer needs and expectations, QNB Finansbank acts with a responsible banking approach and develops products and services that encompass all segments of society and encourage savings awareness. In particular, financing and savings products designed for micro, small, and women-owned businesses are being offered, and gender-based repayment rates are being carefully monitored.

Digital Banking Products and Services

Technological developments are closely monitored to improve the quality of products, services, and processes, and it is aimed to provide customers with user-friendly and accessible products and services that will increase their satisfaction through digitalization. All products, services, and processes developed with an innovative and customer-oriented perspective to facilitate customers' access to financial services, enable them to make healthier financial decisions, and adapt to emerging technologies and changing customer expectations are available in the Digital Transformation and Innovation section of this report.

Products and Services for Increasing Awareness on Savings

QNB Finansbank's mission is to increase savings awareness in all segments of society. In addition to products that increase savings awareness, customers are informed about savings products through Mass Banking bulletins sent to customers.

Gold Banking

Customers are offered the opportunity to save money with **Time or Demand Deposit Gold Account** options. **Gold Collection Days** are organized at branches to ensure that the commonly referred to as "under the mattress," do not depreciate and are secured against the risks of loss and theft. With the **Gold Accumulating Account**, customers are offered the opportunity to save a set amount of gold on a regular basis every month.

Kumbaram Account

The Kumbaram Account allows customers to make regular monthly savings deposits in TL, USD, EUR, and GBP for as long as they wish.

The number of current customers making payments for 3 consecutive months for Gold Saving and Kumbaram Accounts increased by 12% compared to 2022 to 102,806, while the total balance reached TL 1.27 billion.

Fund Accumulating Account Fund

The Fund Accumulating Account offers customers the option to regularly invest their savings in investment funds.

Daily Yield Account

Compared to long-term accounts, the Daily Yield Account offers customers the opportunity to utilize their savings daily and withdraw money whenever they wish. By the year-end 2023, the balance of the Daily Yield Account had reached TL 19 billion.

Savings Account with Overnight Interest

With the Savings Account, customers are offered an advantageous option that they can use like a demand deposit account and earn like a time deposit account at the same time. The balance remaining above the specified lower limit is transferred to the time deposit account between 22:30 and 05:00 every night and daily interest is charged. Customers can use the demand deposit balance remaining below the specified lower limit amount whenever they wish.

With the "Customer Based Pricing (CBP)" model applied in the Daily Yield Account and Savings Account, interest rates are determined according to customers' needs and expectations. The proportion of customers to whom the MBF model is applicable increased from 15% to 80%.

Exchange Rate Protected TL Term Deposit Account

With the Exchange Rate Protected TL Term Deposit Account, customers' savings are protected against exchange rate changes.

In the first half of 2023, efforts to increase the share of TL deposits in the balance sheet as determined by regulatory authorities were followed. In the second half, it is aimed to increase the share of TL term deposits, which are not covered by exchange rate protection, in the Exchange Rate Protected Deposit accounts in line with the regulations of the regulatory authorities. As a result of the strategies implemented, the balance of TL denominated non-fX protected accounts grew by 124%. As a result of these developments, the Bank's share of TL denominated time deposit accounts was realized as 5.83%.

Responsible Transformation

Responsible Procurement and Supply Chain

Collaborations with QNB Finans Asset Management

In order to provide customers with alternative products to utilize their savings at the Bank, new mutual funds continued to be added to the mutual funds offered under the umbrella of QNB Finans Asset Management. In this context, BID - QNB Finans Asset Management Non-BIST 100 Companies Equity (TL) Fund was launched in April for investors who want to access non-BIST 100 stocks in a single transaction and invest in partnership shares with growth potential and reached a size of TL 246 million by the end of the year. For customers who wish to invest their savings in USD, five closed-end funds established in 2023 provided an additional volume of USD 275 million, while the size of one deposit alternative fund approached USD 1 billion. QNB Finans Asset Management Kristal Serbest (Foreign Currency) Fund, which offers alternative returns to foreign currency deposits for customers' Euro savings, was launched in March 2023 and reached a volume of EUR 258 million by the end of the year.

Click here for detailed information about our products and services that increase savings awareness

Earthquake Fund

In 2023, QNB Finansbank signed an Earthquake Fund agreement with IFC, EBRD, EFSE, Proparco for USD 220 million to be disbursed to earthquake-affected individuals and institutions and provided financial support to the earthquake region to recover from the devastating effects of the earthquake that struck our country on 6 February 2023. QNB Finansbank started to distribute the first tranche of USD 65 million.

Inclusive Credit Card Products

QNB Finansbank aims to make the lives of its customers easier with the credit card products it offers for various segments of society.

CardFinans TarımKart

Since 2018, CardFinans TarımKart, exclusively for farmers, enables them to meet all their input needs for agricultural production during the year and make payments once a year on the statement cut-off date they choose according to the harvest season. In addition, customers can postpone their payments until the harvest date by taking advantage of an interest-free period of up to 6 months for purchases made with CardFinans TarımKart at contracted merchants. In 2023, 1,569 customers benefited from TarımKart advantages.

CardFinans Emekli

CardFinans Emekli, a special credit card for pensioners, has been offering discounts and special advantages on grocery and pharmacy expenditures to pension customers since 2014. In 2023, there were 146,732 cardholders.

	2021	2022	2023
Monetary value created with CardFinans Emekli (TL)*	1,225,746	2,424,592	5,520,221

*Monetary value based on net sales

CardFinans Hemşire

CardFinans Hemşire offers many privileged services to nurses, midwives, and health officers. In 2023, the number of cardholders reached 59,907.

Responsible Customer Communication and Marketing Activities

In line with QNB Finansbank's goal of establishing strong and long-term business relationships with customers based on mutual trust, all information that will affect their decisions is provided to customers at the very beginning of the business relationship in a transparent, accurate, and complete manner.

Communication and marketing activities are carried out in accordance with existing legal regulations, customer expectations, and the Bank's policies and procedures. Necessary controls are carried out to prevent misleading information in marketing activities.

In addition to compliance with applicable legal regulations, all new product and service launches, as well as any changes to existing products and services, are submitted to the evaluation and approval of Legal Compliance, Legal Affairs, and the Customer Experience Office. Customer representatives are informed about product changes, and product trainings are provided when necessary. In case of product changes, customer information is provided through various channels.

Regarding fee and commission changes, customers are informed about fee increases at the beginning of each year. Branches have a fee board for banking services and products. Customers are also informed at the time of the transaction in accordance with the structure of the transaction channel.

Customers are informed about their financial status through various channels as well.

In the field of corporate banking, Foreign Trade Bulletins are prepared periodically, especially regarding the foreign trade agenda.

During the reporting period, 50% of employees received training on responsible marketing and communication.

Responsible Customer Communication and Marketing Activities	2021	2022	2023
Number of Incidents Due to Non-Compliance on Product and Service Information and Labeling	0	0	0

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Responsible Transformation

Customer Privacy and Data Security

As a result of banking in compliance with legal regulations and a customer-oriented business conduct approach, the Bank treats the issue of ensuring the confidentiality of customer information and data security with great sensitivity.

The ultimate responsibility for ensuring information security within the Bank lies with the Board of Directors. The Board of Directors is responsible for ensuring the establishment of effective controls over information systems to address information security management as part of corporate governance practices, allocate the necessary financial and human resources for the proper management of information systems, and ensure the confidentiality, integrity, and accessibility of information assets, as well as conducting effective oversight to manage the risks arising from the use of information systems.

The Information Security and Cyber Security Committee, on the other hand, provides guidance and coordination for information security activities in order to oversee the establishment of information security policy and implementation of information security management on behalf of senior management. The Information Security Unit reports directly to the General Manager, who chairs the Information Security and Cyber Security Committee.

Click here for QNB Finansbank Information Security and Cyber Security Policy.

Information security is managed with a risk-based approach in accordance with the international information security management system and is regularly updated considering the highest industry standards. Furthermore, internal and external audits are conducted every year to ensure compliance with the requirements of the ISO 27001 Information Security Management System certification.

In order to protect both the Bank and its customers against emerging cyber risks and threats, cyber security drills are conducted, and social engineering and awareness activities are carried out. In addition to these measures, trainings are organized, and security bulletins are prepared to raise the awareness of customers and employees on the subject. Within this scope, Corporate and Personal Information Security training, which is organized annually for Head Office and branch employees, was provided to 12,983 people in 2023.

Data Protection and Management

QNB Finansbank adopts the mission of ensuring the protection, confidentiality, and security of data in all data processing processes by using technological and human resources in an integrated manner. In this direction, within the scope of the inviolability of the person, material and moral existence and fundamental rights and freedoms protected in Articles 17 and 20 of the Constitution;

- The Bank processes all data in accordance with the prescribed principles, relevant legislation, and the requirements of the rule of honesty.
- Pursuant to the Law on the Protection of Personal Data ("KVKK"), the Bank has registered with the Data Controllers Registry Information System ("VERBIS") and has provided the entry of information about the processed personal data to Verbis.
- In accordance with the Banking Law, the Bank keeps the Data Sharing Inventory regarding the sharing of Bank Secrets and Customer Secrets and reports to the Banking Regulation and Supervision Agency ("BRSA").
- The Bank carries out necessary documentation activities (preparation of policies, procedures, instructions, clarification-explicit consent etc. related to data protection for employees and customers and publishing them inside and outside the Bank) in order to ensure compliance with the legislative regulations on the protection of personal data.
- The Bank ensures that the personal data it processes is accurate and up-to-date by observing the fundamental rights and legitimate interests of the data subjects. In this context, the Bank carefully evaluates issues such as determining the sources from which the data is obtained, confirming their accuracy, and updating them.
- The Bank clearly and precisely determines the purpose of data processing and confirms that this purpose is legitimate. The processing of personal data is related to and necessary for the financial services it currently provides and the business or activity it carries out within this scope, provided that the purpose is lawful.
- The Bank avoids the processing of personal data that is not related to the realization of the purpose or is not needed and ensures the personal data processed is suitable for the realization of the specified purposes.
- As per Banking Law No. 5411, Law No. 6698 on the Protection of Personal Data (KVKK), and all legislation to which it is subject within the scope of its activities, the Bank retains the data for the period required for the purpose for which they are processed. In the event that there is no valid reason for further storage of personal data by the Bank, such data is deleted, destroyed, or anonymized.
- The Bank responds to the requests and complaints of personal data subjects by complying with the legal deadlines (30 days).
- In the event of a personal data breach, the Bank notifies the KVKK within the legal period (72 hours) as required by the obligation.
- The Bank examines the regulations on the protection of personal data in the contracts signed with third-party companies from which it receives services and ensures that a separate KVKK framework agreement is signed when necessary.

In the reporting period, a Data Governance Team was established, and the organization of the team was changed to Data Protection and Management, which will be under Legal Compliance together with the KVKK team.

Financial Inclusion and Literacy

At QNB Finansbank, providing accessible banking to all stakeholders is a fundamental strategy. With fast and innovative solutions, the Bank aims to increase access to products and services, especially for those with limited access to financial services.

Increasing financial literacy is important in bringing customers together with the right products. Therefore, QNB Finansbank prepares content that contributes to financial literacy for different stakeholder groups. Financial literacy through Digital Bridge Academy for companies and digital transformation are shared. On the QNB Finansbank Sustainability Website, content is provided to increase the sustainability literacy of stakeholders with blog posts and news from around the world.

SME Banking

As a leading organization in the digital age of the banking industry, QNB Finansbank is committed to facilitating access to financial services for SMEs.

Digital Bridge

Digital Bridge, Türkiye's first platform banking service, has been meeting the banking and other digital needs of companies since 2019, and helping companies transform to digital transformation. periodically analyse their needs in this process in order to prepare them analysing their operational and daily operations makes it easier. As of the end of 2023, in addition to banking, the Digital Bridge Platform offers 20 different digital solutions ranging from e-invoicing to pre-accounting, and e-commerce to digital marketing, and provides appropriate products and services to improve business processes.

Nearly 300 thousand customers access QNB Finansbank's corporate digital banking channels via the Digital Bridge, while nearly 100 thousand users use the digital solutions of the Digital Bridge. The Digital Bridge Platform is the channel with the highest satisfaction among Banking channels. QNB Finansbank Digital Bridge, which increased its total number of awards to 14 by adding 4 prestigious international awards this year to the awards it receives globally every year, will continue to innovate and diversify its solution category.

The Digital Bridge Academy, which was launched in 2020, is a training platform that enables customers to learn how to use the solutions offered by Digital Bridge, follow digital transformation trends in the sector, and get information on the company topics they are curious about from the Digital Bridge Academy Blog area, and was enhanced in 2023 with new content that supports the financial literacy of SMEs.

Details of the Digital Bridge Platform can be found in the Platform Banking: Digital Bridge section of the report.

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Responsible Transformation

Financial Inclusion and Literacy

SME Easy Line

SME Easy Line, a banking service line for SMEs, is a service that enables SMEs to perform all banking services over the phone without going to a branch, except for deposits and withdrawals. Projects are underway to expand the scope of the Easy Line to include only branch transactions such as loan disbursement. In 2023, the number of customers using the Easy Line increased by 20% compared to the previous year and reached 26.5 thousand.

Profitable Company of the Month (Ayın Kazançlı Firması)

At the end of 2022, within the scope of the Profitable Company of the Month project, customers who meet certain criteria can benefit from advantages and opportunities in various banking transactions for their companies. At the same time, SMEs that are the Profitable Company of the Month can use Digital Bridge's e-Transformation Services solution free of charge for life.

SME Finance Loan Portfolio by Segment (TL million) *	2021	2022	2023
Micro Enterprises	14,461	29,995	37,615
Small Enterprises	13,279	27,019	33,186
Medium-sized Enterprises	20,033	33,411	47,866
Total SME Loans	47,773	90,425	118,666

* Micro : number of employees are less than 10 and annual revenue between 0-10 mio as of 30 May 2023, 0 - 5 mio before 30 May 2023.
Small : number of employees are less than 50 and annual revenue between 10 mio and < 100 mio as of 30 May 2023, between 5 mio and < 50 mio before 30 May 2023.
Medium : number of employees are less than 250 and annual revenue between 100 mio and < 500 mio as of 30 May 2023, between 50mio and < 250 mio before 30 May 2023.

Number of SME Financing Customers	2021	2022	2023
Micro Enterprises	211,705	242,866	247,529
Small Enterprises	32,455	32,219	30,473
Medium-sized Enterprises	8,349	7,466	7,423
Total SME	252,509	282,551	285,425

Credit Guarantee Fund: SMEs and Entrepreneurship	2021	2022	2023
Amount of loans provided to micro enterprises (TL million)	100,582,515	209,174,289	197,970,877
Amount of loans provided to SMEs (TL million)	214,846,814	1,288,098,659	453,186,844
Loan portfolio provided to micro enterprises and SMEs (%)	47	16	44

	2021	2022	2023
Loan/deposit ratio in SMEs (%)	124	126	98
Loan default rates in SMEs (%)	12	5	4
Revenue from loans and products targeting SMEs (TL)	374,883	702,287	1,781,771

Support for Women Entrepreneurs

QNB Finansbank manifests its financial inclusion approach with its support for women entrepreneurs. Women Entrepreneurs Support Loan and Women Entrepreneur Export Support Loan services support the participation of women's businesses in the economy and increase women's employment.

In 2023, TL 9.6 billion in loans were extended to 4,416 women entrepreneurs.

Women Entrepreneurs Support Loan

Within the framework of the European Bank for Reconstruction and Development's (EBRD) Financing and Consulting Support to Türkiye Women in Business Program (TURWIB), financial support is provided to women entrepreneurs and SMEs with women as active managers under the Credit Guarantee Fund (KGF). In order to support inclusive sustainable growth, a total of TL 32.5 million loans have been extended to women entrepreneurs within the scope of TURWIB since 2022.

Women Entrepreneur Export Support Loan

Within the protocol signed between QNB Finansbank and Türk Eximbank, women exporters are supported with the “Women Entrepreneur Export Support Loan”. The program, which was expanded with the participation of Garanti Bank, İşbank, and TEB, opened a total loan limit of TL 400 million and USD 800 million for women entrepreneurs.

Support to the Agricultural Sector and Farmers

QNB Finansbank supports sustainability and productivity in agriculture by playing a role in financing the agricultural sector, which has an impact on the national economy and economic development. In addition to business and investment loans, farmers' short-term financing needs are met with the special Tarım Kart product for farmers. At the same time, promotional products are sent to farmers to meet their daily needs. In the coming period, seminars are planned to be organized to increase farmers' knowledge on sustainability.

At the end of 2023, the Bank had a total of 3,500 agricultural customers on credit and provided TL 1.1 billion in loans to the agricultural sector.

Enabled Banking

As part of its commitment to inclusion, QNB Finansbank strives to ensure that all areas where it provides services are accessible to users with physical disabilities or over a certain age.

All ATMs have Braille alphabet stickers for visually impaired customers and headphone inputs for voice guidance. Furthermore, 150 ATMs have a responsive surface application, and 121 ATMs are specially designed for customers with orthopedic disabilities. In 2019, with the joint ATM usage project with DenizBank and TEB, we extended our services to a wider area and a wider audience, offering disabled customers the opportunity to make free transactions.

Within the scope of the cooperation with Blindlook, a voice guidance service is provided to visually impaired customers to enable them to use the Bank's digital channels more easily. Thanks to this integration, QNB Finansbank has become an EyeBrand (blind-friendly) brand. In 2023, a monthly average of 3,300 visually impaired customers benefited from this application.

To improve accessibility features in branches, there are applications such as responsive surfaces, portable ramps, informative signs in Braille, counters with portable hearing induction loops, and sign language translation support through smart tablets. Moreover, special staff members are employed at the Call Center to allow our hearing impaired customers to receive services at the branches by communicating via video call. WebChat support is also provided to hearing impaired customers via the website.

In addition to physical improvements, training programs are organized during the year to increase the experience and knowledge of our field employees and customers as part of enabled banking.

Becoming 1 with the World Operations

In this Section:

Operational Transformation
Transformation of Finansçı

"QNB Finansbank strives to minimize the negative impact of its operations and retain the most competent workforce. With the driving force of digital solutions, the Bank conducts operations that are inclusive, equitable, and respectful of the world."

SDG's

3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

Operational Transformation

Material Topics

- Business Continuity
- Environmental Impacts of Operations
- Responsible Purchasing and Supply Chain
- Digital Transformation and Innovation

Related Capital Elements

- Intellectual Capital
- Human Capital
- Natural Capital
- Financial Capital

Relevant SDGs

3 GOOD HEALTH AND WELL-BEING
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND

Opportunities

- Creating a competitive advantage as a preferred employer
- Ensuring operational excellence through business continuity
- Error-free operations with robotic automation
- Increasing market share with a diversity of digital solutions
- Reducing third-party risks through responsible procurement practices
- High level of accessibility and competitive advantage provided by the multi-channel strategy
- Savings achieved through efficient environmental operations

Risks

- Financial losses and customer dissatisfaction due to business interruptions
- Cyber security risks
- Loss of skilled workforce
- Risks that may arise due to unethical behaviors of suppliers
- Possible penalties payable for environmental impacts of operations

QNB Finansbank meticulously manages the environmental impact of its operations with its Operational Transformation approach and carries out its processes in line with Türkiye's 2053 target and in accordance with the "1.5 degrees" scenario. The Bank takes necessary actions against potential risks in order to maintain its operations uninterruptedly and efficiently. The Bank improves its business processes through digital channels and innovation and implements methods and business plans that can increase efficiency in its operations.

Targets

✔ Realized ▶ Ongoing ✖ Not realized

2023 Targets	Realization Status	Targets for 2024 and Beyond
Realization rate of financial transactions through digital channels being above 93%	✔ 2023: 95.1%	Maintaining the current target
Maintaining the climate-friendly structure of online platforms	✔	Maintaining the current target
Increasing the number of hybrid vehicles in the Bank's Vehicle Fleet	✔ In 2023, 11 more vehicles were added to the vehicle fleet.	Maintaining the current target
Completing Solar Power Plant (SPP) installations to meet the electricity consumption of the Bank's operations by the end of 2025	▶	Maintaining the current target
Aligning the carbon footprint of the Bank's operations with Türkiye's 2053 Net Zero target	▶	Maintaining the current target
Continuing to procure all of the Bank's electricity consumption from clean energy sources	✔	Maintaining the current target
Reducing total paper consumption by 20% in 2024 (Base year: 2021)	▶	Maintaining the current target
Establishing an internal audit team for water pollution audit under ISO 14001 and switching to products that consume less water and generate less wastewater by updating our equipment	▶	The target has been revised as the establishment of an internal audit team within the scope of ISO 14001 and auditing that the environmental aspects in all operations of the Bank are managed in accordance with the environmental management system.
Completing the transition to drinking water treatment devices in the Head Office buildings	▶	Completion of the works in the first quarter of 2024
Replacing old air conditioners with next-generation air conditioners in branches, switching to lighting sensors, and continuing to use water-saving aerators in luminaires to reduce negative environmental impact	✔ In 2023, new generation inverter air conditioners were replaced in 21 branch locations that were relocated or renovated.	Maintaining the current target In 2022, a reduction target of 5% (m^3/capita) in water discharge by 2025 and a reduction target of 3% (m^3/capita) in water consumption (water withdrawn) was set.
Increasing the number of female suppliers in procurement processes by up to 10% each year for 5 years (base year: 2022)	✔ Female supplier ratio increased by 13.6% in 2023 compared to the previous year.	Maintaining the current target
Increasing the digital platform active individual customer ratio from 78% in 2022 to 83% in 2023	✔ 2023: 83.1%	Maintaining the current target
Obtaining ISO 50001 Energy Management System Certificate for Kristal Tower and Ümraniye operation building	✔	Maintaining the current target
Implementation of an online platform where the environmental and social impacts of suppliers can be evaluated in detail in all procurement processes in order to digitalize procurement processes	▶	Completion of the platform in 2025

Performance indicators related to priority issues are given in the Annexes - Key Performance Indicators page.

Operational Transformation

Digital Transformation and Innovation

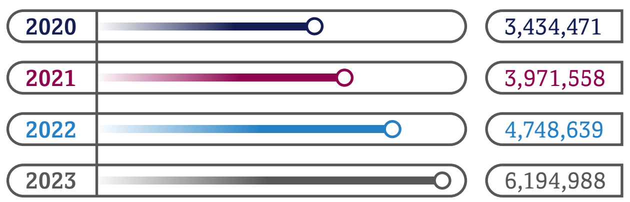
QNB Finansbank keeps abreast of developments in these areas to pioneer digitalization and innovation. Products, services, and processes are developed with an innovative and customer-oriented perspective to "Becoming 1 with the World" and to adapt to new technologies and changing customer expectations. Believing that the different services to be offered after digital transformation will have a significant impact on customers' choice of banks, the Bank aims to meet customers' needs 24/7 and keep their experience at the best level.

As part of the digital transformation, many technological investments have been made to offer a personalized banking experience. In 2023, 82.6% of active customers used QNB Mobile, while the ratio of financial transactions through individual digital channels was 95.1% as of year-end.

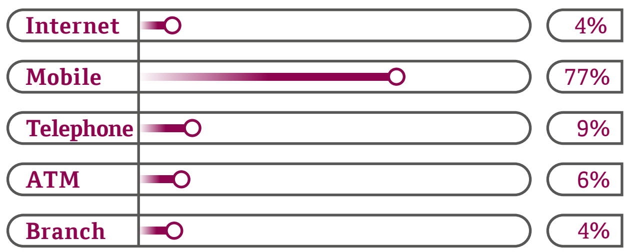
Thanks to the open banking approach, customers with accounts at various banks can monitor all their bank accounts on a single screen and transfer money from any account they want via QNB Mobile without having to switch between different bank applications. In addition, companies can also perform these transactions through the Digital Bridge Platform All Banks application.

QNB Finansbank Digital Bridge won 4 international awards this year with 20 digital solutions from 5 different categories and banking services offered to companies. By offering an unprecedented experience to companies in digital channels, QNB Finansbank Digital Bridge has continued to support them on their digital transformation journey since 2019.

Number of Active Digital Customers*



2023 Transaction Rate by Channel*



Number of Transactions by Channel*	2020	2021	2022	2023
Internet	80,747,925	71,879,237	70,711,581	108,507,812
Mobile	326,854,022	698,993,068	1,367,821,094	2,207,114,023
Telephone	174,678,380	187,425,067	190,810,388	258,994,600
ATM	151,445,467	124,490,808	154,748,251	166,099,746
Branch	107,745,775	102,704,239	110,679,473	115,866,106

* Calculated by consolidating individual and corporate customers.

In addition, sole proprietorship owners can easily become QNB Finansbank members through Digital Bridge Mobile Banking.

In 2023, there was 157% year-on-year growth in the number of payment technologies used, with a 4.8-fold growth in QR payments with credit cards and a 2-fold growth in NFC payments. In addition, digital payment solutions for debit cards were made available to customers in 2023.

Launched in 2022, the FAST transfer from account via POS grew 9-fold in 2023. With the transfer of instructions to resolve blocked accounts to QNB Mobile, one of the projects implemented to increase the use of digital channels, the rate of demand from this channel increased from 69% in 2022 to 77% in 2023.

QNB Wallet - MonoKart

QNB Wallet is a fast and secure electronic wallet infrastructure launched by QNB Finansbank with a Wallet as a Service structure and integrated into the mobile applications of business partners, enabling companies to create their own wallet systems.

In 2023, in cooperation with the Mono brand, prepaid cards produced from recycled materials were made available to customers. In 2023, 81 thousand MonoKarts were produced from recycled materials.

Supported by the QNB Wallet infrastructure, MonoKart takes the traditional banking experience to the next level with its environmentally friendly digital and smart solutions. In addition, customers can give instructions for regular tree planting every month through their wallets.

As of 2023, prepaid virtual or physical **MonoKarts** were also used as personnel meal cards.

In 2023, approximately 600 thousand people successfully became customers of the Bank through QNB Mobil without the need to visit a branch or sign a wet signature.

The Bank continued to develop many digital innovations such as withdrawing and depositing money with QR, NFC payment function (contactless mobile payment), and opening accounts at ATMs with video calls via QNB Mobile. The use of the Chatbot platform, including within the Bank, has been expanded; efforts are underway to enable biometric verification with Near Field Communication (NFC) for smart ID cards (chip cards) in mobile phone update and sim card unblocking transactions in order to increase security in identity verification and facilitate processes in transactions carried out in branches.

A comprehensive digital banking experience continues to be offered to customers with transactions such as easy transition to e-Government, TL top-up to İstanbulkart, and Easy Address Money Transfer. In order to provide better service, QNB Finansbank allocates resources and time to innovation efforts in areas such as artificial intelligence, machine learning, and big data analysis.

Operational Transformation

Digital Transformation and Innovation

Lidy

Lidy allows users to easily compare the products of different banks, enabling them to make informed decisions in their financial product choices and access banking services more quickly. With its simple, user-friendly, and understandable interface, Lidy offers a platform that can be easily used by everyone, making it possible even for individuals with low levels of financial literacy to use the platform effectively. The Bank also cooperates with other banks in the market to list more advantageous offers for users. In the coming period, the Bank aims to offer a personalized experience to its users by launching its mobile application.

Digital Intelligence Q

Digital Intelligence Q, the Bank's digital assistant that serves customers via QNB Mobile, continues to improve itself by adding new features every day. A revolutionary digital banking assistant in the banking sector, Q uses pattern recognition technology to learn customers' regular banking transactions, remind them at the right time, and alert them in critical situations. Q engages with its simple, user-friendly interface and offers a tailored, personalized experience for each customer.

In 2023, new scenarios continued to be added to Q. The most significant development was the change in the natural language processing model that Q uses to answer customer questions. With the integration of the new LLM model developed by QNB Finansbank, Q's rate for accurately understanding customers increased to 98%.

More than 60% of mobile banking customers use Q. The number of active customers using Q increased by about 30% compared to the same period of the previous year.

QNB Finansbank has been focused on improving customer services and banking experiences by adopting responsible artificial intelligence practices. Within this context, the Bank aims to protect the privacy and security of customer data while providing efficient and personalized services through systems developed in line with ethical artificial intelligence principles. By encouraging artificial intelligence to play a supportive role for employees, the Bank aims to establish a balanced cooperation between humans and machines. For example, the digital intelligence Q connects the customer to the customer representative when it receives customer inquiries that need to be answered by a real customer representative. This approach increases both customer satisfaction and employee productivity. QNB Finansbank uses artificial intelligence ethically and effectively.

In order to increase efficiency in internal processes and minimize user-related errors, the Bank implements supportive artificial intelligence studies. Within this scope, deep algorithm studies are being carried out in the following areas:

- Document reading and classification, prioritization by transaction type,
- Document content availability and accuracy check,
- Automatic entry of document reading results on the screen,

Widespread use of the Chatbot (FİBİ) application, which was developed to enable employees to access information, documents, guidance, and instructions that they currently obtain using various platforms on a single platform, has been achieved.

More than 60% of current mobile banking customers use Q actively.

Q's rate of understanding customers correctly is about 98%.

The number of active customers using Q increased by about 30% compared to the same period of the previous year.

Contribution to the Entrepreneurship Ecosystem with QNBEYOND

QNBEYOND, established in 2018, is the Bank's innovation center. QNBEYOND consists of four main units: Innovation Lab, Intrapreneurship Program, Accelerator Program, and QNBEYOND Ventures.

The **Innovation Lab** is where the Bank's experimental projects are conducted and implemented. Artificial intelligence Q, which is the reason for the emergence of the laboratory, is a digital assistant that recognizes and monitors its customers and reminds them of their financial transactions.

The **Intrapreneurship Program** aims to promote and support the culture of innovation within the organization and to strengthen the Bank's competitive position with new products and services. To this end, the program, which has been organized under the name "Fikir Kampı" (Idea Camp) since 2019, provides an incubation environment that allows employees to bring their creative ideas to life. The Program including two spin offs so far, a total of 6 ideas were realised.

The Israf Var Project, which was implemented within the scope of the Idea Camp, was launched as a pilot study in the last quarter of 2023 to prevent waste by reporting waste or inefficient use situations noticed by QNB Finansbank employees. In 2024, it is aimed to develop the website of the Israf Var application, publish all actions and projects as an example of good practice, and expand the application to all banks and subsidiaries.

QNBEYOND Ventures invests in early-stage startups in strategic areas and supports their growth. In 2023, QNBEYOND Ventures focused on existing portfolio companies and supported Ikas, Hockeystack, Kiralarsın, Magnetiq, and KolayBi to raise new investment rounds. In the QNBEYOND Accelerator Program, the details of accelerating startups are shared in the applications and Demo Day event.

QNBEYOND Ventures

QNBEYOND Ventures, a corporate venture capital investment fund that invests in early stage technology startups and Venture Capital (VC) funds in Türkiye and around the world, aims to have an advantageous position that adapts to the future structure of banking.

QNBEYOND invests in initiatives aimed at enriching R&D activities, reducing competitive risks and understanding emerging technology and business trends.

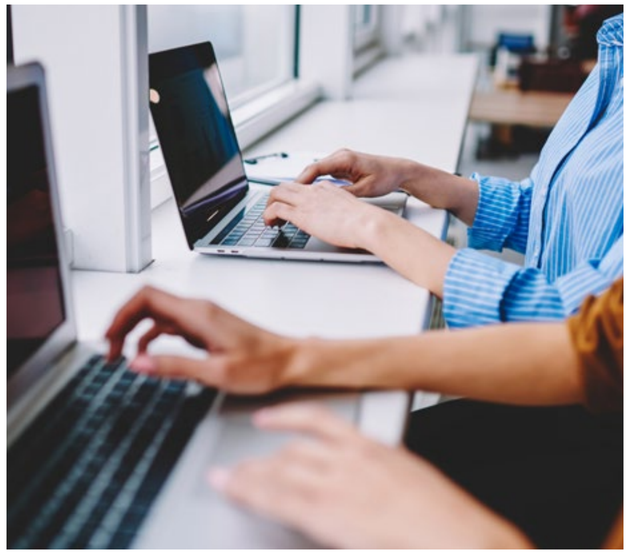
In the QNBEYOND Acceleration Program, early-stage startups are accelerated in their growth journey with different support mechanisms. Qualified support mechanisms such as cooperation with QNB Finansbank, mentoring by matching with sponsors at the level of General Manager and Executive Vice President, benefiting from grants, the opportunity to receive investment from QNBEYOND Ventures, support in growth in critical target metrics, access to mentor and partner company network have been established. To date, 43 graduates have been graduated in 5 semesters. In 2023, 8 startups completed the 6-month program and graduated (Exportal, Flowla, Novus, Searchbase, Udext, Videolity, WeFarm, Wope).

Digital Channel Services with Enpara.com

QNB Finansbank has reached a total of 5.7 million retail customers since 2012 with Enpara.com, Türkiye's first branchless digital banking service, which offers all of its services exclusively through digital channels and the cost advantage of being branchless with a cost-free and advantageous banking approach. Enpara.com has reached a total of 200 thousand customers in the SME segment, which it has been serving since 2016 under the Enpara.com Şirketim brand.

Enpara.com became one of the banking applications that gained the most customers through video calls, and the share of remote customer acquisition in Enpara.com's total retail customer acquisition reached 75.1% in 2023.

Enpara.com's 2023 Net Promoter Score was 78%, with a field team visiting customers, a Solution Center where customer representatives can be reached within 30 seconds, a simple design and ease of use, and numerous expressions of customer gratitude throughout the year.



QNB Finansbank – 2023 Integrated Annual Report

Operational Transformation

Platform Banking: Digital Bridge

The Digital Bridge Platform and mobile application used by companies for their banking and other digital needs have undergone many digital and technological developments in 2023. These innovations are determined and implemented as a result of sector analyses, customer surveys conducted to understand the needs of companies, and customer feedback from digital platforms. While Digital Bridge provides unprecedented support to companies, it also contributes to sustainability as an environmentally friendly digitalisation tool. Nearly 300 thousand customers access QNB Finansbank's corporate digital banking channels via Digital Bridge, while nearly 100 thousand users use the digital solutions of Digital Bridge.

With QNB Finansbank Digital Bridge, companies were able to access all the digital solutions they needed in banking transactions and other areas, such as e-transformation and e-commerce, from a single platform in 2023. Open banking application All Banks, financial status reports, robotic accounting for financial advisors, Google Workspace Solution, payment services, sustainability, and overseas company establishment solutions were added to the platform in 2023. Thus, companies continued to find solutions for their needs in wider areas. Currently, the platform offers 20 different digital solutions in addition to banking transactions. With the Captanomy Carbon Footprint Calculation Solution, one of the seven solutions added this year and launched under the roof of Dünyayla1 for sustainability, companies can measure their carbon footprint and receive detailed reports. In 2024, new sustainability solutions will continue to be added to the platform.

This year, sole proprietorships started to become customers through the QNB Finansbank mobile application, and the process of becoming a customer without going to a branch was digitalized end-to-end.

With the launch of QNB Finansbank Digital Bridge's open banking application "All Banks" in 2023, companies started to easily monitor their accounts at other banks from a single location by adding them to this application. With the user-friendly screens of All Banks, it has become even easier for them to transfer money from accounts in different banks and to observe account information and movements.

With the renewal of the Digital Bridge Mobile Banking application, which companies can use for all their transactions, improvements were made to facilitate customers' work and enhance the user experience, such as new user-friendly features, simple and convenient screens, and a customizable interface.

In addition, by changing the interface of the Digital Bridge Platform, the user experience of customers was taken to the next level with new user-friendly screens. Now, companies can more easily monitor their banking and other digital needs from a single screen.

In 2022, with the electronic letter of guarantee, which was one of the innovations introduced in 2022, companies started to use the letters of guarantee within the scope of the Electronic Letter of Guarantee Platform (ETMP) quickly and easily through the Digital Bridge Platform and mobile application for the first time in Türkiye without going to a branch. In 2023, the types of letters that can be used digitally increased further, and companies started to receive Public Procurement Authority (PPA) letters as Electronic Letter of Guarantee via Digital Bridge Internet Banking and Mobile Banking.

In addition, SMEs were brought together within the scope of the "Digital Trends with Digital Bridge" event this year. During the event, SMEs listened to many different topics presented by experts in their fields, such as what are the digital trends in a rapidly digitalizing world, why companies should move their business to digital, and what they should pay attention to while digitalizing.

Click here to access the awards won by QNB Finansbank Digital Bridge on the corporate website.

QNB Finansbank received the **"Best Digital Bank"** award in SME banking in Türkiye, the European Region and the World within the scope of the award program organised by Global Finance Magazine with Digital Bridge.

Digital Banker Magazine awarded QNB Finansbank the **"Best Corporate Mobile Banking Application"** in the **"2023 Global Transaction Banking Innovation Award"** program.

Operational Transformation

Business Continuity

Business continuity is a process-oriented strategy for maintaining operations in the event of unexpected events such as cyber-attacks or natural disasters. The Business Continuity Plan covers the Bank's processes, resources, employees, and all other aspects, and it is designed to provide uninterrupted service with a focus on customer experience and satisfaction in line with the strategies and goals set out in the Business Continuity Policy.

Natural disasters and extreme weather conditions may have a significant impact on the Bank's operations. These risks include problems such as delays in customer service, ATMs not functioning, and interruptions in internet banking and mobile banking systems. The Bank takes various measures to be prepared for natural disasters and extreme weather conditions. These measures include redundant systems and data centers, business continuity plans, emergency drills, and related training.

The Business Continuity Plan, which is prepared to protect the Bank's assets against any event that may interrupt business continuity and minimize service interruptions and data loss, covers various levels of emergencies, from minor incidents to major disasters. These plans are updated at least once a year. In these plans, committees to be convened in case of emergencies and responsible personnel are identified.

The targets set in the Business Continuity Management Plan in order to maintain business continuity with minimum interruption are as follows:

- Protection of employee health and life safety,
- Assessment of the extent of the incident/threat,
- Controlling the threat and assessing its consequences,
- Rapid implementation of alternative operations,
- Managing internal and external communication.

QNB Finansbank's Business Continuity Management Plan is available here.

With the Business Continuity Management Plan, the crisis management team makes quick decisions during a crisis and resolves problems as soon as possible. “Disaster Recovery” covers a series of measures that QNB Finansbank takes to ensure business continuity after disasters such as data loss and system failures. These measures include backup and recovery systems as well as data recovery plans. Once a year, business impact analyses and recovery plans are prepared, and a “Disaster Recovery” test is conducted. The table below is a summary of the stages in the business continuity plan.

EMERGENCY ACTION : These are emergency actions that must be taken to ensure the safety of employees, the physical environment, and infrastructure in the first minutes and hours after an event occurs that disrupts the normal functioning of the Bank.

CRISIS MANAGEMENT: Events that affect and interrupt the Bank's core activities and business are considered ‘crises’ and are managed from a strategic perspective with the participation of senior management.

BUSINESS RECOVERY: Since the Bank's normal operations would be interrupted during emergency and crisis management, the improvement of products, processes, and services may adversely affect its financial position, customer relations, legal obligations, and image.

Earthquake Commission and Integrated Disaster Management Master Program

As our country is located in an earthquake zone, the Bank established an Earthquake Commission in 2023 in order to be prepared for earthquake disasters. The following projects were implemented as part of the Integrated Disaster Management Master Program, which was initiated to increase awareness of earthquake risks and be more prepared:

4 Disaster Management Projects,
2 Organizational Resilience Projects,
5 Employees and Their Families Projects,
9 Safe Life Projects,
11 Operational Resilience Projects,
7 Technological Resilience Projects,
3 Support Services Projects,
5 Reputation and Social Responsibility Projects.

In 2023, the Company continued to work on operational risk management to ensure business continuity. The Operational Risk and Business Continuity Management Unit is responsible for identifying, measuring, monitoring, and managing any risks that fall within the scope of operational risks and business continuity management. According to Basel II, operational risks based on operational processes are categorized by their causes, events, and consequences, and they are classified as significant risks.

Operational risks have the potential for internal systems to be damaged, directly or indirectly, as a result of people, processes, or uncontrollable external factors. For this reason, the Disaster Recovery Center undergoes extensive testing annually by the IT department and business units.

In this context, the plan to ensure a list of business recovery strategies and business continuity is as follows:

Operational Risk Assessment In case of interruption of QNB Finansbank's banking transactions, products and services, and other activities, Business Impact Analyses were conducted with all business units to determine the impacts of financial, legal obligations, customer relations, and reputational issues, and recovery priorities were determined.

Information Technologies Backup Center The systems, transaction data, and other requirements that the Bank uses to carry out its operations are backed up elsewhere to ensure business continuity in the event of a disaster and to continue its operations. The hardware and system of the backup center are regularly tested.

Alternative Locations Hardware and information access systems required by various business units were established to maintain operations in a crisis and unexpected situations.

Archiving Documents Financial statements, all kinds of records, and valuable documents required to be kept in accordance with legal regulations are kept in printed or electronic form for the legal period.

In the event of a disaster, the Bank supports customers in returning to their normal lives by deferring and restructuring loans of customers in the disaster area. After the 2023 Kahramanmaraş earthquake, an “Integrated Disaster Management” program was launched. This program, which consists of various sub-projects, aims to improve the Bank's preparations for a possible earthquake, ensure the Bank's security and sustainability, and proactively take all necessary actions in advance to ensure the uninterrupted provision of banking services.

Thanks to the measures taken, QNB Finansbank aims to ensure its business continuity and continue to provide uninterrupted services to its customers. Within this scope and within the framework of geographical redundancy strategies, a decision was made to implement a plan for a backup office in a city outside the earthquake zone, and steps started to be taken accordingly. As part of the planning, a lease agreement covering 20 years was signed in the designated city with a long-term perspective. In addition, the Bank initiated a project to build the Main Data Center in a region without earthquake risk in order to ensure that the technological infrastructure of the organization is earthquake-resistant.

Operational Transformation

Environmental Impact of Operations

QNB Finansbank, one of the largest banks in Türkiye, meticulously manages the environmental impacts of all its operational processes. The Climate Transition Plan, prepared in line with Türkiye's 2053 Goal and in accordance with the "1.5 degrees" scenario, focuses on the direct and indirect impacts of operations on the environment. Established in 2021 and also available on the Bank's website, the Environmental and Social Risk Management Policy closely monitors the environmental and social risks of banking activities.

The Bank continuously develops new methods and implements best practices to reduce its environmental footprint and increase operational efficiency. In order to minimize the negative impacts of plastics on the environment throughout their entire life cycle, the use of plastics is being reduced, and a comprehensive assessment of the supply chain is being carried out in this regard. The Bank's three head office buildings have TÜVSÜD-approved ISO 14001 Environmental Management System certificates.

In 2023, no penalties were imposed on the Bank's operations for violations of environmental rules. As of year-end 2023, environmental protection investments made by QNB Finansbank amounted to TL 2,297,841.

In order to raise environmental awareness, environmental trainings are defined for employees and managers at all levels throughout the Bank. In 2023, ISO 50001, ISO 14001, Zero Waste and Environmental Awareness, Green Transformation, Nature Positive Masterclass Certificate Program, and Climate Finance Market trainings were offered to employees.

QNB Finansbank pioneers the trend of sustainable technologies that help reduce the environmental impacts of data centers with low electricity and water consumption and low-carbon emission solutions.

Efficiency Enhancing Projects (VAP) are implemented to save energy, reduce operating costs, and reduce carbon dioxide emissions in cooling systems, which are among the most energy-consuming systems in data centers. When the two-stage VAP is implemented, the energy consumed for cooling in the data center will be reduced by more than 50%, and the data center PUE value will decrease from 1.52 to 1.21.

Waste Management

Within the scope of the Zero Waste Project, actions are taken to evaluate and manage operational waste. Accordingly, in line with the Zero Waste System Installation methodology stipulated by the Ministry of Environment, Urbanization, and Climate Change, all wastes generated in the main buildings were mapped, temporary waste storages were constructed in three Head Office buildings, and this practice started to be implemented in all branches.

There is an environmental engineer responsible for waste management at the Head Office and an environmental and waste officer reporting to the environmental engineer at each central location.

Outcomes of Zero Waste Implementation:

Amount of packaging waste recycled in our Head Office buildings in one year throughout 2023,

- 4.5 tons of plastic waste was recovered, preventing nearly 185 kg of greenhouse gas emissions.
- 74 tons of paper waste was recovered, preventing nearly 13 tons of greenhouse gas emissions.
- 29,551 kg of glass waste was recovered, preventing nearly 900 kg of greenhouse gas emissions.
- 2,814 kg of metal waste was recovered, preventing nearly 285 kg of greenhouse gas emissions.

Food waste from the Bank's cafeteria is being sent to animal shelters. For the used vegetable waste oils sent to shelters, waste oil recovery companies are used; for expired products, cooperation is made with companies authorized for food disposal.

As part of sustainability efforts in 2023, the Digital Slip application was launched as a payment solution to reduce the use of paper. Under digital transformation, 95% of transactions are being carried out without the need for paper through the Digital Approval Platform, thus minimizing paper use and promoting a more sustainable banking experience.

In the coming period, it is planned to increase the efficiency of supporting recycling processes by collecting waste such as paper, plastic, glass, and metal separately with waste sorting boxes to be placed in branches.

Water Efficiency

One of the Bank's targets for direct water use and efficiency, which are among QNB Finansbank's material topics, is to reduce water consumption in branches. Within this scope, various projects were implemented in branches and offices for water efficiency. In 2023, water consumption was 167,316 m³, and the optimum consumption target was achieved compared to the previous year. In addition, Kristal Tower's environmental drainage system recycles an average of 4,000 m³ of water per year. The recovered water is being used for car washing and gardening.

Energy Efficiency and Renewable Energy

In order to increase energy efficiency at the Bank, environmentally friendly devices are preferred in electrical and mechanical projects, increasing the use of renewable energy sources. Automation systems are implemented for monitoring and controlling the buildings to ensure efficient use of existing resources. Furthermore, next-generation air conditioners with high efficiency and LED lighting systems are used in branches that are relocated or newly opened. In the summer months when the air temperature is high, the tap heating of the thermosyphons is switched off for five months to reduce electricity consumption.

Thanks to efforts and investments in energy management, ISO 50001 Energy Management System certification was obtained. With the energy management system established within the scope of the certificate, a detailed energy inventory is created, important energy points are identified, and institution-specific energy-saving measures are created.

%100

Since 2021, all of the Bank's electricity consumption has come from renewable sources.

Energy Efficiency at QNB Finansbank

- Kristal Tower has LEED certification.
- Operation Centre E Block The air conditioners in the data centre have been replaced with air conditioners operating with free-cooling system. In this way, energy saving is achieved by making more use of the outside air.
- The water fixtures in the buildings are equipped with aerators to save water.
- In order to minimize damage after potential water leaks in branches, wetness sensors are installed in wet areas, and solenoids are installed to cut off water at water inlets.
- The condensation water of the air handling units in the Kristal Tower building and the water formed in the basement drainage pit is used in the garden irrigation system of the building.
- In the Head Office buildings, ISO 14001 certification was obtained in 2022 and ISO 50001 certification was obtained in 2023.
- In branches undergoing renovations or relocations, the air conditioners currently used are replaced with inverter air conditioners, and fluorescent lighting is replaced with LED luminaires.
- The replacement of fluorescent lighting in the support volumes of the Erzurum Operations Centre (Eromer), Kristal Tower and Operations Centre E Block buildings with energy efficient LED lighting is ongoing.
- The thermosyphons serving for hot water use on the office floors of the Head Office Kristal Tower building were switched off for 5 months during the summer months to save energy.

QNB Finansbank – 2023 Integrated Annual Report

Operational Transformation

Environmental Impact of Operations

Carbon Footprint

QNB Finansbank has been measuring its carbon footprint since 2019, and the data have been subjected to independent audit since 2021. As part of the low-carbon transition plan, the company's vehicle fleet is being replaced with more environmentally friendly options (hybrid, plug-in hybrid, fully electric), thereby reducing fuel consumption and Scope 1 emissions.

Hybrid vehicles have been preferred in the vehicles added to the Bank's vehicle fleet since 2019. In 2022, 75 vehicles were added to the fleet and 11 more in 2023, bringing the Bank's total number of hybrid vehicles to 268.

In 2021, we obtained the International Renewable Energy Certificate (I-REC), meaning that all electricity consumed at the head office and operations comes exclusively from renewable sources. This neutralized Scope 2 greenhouse gas emissions from operations.

Many innovations have also been made to ensure that digital platforms are compatible with climate-friendly targets. The environmental impact of corporate and retail online banking platforms such as QNB Finansbank's website, Enpara.com, Digital Bridge, Neovade, QNB eFinans, Finans Yıldızı and QNBEYOND was optimised, environmentally friendly practices were integrated into digital applications and wind power plant projects were supported, contributing to the reduction of greenhouse gas emissions.

Since 2017, QNB Finansbank's total Scope 1 and Scope 2 emissions have been reduced by 71%.

At QNB Finansbank, a reduction of 59,930 CO_2e per year in greenhouse gas emissions was achieved by making corporate and retail online banking platforms climate-friendly and supplying electricity from renewable sources.

With the Wind Energy project carried out by the Net Zero company, the Bank continued its carbon-neutral position in 2023 by investing in voluntary carbon credits and reduced nearly 169 tons of greenhouse gases per year with the environmentally friendly wind turbine project.

For details on the Environmental Impact of our operations, please visit page 529.

Responsible Purchasing and Supply Chain

QNB Finansbank works with a supplier pool that complies with its own business principles and develops practices to eliminate potential negative environmental and social impacts of suppliers. Meticulous efforts are made to ensure that procurement processes do not have a negative impact on the environment, society, or the Bank's reputation. The Bank aims to establish sustainable partnerships with suppliers that contribute to the Bank's success and responsible growth in a long-term, mutually beneficial relationship.

As an indicator of the importance attached to diversity and equality at QNB Finansbank, a Supplier Diversity Program that also includes women suppliers is being carried out. Various guidance is provided to suppliers to increase their level of knowledge on sustainable business practices. In order to raise awareness on fighting climate issues, the Bank directs its suppliers to conferences organized by the Supply Chain Management Association (TEDAR) and enables them to receive training on a common platform.

For detailed information on the Bank's commitment to supporting women suppliers, please visit the Special Section: Equal Opportunity, Diversity, and Gender Equality section.

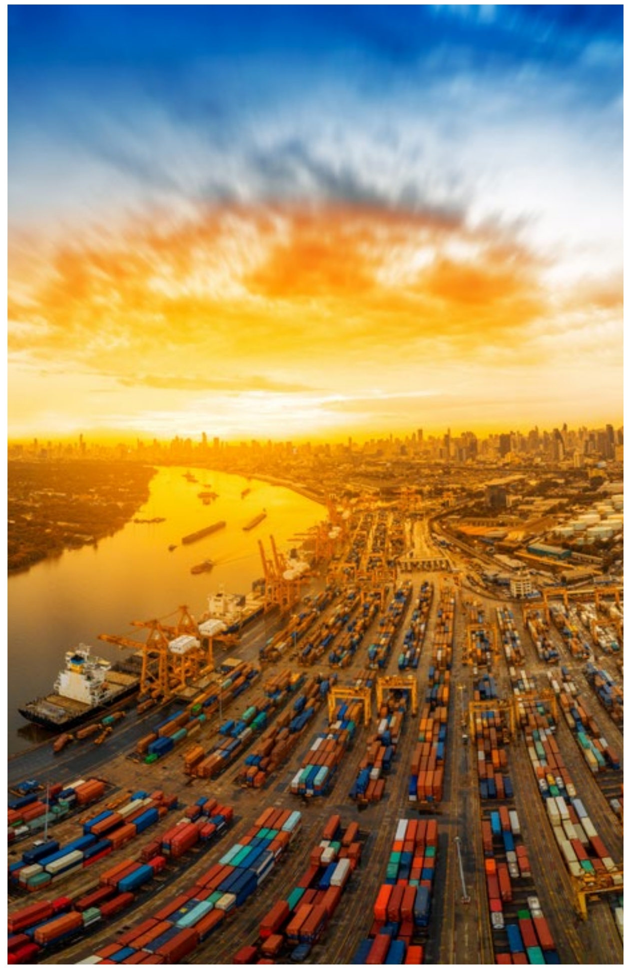
In 2020, with the update made within the scope of the Sustainability Policy, a sustainability clause was added to purchasing contracts. Accordingly, suppliers are expected to prioritize the sustainability approach and carry out their activities with reference to the Bank's Sustainability Policy.

Regarding the commitments related to the Precious Metals Responsible Supply Chain Compliance Policy, the Bank commits to suspend or end the relationship when a substantial risk arises that manufacturing suppliers are sourcing from or connected to any party engaged in fraud and misconduct activities are discovered.

As part of the contracts, all suppliers are obliged to comply with applicable legislation (anti-bribery and anti-corruption, competition, environment, occupational health and safety, processing and protection of personal data, intellectual and property rights, etc.) and contractual obligations. With these contracts, suppliers are expected not to employ child labor in violation of applicable labor legislation and to act in compliance with competition legislation. Otherwise, violations of the Competition Law may lead to severe sanctions being imposed on companies and employees, and business relations with suppliers may be terminated.

In order to minimize negative external impacts and risks, local suppliers are prioritized, and long-term cooperation is aimed with all suppliers. As well as prioritizing environmentally friendly products, supporting local entrepreneurs is also at the focus of responsible supply chain management practices. As a result of meticulous supplier selection and joint efforts, no collaboration with any supplier was terminated in supplier audits for 2023.

The ratio of local suppliers to total suppliers is 94.8%, and 96.3% of purchases are made from local suppliers.



QNB Finansbank – 2023 Integrated Annual Report

Transformation of Finansçı

Material Topics

Talent Management and Development, Talent Retention

Equal Opportunity, Diversity, and Gender Equality

Employee Loyalty and Satisfaction

Related Capital Elements

Human Capital

Social Capital

Intellectual Capital

Relevant SDGs

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

Opportunities

- Providing a competitive advantage as a preferred employer
- Being the preferred financial institution among young generations through university communication activities

Risks

- Becoming an employer not preferred by competent graduates
- Loss of reputation due to possible discrimination complaints
- Employee development programs not matching the necessary current competencies

QNB Finansbank supports equality and diversity as an important part of its corporate culture in order to create a happy and healthy working environment for its employees. The Bank's policies supporting diversity and inclusion, which are among the Bank's core values, have been designed in such a way that there is no room for discrimination and have been meticulously integrated into business processes. QNB Finansbank supports its policies, which are based on a civilized and inclusive business culture that respects human rights and the awareness that its most valuable capital is its human resources, by recruiting, developing, and retaining new talents. The Bank aims to ensure performance improvement in its existing employees with the understanding of the Transformation of Finansçı based on continuous development and to become the preferred employer by new talents with the activities carried out in this context.

Targets

Realized | Ongoing | Not realized

2023 Targets	Realization Status	Targets for 2024 and Beyond
Supporting the recruitment process by implementing employer brand management, workforce management, analytics, and business development projects in 2024	Ongoing	Maintaining the current target
Ensuring equal distribution of male and female candidates in the recruitment process	Realized	Maintaining the current target
Completion of e-learning programs on gender equality by all employees in 2024	Ongoing Completion rate for 2023 is 35.29%.	Maintaining the current target
Increasing the representation of women in management positions, reducing the wage gap by 3.57% in 2023 and 7.40% in 2024, and stabilising it on an annual basis in the following years	Realized 2023: 3.57%	Maintaining the current target
Increasing the number of women in engineering and IT positions	Realized 2022: 35.90%, 2023: 36.63%	Maintaining the current target
2024 Inclusion in the Bloomberg Gender Equality Index (GEI)	Ongoing	Maintaining its position in the index
Raising awareness on gender equality, including prevention of unconscious bias, sexual violence, and harassment	Realized In 2023, e-trainings on "Breaking Unconscious Prejudices" and "Preventing Harassment" were provided to all employees.	Maintaining the current target

Performance indicators related to priority issues are given in the Annexes - Key Performance Indicators page.

Transformation of Finansçı

Special Chapter: Equal Opportunity, Diversity and Gender Equality

In the history of QNB Finansbank, equality and diversity have always been an integral part of the corporate culture. The Bank supports diversity and inclusion in line with its core values and human resources policy. Supporting disadvantaged groups, promoting intergenerational diversity, and ensuring gender equality are among the material topics of the Bank. The Bank's policies have been designed to be non-discriminatory. Discrimination is not tolerated in QNB Finansbank and its subsidiaries, and forced and involuntary labor and child labor are not permitted. In the event of any unfavorable situation notification, action is taken in accordance with internal procedures and rules. There were no cases of discrimination during the reporting period. The Bank acts in accordance with the Labor Law legislation. The Bank's remuneration policies are regularly reviewed by the Remuneration Management Committee, and no gender-based discrimination is made in remuneration.

At QNB Finansbank, the Executive Vice President responsible for the Human Resources function and the Sustainability Committee Chairperson are the senior executives responsible for diversity and inclusion. The Bank has Gender Equality Working Groups. Internal/external improvement activities on equality and diversity issues are carried out with the Working Groups.

Communication activities were carried out to raise awareness on equal opportunities, diversity, and gender equality. Within this scope, many communication and awareness-raising activities were carried out in cooperation with Ayşe Arman, Bloomberg HT, Turkish Dictionary, Onedio, Oksijen Newspaper, etc. in 2023.

At QNB Finansbank, machine learning algorithms that evaluate gender balance are being used to avoid gender prejudices. All advertising and marketing content is evaluated for gender prejudices before it is published.

Female employees are granted 16 weeks of maternity leave. At the end of the 16-week period, they have the right to request unpaid leave for up to 6 months and 1.5 hours of breastfeeding leave per day until the child turns one year old. Paid secondary parental (paternity) leave is 2 weeks. In 2023, the rate of female employees returning to work after maternity leave was 99.81%.

Trainings covering gender equality, unconscious prejudices, and sexual harassment are offered to raise awareness of all employees on equality and diversity issues and to promote the use of equitable language in the workplace. Competency trainings, conferences, and sign language trainings are provided to create awareness. In addition to Gender Equality trainings, which also cover human rights, in 2023, "Breaking Unconscious Prejudices" and "Preventing Harassment" trainings were assigned to all employees as mandatory trainings through the in-house learning portal Finarmoni.

Ratio of Women on the Board of Directors 27.27%*	Ratio of Women in Senior Management *(GM and EVPs, Head of Internal Systems)* 23.53%
Ratio of Women in Senior Management Positions *(Director and above)* 32.76%	Ratio of Women in All Executive Roles *(Manager and above)* 46.48%
Ratio of Women in Middle Management *(Division Manager and Director)* 47.30%	Ratio of Women Except for Managerial Positions *(Titles below Manager)* 59.96%
Ratio of Women in Total Workforce 58.85%	Ratio of Women Promoted 56.60%
Ratio of Female IT/Engineering Employees *(Employees in information technology and programming/coding, engineering roles such as research and development)* 36.63%	
Ratio of Newly Hired Women 60.60%	Ratio of Women Leaving Job 56.01%
Gender Pay Gap, Global Raw Average 26.81%	

* Including General Manager

QNB Finansbank ensures that the female executives in the management team participate in the development program organized by the "Women on Board Association Türkiye" and supports the development of female executives through this program where participants receive training on different topics from professionals from the business and academic world. The chairpersons of the country's leading companies have the opportunity to get to know women executives with different qualifications and recommend them for appropriate positions. QNB Finansbank has 11 female internal coaches who graduated from International Coaching Federation (ICF) approved coaching schools.

QNB Finansbank supports women's empowerment by enabling sales and marketing team managers to participate in the "Women in Sales" project, which was established to raise awareness in companies and women by the "Sales Network Community" in order to ensure a balance between men and women in the sales world. The Bank follows these and similar international platforms and contributes to the implementation of various programs to support the Bank's policies in this field.

> The percentage of female employees in QNB Finansbank is **59%**.

Transformation of Finansçı

Special Chapter: Equal Opportunity, Diversity and Gender Equality

Gender Equality Commitments and Progress Status

As a signatory of the Women's Empowerment Principles (WEPs), QNB Finansbank published its Gender Equality Guidelines in collaboration with Kadir Has University and shared its Gender Equality (GE) Commitments with the public in April 2023. The commitments, which contribute to the UN's GE goal, include action plans to promote women's participation in the economy, increase their representation in the Bank, close the gender pay gap, and raise awareness.

The Gender Equality Guidelines can be accessed **here**.

Gender Equality Commitments and Progress Status

Commitment 1: Providing trainings on the Prevention of Unconscious Bias, Sexual Violence, and Harassment

- In 2023, “Breaking Unconscious Bias” and “Preventing Harassment” trainings were assigned to all employees as mandatory trainings. In 2024, it is planned to position and expand the training content in more in-house programs. Furthermore, it is aimed to present the trainings provided in this field to all stakeholders of the Bank through the platform to raise awareness as the QLearn platform infrastructure is made ready and to emphasize the issue of change in language.
- In 2023, all Bank and subsidiary employees were assigned Gender Equality e-training through the online training platform.
- Within the scope of the Leaders Club to be organized in 2024, it is planned to organize Q-based seminars for senior executives and to also discuss gender equality issues in the sustainability seminar.

Commitment 2: Increasing the ratio of female employees in engineering and technology fields

QNB Finansbank, which is included in the Bloomberg Gender Equality Index, has a high percentage of female employees in the fields of engineering and technology in the banking sector. The Bank aims to increase its visibility in this field and set an example for the sector through collaborations and training support.

- In 2023, the Bank collaborated with the Woman in Technology Association (WTECH) to support the "Leading 100s in Technology on the 100th Anniversary of the Republic" Project and became a corporate member of the association. The project aims to encourage and increase the number of women working in STEM (Science, Technology, Engineering, Mathematics) fields. Furthermore, ten students participating in the project will be mentored by the Bank's senior executives. At the end of the project, these students will be offered employment opportunities by the Bank.
- The Bank held meetings with Koç University Society of Women Engineers, the first student club of the Society of Women Engineers (SWE) established outside the US and, the Bank working to become the main sponsor of the society's activities in 2024. At the same time, through this collaboration, the Bank will have the opportunity to meet with interns and management trainees (MTs) and employ female engineers within its organization.

Commitment 3: Increasing the number of female suppliers by 10% annually for 5 years

- With the improvements made in purchasing processes in 2023, the Bank added 3 new female suppliers to its portfolio and increased its female supplier ratio by 13.6% compared to the previous year.
- The Bank participated in seminars and events that brought together women suppliers in 2023 as well. QNB Finansbank hosted the "5th Procurement Meeting" held on 23 November 2023, in cooperation with the Supply Chain Management Association (TEDAR) and Women Entrepreneurs Association of Türkiye (KAGİDER).

Commitment 4: Reducing the pay gap percentage relative to the overall average by 3.57% in 2023 and 7.40% in 2024 by increasing the representation of women in senior management and decreasing this gap annually

- Gender-based income ratios are analyzed on a monthly basis. It is aimed to reduce the pay gap by supporting the appointment and recruitment of female managers in newly vacant positions. The target for the year 2023 has been achieved.

Commitment 5: Providing support for the education of employees’ children between the ages of 2.5-5.5 for 3 years

- Feasibility studies are being carried out for the establishment of a nursery in the Bank's Head Office buildings. Negotiations with educational institutions are also ongoing.

Transformation of Finansçı

Human Resources Approach and Management

QNB Finansbank adopts a civilized and inclusive business culture that respects human rights and makes investments that focus on the happiness and health of its employees. The Bank has shaped its Human Resources Policy, which it implements with the awareness that its most valuable capital is its human resources and with the first human then employee principle, to ensure sustainable development and increase performance by attracting, developing, and retaining new talents.

This includes grouping Human Resources Policy into 4 main categories below.

Human Resources, Planning and Recruitment

Creating a multi-faceted human resources and recruitment process with employer brand management, labor force management, analyses, and business development initiatives in accordance with the Bank's aim to be a preferred employer and attract skilled individuals to the Bank.

Talent Improvement and Management

Enhancing the employee growth by increasing employees' technical and managerial knowledge and abilities; ensuring the retention of high-performing personnel.

Performance Management

Assessing the success through quantifiable criteria and generating a transparent and equitable employee engagement atmosphere with an aim for overall performance growth of the bank with the help of individual employee performance.

Engagement and Reward

Engaging all employees by effectively-developed and continuously-improved policies in line with the Bank's goals.

QNB Finansbank aims to create a peaceful working environment that supports the sustainable success of each employee by determining the ethical principles and rules of conduct that employees are subject to from the moment they start working.

The content of the Human Resources Policy and instructions are updated in accordance with current legislation and processes. Instructions are clearly available in the Bank's systems for all Bank employees to access and comply with. A commitment to comply with the instructions and rules of conduct is signed during recruitment. The Human Resources Instruction includes the internal processes of all teams and is carried out under the authority and responsibility of each team. All business units are audited periodically through internal and external audit activities and reported to the management. In recruitment policies, evaluations are made based on competence and job family without gender, language, religion, or race discrimination.

The Disciplinary Board is authorized to evaluate the Bank's employees' behaviors in violation of applicable laws, the Bank's internal legislation, general banking principles and practices, and instructions, and to determine the penalties specified under the title of Disciplinary Penalties for the behaviors found to be in violation and the penalties corresponding to these behaviors. Non-compliance with labor standards is evaluated within the framework of the Disciplinary Board and QNB Finansbank Employees Code of Conduct Instruction. In case of non-compliance with Human Resources (HR) regulations, necessary actions are taken by HR based on reports and notifications received from the Board of Inspectors. In the event that a notification regarding HR is received, the necessary investigations and actions are taken in coordination with the Board of Inspectors. Feedback is received through mechanisms such as internal audits, external audits, notifications/complaints from employees, government agency audits, etc. Newly recruited employees are informed about the use of the reporting system. Employees are frequently sent reminder e-mails about the reporting line process and its operation.

The Bank has established the position of an “Ombudsman” in order to improve the quality of business life, to resolve problems that may arise between the organization, employees, and managers in a fast, effective, and fair manner, and to remove obstacles to productivity. All employees submit their problems regarding discrimination, mobbing, harassment, practices contrary to corporate policies, and unresolved issues to the Ombudsman via e-mail or telephone. The Ombudsman basically aims to achieve mutual reconciliation between the parties and resolve the issues appropriately. The Ombudsman conveys to the General Manager for evaluation purposes the information he/she receives regarding all kinds of irregular transactions, misconduct, and similar issues that fall within the areas examined by the instructions of the Disciplinary Board and that should be audited by the Board of Inspectors. QNB Finansbank employees also have the right to communicate directly with the Audit Committee or the Chairperson of the Board of Inspectors. All employees can share their concerns and suggestions via the Notification Hotline using the e-mail address ihbarhatti@qnbfinansbank.com. The Audit Committee, which is an organ of the Board of Directors, has the authority and responsibility to monitor the results of the notifications made to the Notification Hotline, the measures taken by senior management and executive units, and the actions taken.

The Bank attaches importance to the opinions of its employees. With the suggestion system, employees can submit their suggestions on any subject, especially business processes, to the Human Resources Department. It improves the working environment by implementing feasible suggestions.

Talent Attraction and Recruitment

QNB Finansbank has been running its young talent programs since 2007, differentiating its programs every year and offering solutions more suitable to the needs of young people.

The support provided by organizations to candidates and employees in their career journeys is of great importance in adopting organizational goals as a common goal. In addition to bringing talents to the Bank and achieving the institution's goals, QNB Finansbank aims to design programs that will support the career journey of young people by understanding their expectations for the future. The fact that 85% of QNB Finansbank's recruitment is made up of new graduates and that it is one of the leading banks in the employment of new graduates has made talent acquisition activities, especially for university students, more important.

QNB Finansbank has adopted the HR strategy of positioning qualified and high-potential employees in entry positions, defining career paths that will support the promotion of these positions within the organization, and placing only internal candidates for senior positions. This has brought to the agenda the necessity for newly graduated, entry-level candidates to be recruited to be candidates who can easily back up senior positions and who have the potential for promotion. In this way, providing existing employees with opportunities in their career journeys increases their loyalty and motivation. At the same time, the internal promotion method ensures that existing employees with high performance who adhere to the company culture remain with the Bank.

Career Opportunities at QNB Finansbank for University Students

QNB Finansbank supports young people in fulfilling their dreams with career opportunities.

Finance 101: An internship program where university students can get to know the banking sector, branch management, business life, and QNB Finansbank. In the last three years, 2,000 students have been offered internship opportunities under the Finance 101 brand.

Finance Up: Having been selected as the Most Admired Career Club by university students in the 2021 Most Admired Companies Survey and being the first application to bring the Global Business Excellence Award to Türkiye in 2013, Finance Up Career Club offers students and Finance Up members the opportunity to start their professional working life with the Up Society process implemented with alumni logic. The program gives students the opportunity to get to know each other and develop themselves under a common culture before their professional lives. Furthermore, projects are being carried out to increase the awareness of university students on their career journey with “Ne İstemediğimi Biliyorum”. An experience-oriented Q-MBA learning program and personalized career consultancy are being offered for internship and personal development of candidates in strategic departments with the FIN-ALLY MY Program launched in 2022.

Finance Pro: This project offers internship opportunities to students who want to gain experience at the Bank's Head Office. In the last three years, 744 students have been offered internship opportunities.

Audit Pro: With the program, students who want to start a career in auditing can find a job. In 2023, Audit Pro provided 19 students with job opportunities to start a career in auditing.

In addition, the Bank continued to participate in or sponsor online summits organised by universities and institutions, and the Days@QNB Finansbank event enabled managers and MTs to explain the Bank's units to students.

Transformation of Finansçı

Performance Management

At QNB Finansbank, semi-annual performance measurements are conducted with concrete, measurable, and transparent criteria, and personalized roadmaps to reinforce employees' strengths and improve their development areas are created.

The Bank implements a career management system in which employees are clearly informed about their career journeys. The Bank aims to guide employees in their development, support their individual performance improvement and ensure high and sustainable corporate performance by adopting a continuous feedback approach.

The performance target set at the beginning of the year is cascaded down to managers and employees, starting with general managers. In this context, business line targets are individually evaluated in terms of technical performance and included in performance management. Internal promotions are prioritized in promotion processes.

Senior management targets include sustainability targets based on diversity and inclusion, and target realizations are monitored in accordance with development.

In 2023, 93% of employees were subjected to regular performance and career development evaluations.

Talent Development and Management

Continuous development is essential at QNB Finansbank. In line with the Bank's strategy, project trainings for existing employees are designed according to specific department and aim to increase employee performance.

Topics such as human resources practices and processes and corporate culture are conveyed in orientation programs. All legally mandatory and compulsory trainings are carried out in accordance with the Legal Obligation Trainings Instruction.

In 2023, trainings aimed at improving the knowledge and raising awareness of all employees, including subsidiaries, on environmental and social issues were assigned through the Bank's online training platform Finarmoni.

In the training and development processes, new employees are assigned e-training via Finarmoni, the Bank's e-training platform, and orientation programs are organized at Kristal Tower to help them adapt to both the Bank and the sector. Thus, the Bank ensures that employees are familiar with the corporate culture, policies, and processes.

To further deepen and develop the skills of its employees, the Bank offers the chance to pursue further education in MBA, finance, financial engineering, and cyber security at leading universities of Türkiye. This includes master's degrees from renowned institutions such as Sabancı University, Koç University, MEF University, Bahçeşehir University, Istanbul Bilgi University, and Özyeğin University.

In 2024, efforts are underway to establish sustainable education programs in the arts that will strengthen the intellectual competencies of employees. In addition, seminars and new training programs on sustainability and gender equality are being planned for 2024. In order to create awareness on these topics, it is being planned to provide training to customers, one of the most important stakeholders of the Bank, through the QLearn Platform in 2024.

In order to attract and retain talent, the Bank cooperates with universities and brings talents to the Bank while they are still students through long-term internship programs. Employees recruited through the MT Development Program are trained as management candidates for various positions in the organization. Those who successfully complete this program are eligible for a master's degree at a university that is considered among the best universities in their country and the world.

The Bank works to develop its talents both internally and externally. In addition, career development programs, Hi-Po Development Programs, and Succession Programs contribute to the retention of talents within the Bank. In order to ensure continuous employment, a re-employment policy is applied in case of resignations for various reasons, taking into account the reason for leaving and the needs of the individual.

Development programs are differentiated by segmenting them according to the business needs of each target group, thus creating programs that directly meet the needs of different specialties. All practices, cases, and examples in the programs are redesigned in a sustainable structure to reflect the daily work of the relevant target group. Within this scope, different training programs are designed for new and existing employees. An example of this is the Finansçı 360 Development Program, which was launched at the branch level and subsequently extended to all target groups, including the Head Office.

> Total investment in learning and development amounted to TL 107.7 million in 2023.

Finansçı 360 Development Program

The Finansçı 360 Development Program, which is implemented to disseminate the Bank's annual strategy to all employees, is redesigned and developed every year within the framework of current topics and subjects to sustainably respond to the needs of the teams by being expanded to the Head Office, field teams, and ASK teams.

The measurement of this program, which is of strategic importance in the Bank, is carried out according to multidimensional criteria such as pre-post tests, exams, completion rates of assigned activities, manager evaluations, and changes in targets and performance criteria.

Head Office MT Development Program

The MT (Management Trainee) Development Program is followed for newly recruited employees with the MT role definition in QNB Finansbank strategic teams. Within this scope, employees are provided with technical trainings that will help them adapt to the sector and the Bank and trainings prepared on the basis of important competencies that stand out after the pandemic. In addition, content that will contribute to the mental, physical, emotional, and intellectual development of MTs is redesigned according to the agenda topics of each year and included in the program. The program also includes digital transformation and technological developments, enabling MTs to experience next-generation banking processes.

During the program, experience sharing programs with the Bank's managers are also planned to strengthen MTs' adaptation to the Bank and to enable them to contribute to their own development by listening closely to the experiences of managers.

The program offers MTs the opportunity to develop in sectoral, technical, competence, and intellectual areas and many more through exams made specific to the technical training received, final presentations that will contribute to their effective interpretation of banking cases, project development processes that will improve their project management and create project studies that may contribute to the Bank, and master's degree courses from Koç University. Then they are given the opportunity to pursue a master's degree within the framework of certain criteria.

The program, which is redesigned every year according to new needs, was redesigned as part of orientation processes in 2023 and put under the heading of Learning to Learn, and it is aimed to ensure that MTs participate effectively in the learning process by making the necessary arrangements for interest and time management during their recruitment. In 2024, the Network Night event is planned to be organised in order to strengthen the Network networks of MTs and create an environment for sharing with each other.

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Transformation of Finansçı

Talent Development and Management

Development Summit

The Development Summit, which was prepared based on the motto #updateyourself and launched for the first time in 2022 in order to keep Finansçı members up-to-date on global trending topics and the agenda of the business world and to support their intellectual development while providing a professional summit experience under the roof of QNB Finansbank, is designed under a different theme and motto every year and held with the optional participation of Finansçı group.

The process is carried out with the participation of expert speakers in the field and a professional presenter at a platform environment within the framework of the themes and topics to be determined each year. The theme for 2023 was "Futuretastic".

DigiLearn Development Journey

DigiLearn Development Journey, which was created to improve the digital literacy of Finansçı members, increase their knowledge of technological developments, and enable them to follow current technological developments instantly, comes together with Finansçı members and selected corporate and commercial customers every month.

Within the DigiLearn Development Journey, videos, articles, and podcasts are shared with Finansçı members through the learning platform within the scope of the technology topic determined each month and with selected customers as a newsletter. By providing personalized learning, it is ensured that people learn the same information either by reading, watching, or listening.

Webinars are organized every month with an expert speaker on a technology topic. Current developments on the topic, future expectations, and industrial expectations are being discussed.

The topics included in the DigiLearn Development Journey so far are Big Data and Data Analytics, Machine Learning, Deep Learning, Artificial Intelligence, Blockchain Technologies, Fintech & Techfin, Web 3.0, Metaverse, Open Banking, Digital Art, Robo Consulting, Hybrid Cloud Technology, Mobile Wallets, Big Tech 5, 5G, Ar and Drone Technology, Cyber Security, Metaverse, ChatGBT, Green Energy, and Sustainable Technology.

SME Consultancy Program

New financial instruments introduced to capital markets following the global financial crises that emerged in recent years have led to a further increase in the importance of financial awareness. The SME Consultancy Program, which was launched in 2018 in order to point out the strategic importance of the concept of financial literacy for individual investors and to contribute to raising awareness and increasing the knowledge of all segments of society on financial literacy, aims to train the Finansçı members who understand the life cycles of SME customers and advise them accordingly. The program includes Finansçı members with at least two years of seniority in SME Banking with high performance who are not in the AC process. The program aims to train the Finansçı members who become solution partners for SMEs by increasing customer loyalty, improving risk management, getting to know both the customers and their business, and efficiently managing their portfolio.

Leadership Programs

The Servant Leadership approach, which QNB Finansbank places at the center of its leadership culture and which adopts the principle of compassionate management, focuses on continuous development, adaptation to change, resilience, and employees, continued to be important in the reporting period as well. The "Servant Leadership Development Talks" continued throughout the year, open to the participation of all managers.

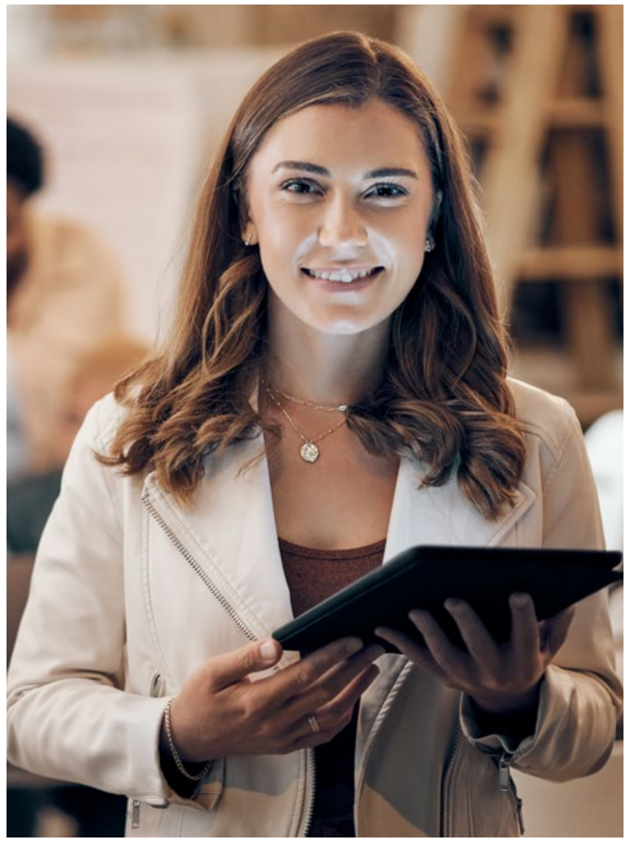
Leadership development programs were carried out with Manage Yourself and Your Relationships, Manage Your Team, and Manage Your Business modules, taking into account next-generation leadership skills. Both technical and competency development of managers are supported through personalized one-on-one training programs and in-class/online trainings for managers assigned to both head office and field teams, depending on their needs.

QNB Finansbank organized sessions bringing together experts from different fields to discuss the latest market trends and developments. This year, the sessions, which were attended by senior executives, covered topics such as Earthquake Preparedness Workshop, New World Balances and Türkiye, and On the 2023 Elections.

The Coaching and Mentorship Center, established in 2021 to promote the Coaching and Mentorship culture at QNB Finansbank and to use development tools such as internal and external coaching as well as mentoring for the potential development of the Finansçı members, continued its activities in 2023 as well. Finansçı members in the Assessment Center process benefited from internal coaching processes, and executives above the manager level benefited from external coaching processes. In addition, internal coach orientation and internal coach executive coaching supervision processes continued in the "Internal Coach Onboarding" program for internal coaches within the organization.

As part of individual trainings, domestic and international requests from business lines were evaluated and followed up throughout the year.

Onboarding business line meetings were held throughout the year for executives above the manager level within the Bank.



Flexible Innovation Program

The aim of the program is to enable employees to observe their own skills in innovative projects carried out within the organization and to create in-house learning opportunities where employees can gain different experiences. Aside from their current jobs, participants work on other projects within the bank. For projects of up to 3 weeks, participants can allocate 50% of their weekly time and take part in 2 projects in a year.

Executive Assessment Centre

At QNB Finansbank, many different projects are carried out to identify the potential of the existing human resources, to shape the career paths of employees and to implement practices to meet the need for managers from within the Bank. In this context, the assessment centre practices aim to create the Bank's executive brand, to select candidates suitable for executive roles with a clear, measurable, rational and systematic method, to contribute to the development of leadership culture and to meet most of the executive needs from within the Bank. To date, more than 400 executive candidates for head office positions and more than 1,000 executive candidates for branch positions have been included in the assessment centre practices.

Career Architecture

Revised to meet the needs of all employees, the Career Architecture processes were redesigned with a "Your Journey" perspective, creating a more transparent and structured process for branch banking employees to achieve their career goals. Career Architecture is a setup that enables employees to create their own career plans. Career Architecture is a development environment where employees can decide on the steps they will take to reach the point they dream of throughout their career and the development process that will follow.

In the new structure, with the "Career Architecture is Your Journey" perspective, the Bank aims to remove the boundaries in transitions between segments and bring employees one step closer to their career dreams through new training programs before and after the transition.

Transformation of Finansçı

Employee Engagement and Rewarding

The success of QNB Finansbank employees is based on their passion and commitment to deliver exemplary service every day. In recognition of these efforts, the Bank aims to empower and reward employees by fostering an inclusive and high-performance culture, investing in continuous training and development, and encouraging loyalty and respect. Social, cultural, and sporting activities are being offered to keep employee satisfaction and motivation high and to support employees mentally and physically. In remuneration management, the Bank has adopted fair and transparent remuneration in line with the Bank's ethical values and internal balances and aims to increase employee loyalty, motivation, and synergy.

Internal balance and fairness are essential in remuneration management. Taking into account the Bank's objectives, internal balance, and the industry, base salary and reward (variable salary) policies are determined on a task basis in line with the remuneration policies. As part of the remuneration management policies based on sector wage balances obtained through independent consulting companies in accordance with competition laws, it is aimed to prevent employees from assuming excessive risks while rewarding them in proportion to the added value they create, to retain a qualified, motivated, and loyal workforce, and to increase business volume and productivity.

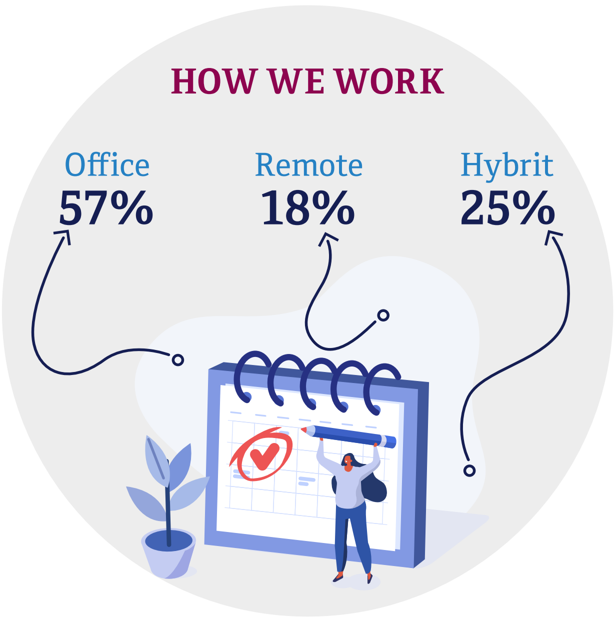
The income of the Bank's employees is determined within the framework of policies based on their business line, job family, title, level, and position. All remuneration processes are approved by the Remuneration Management Committee, which consists of one member from QNB and one member from QNB Finansbank Board of Directors. The Bank's remuneration policies are regularly reviewed by the Remuneration Management Committee, and gender is not included in the tools used to determine remuneration policies.

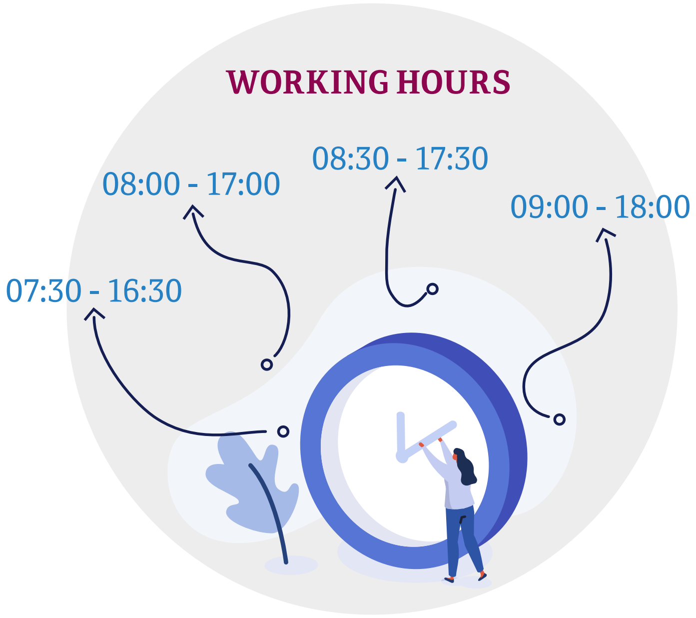
Transformation of Finansçı

Employee Engagement and Rewarding

The Bank regularly conducts an employee engagement survey every year, which is also based on diversity and inclusion. In 2023, employee engagement was realized as 64%. The Bank carries out activities to increase employee satisfaction. In 2023, the HR Employee Engagement Unit carried out a total of 342 activities, such as concerts, theater, and club activities, 52 of which were online and 290 on physical platforms across Türkiye. These activities brought together 13,627 employees. In addition to the activities, discount agreements were signed with 162 companies throughout the year, providing QNB Finansbank employees with advantageous shopping opportunities.

The Bank implements a hybrid working model with three days in the office and two days remotely and offers flexible working hours to employees. With the mid-term break of schools, working parents whose duties are suitable for remote work are offered the opportunity to work remotely during the break. In July-August, a summer working model that allows working from outside the city is applied. The bank offers the same social benefits to all its employees, regardless of whether they are part-time or full-time. All employees are entitled to private health insurance, life and personal accident insurance, meal allowance, etc.





Occupational Health and Safety

All Occupational Health and Safety activities at QNB Finansbank are carried out in accordance with the Occupational Health and Safety Law No. 6331. All employees and subcontractors are included in Occupational Health and Safety processes. QNB Finansbank has a defined Occupational Health and Safety Policy. Legislative requirements and additional regulations for the health and safety of the Bank's employees are managed on an organization-specific basis.

Necessary measures are taken against OHS risks within the scope of the Risk Assessment prepared by identifying risks and hazards as per the Occupational Health and Safety Risk Assessment Regulation. Emergency Plans are prepared within the scope of the Regulation on Emergency Situations in Workplaces, and drills are carried out annually.

All employees are provided with Basic Occupational Health and Safety e-trainings within the scope of the Occupational Health and Safety Law No. 6331 and the Regulation on Occupational Health and Safety Trainings of Employees. These trainings are repeated every three years in accordance with the regulation. This training is also assigned as e-training to all employees, except for employees who have received the training within three years. In addition, all employees working remotely are provided with occupational health and safety e-trainings at home.

Within the scope of Law No. 6331, Occupational Health and Safety Committees convene quarterly at the Head Office facilities in accordance with the Regulation on Occupational Health and Safety Rules. Issues related to health and safety risks are discussed at these committee meetings. The opinions and suggestions of employees on occupational health and safety are discussed at the committee meetings through employee representatives.

The Occupational Health and Safety Unit regularly conducts inspections. If there are any findings, the relevant units are informed about these issues through the Occupational Health and Safety Committee, and relevant actions are taken. In addition, hazards and risks are identified, and actions are taken within the scope of risk assessment. Measures taken or being taken to eliminate other work-related hazards and minimize risks using the hierarchy of controls emerge as a result of findings, risk assessments, near-miss reports, and on-site audits. Reports on work accidents and occupational diseases are followed up by the health team. For some jobs that may involve a higher risk of occupational diseases, an assessment is made at the beginning of the job and periodically followed up.

In accordance with the Occupational Health and Safety law, there is a Workplace Physician and an Occupational Safety Specialist. There are Health Centers in Kristal Tower, Ümraniye Operation Center, and Erzurum Operation Center facilities. All employees can benefit from the health centers and consult with workplace physicians by calling the Health Helplines. The Bank has private health insurance and SSI coverage. Employees have the opportunity to benefit from dietitians, physiotherapists, psychological counseling services, and the sports center.

Health support is provided to the relatives of QNB Finansbank employees. The health center and corporate doctors provide health counseling, support, and guidance for diagnosis and treatment. Depending on the need, support is provided for treatment expenses, and additional payments may be made with the decision of the committee.

QNB Finansbank – 2023 Integrated Annual Report

Becoming 1 with the World: Together with Society

In this Section:

Social and Community Investment

"In addition to its banking activities, QNB Finansbank also supports social welfare through its social responsibility activities."

SDG's

4 QUALITY EDUCATION
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

Material Topics

Social Investment

Related Capital Elements

Natural Capital

Financial Capital

Relevant SDGs

4 QUALITY EDUCATION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

Opportunities

- Contribution to solving social problems through consistent and inclusive projects
- Support for brand image
- Increased employee satisfaction

Risks

- Failure to achieve the desired social benefit due to problems in performance monitoring of projects (low SROI)
- Third-party risks due to project partners

Targets

Realized | Ongoing | Not realized

2023 Targets	Realization Status	Targets for 2024 and Beyond
Increasing the number of regions and children reached by the Tiny Hands Big Dreams Project	Realized. Number of children reached in 2023: 700,000 (2022: 600,000)	Maintaining the current target
Reaching 1,100 more children by 2024 with the TEGV Climate Protectors Raising Up Project	Ongoing	Due to the earthquake disaster in Türkiye in 2023, the number of children targeted to be reached by the project in 2024 was revised to 560.

Performance indicators related to priority issues are given in the Annexes - Key Performance Indicators page.

Social and Community Investments

QNB Group recognizes that addressing ESG topics directly (through its operations) and indirectly (through its financing and social activities), identifying new business practices, and integrating a sustainability culture into the Group's structure can make a significant contribution to society.

QNB Finansbank considers social and community investments to be important factors in the value creation process. The Bank aims to create long-term social value with a "Beyond Banking" perspective. With an awareness of social responsibility, the Bank carries out activities to contribute to society at large. With this approach, the Bank undertakes projects in many different fields ranging from education to culture & arts, from sports to music. Through these projects, the Company realized social investments amounting to TL 6.75 million in 2023 under Tiny Hands Big Dreams and TL 350 million through earthquake projects.

In order to prepare children and young people for the future, projects are being carried out under the roof of QNB Finansbank in many fields, from mathematics to coding, and culture & arts to education. Through these projects and with the support of more than 4,000 "volunteer Finansçı", nearly 700 thousand children were reached across Türkiye. In 2023, in addition to the projects aiming to prepare children for the future, new projects were developed after the devastating February earthquakes while some existing projects were revised, and earthquake-specific actions were taken.

Projects supported in 2023:

"Leading 100s in Technology on the 100th Anniversary of the Republic" Project.
The Bank was among the project supporters in cooperation with the Women in Technology Association (WTECH).

Renovation of 100 Schools in 100th Anniversary of Turkish Republic
In cooperation with UNICEF, a project to renovate 100 schools in the earthquake-affected region was launched.

Climate Protectors are Growing Up Project
The project, which was initiated in 2022 in cooperation with the Turkish Education Volunteers Foundation, was planned to continue in 2023, but after the devastating earthquake, it was transformed into a psychosocial support project in the earthquake zone under the name Social and Emotional-Based Disaster Activities.

Scholarship Support to the Turkish Female Physicians' Education Support Foundation
Launched in 2023 in cooperation with KAHEV.

Make-A-Wish - Türkiye Project
The project was initiated in cooperation with the Make-A-Wish Foundation.

Cooperation with the Down Syndrome Association of Türkiye
It was launched in partnership with the Down Syndrome Association of Türkiye.

Tiny Hands Big Dreams Education Scholarship
It was realized with the project partnership of TEV and TED.

Tiny Hands are Coding Project
The cooperation initiated in 2015 in cooperation with the Habitat Association continued with new activities.

Nature Pioneers Youth Program
It is being carried out in partnership with WWF Türkiye and the Ministry of National Education. At the National Youth Conference organized at the end of the program, projects that made a difference were presented by children at the Kristal Tower.

QNB Finansbank Tales Math Museum
The project partnership started with Tales Math Museum in 2018 continues with new activities. In 2023, the project "A Day in the Museum" was added.

Success is Everywhere Project
Launched in 2017 with the project partnership of TED and MoNE, the project continues with new activities.

Social and Community Investments

Projects Supported in Education

Leading 100s in Technology on the 100th Anniversary of the Republic Project
In line with QNB Finansbank's goal of increasing the ratio of women in engineering and technology roles, the Bank collaborated with the Woman in Technology Association (WTECH) and became a sponsor of the "Leading 100s in Technology on the 100th Anniversary of the Republic" Project. This project aims to increase the ratio of women working in STEM fields. As part of the project, technical trainings on topics such as Data Analytics, Data Science with Python, Artificial Intelligence with Python, Robotic Process Automation, Process Analyst, and Cyber Security will be offered to 4th-year university students, master's students, doctoral students and graduates studying in STEM departments. Throughout the training, students will not only specialize in technology with technical trainings, but will also be able to overcome the challenges they may face in the business world with soft skill trainings. In addition, senior managers of the institutions supporting the project will provide mentorship to participating students. At the end of the training program, students will receive their smart digital certificates and will have the opportunity to have job interviews with the institutions that support them.

Renovation of 100 Schools in 100th Anniversary of Turkish Republic
Within the project implemented in cooperation with UNICEF, schools in five cities, namely Adıyaman, Gaziantep, Hatay, Kahramanmaraş, and Malatya, which were affected by the devastating earthquakes that occurred in February 2023, were renovated. A total of 100 schools, which were not demolished but had a slightly damaged status and could not continue education, were renovated to be ready for the 2023-2024 academic year.

QNB Finansbank donated TL 10 million and took action to ensure that 100 schools were quickly renovated and restored to normal. In this context, the renovation of the buildings of 7 kindergartens, 58 primary schools, and 35 secondary schools was initiated. Under the coordination of the Ministry of National Education, the renovations started in August and were completed in September, in accordance with the schedule for the new academic year, and the schools were opened. A total of 100 schools were renovated with the project. A total of 31,531 students in these 100 schools continued their education.

In order to contribute to the education of children and to support the children who are going to carry the Republic into the next centuries, the Bank designated the "Renovation of 100 Schools in 100th Anniversary of Turkish Republic" project as the Centennial Project, in which the Bank supported the renovation of 100 damaged schools in the earthquake region.

Scholarship Support to the Turkish Female Physicians' Education Support Foundation
With this project, QNB Finansbank supports 45 female doctor candidates in the earthquake region for the continuation of their education, in addition to supporting 44 university students and 1 high school student in their education life.

The project started in March 2023 and will continue until June 2024. Scholarship recipients are selected from 8 different provinces; 26 are girls and 19 are boys. Scholarship recipients will receive a total of 16 months of scholarship.

Tiny Hands Big Dreams Education Scholarship
QNB Finansbank established the Tiny Hands Big Dreams Education Scholarship with TL 36 million in cooperation with TEV and TED. With this project, 350 primary, high school, and university students will receive scholarships for their entire educational life. At the same time, it is planned to initiate mentoring and internship activities with university scholarship recipients in consultation with the TEV Mentoring team.

Tiny Hands are Coding
QNB Finansbank made the coding trainings, provided as part of the "Tiny Hands are Coding Project" launched under the roof of the Tiny Hands Big Dreams Corporate Social Responsibility Platform, available to children all over Türkiye free of charge. The project, carried out in cooperation with the Habitat Association, has been providing coding training since 2015. Scratch trainings, which were moved to the online platform in May 2020 due to the COVID-19 pandemic, were provided free of charge to children between the ages of 8-14 across Türkiye this year, both online and face-to-face, via the www.minikellerkodyaziyor.com website.

In the project, where children code games according to the theme determined every year, ten teams that make it to the finals as a result of the evaluations are awarded in their own category. As part of the Scratch Cup 2023, with this year's theme "Clean Energy is My Energy", children designed clean energy environmentally friendly project ideas on understanding the importance of renewable and sustainable energy resources, realizing environmental pollution and depletion of natural resources, and most importantly, solving problems. A total of 1,098 teams from 53 different provinces applied to the competition Scratch Cup 2023, whose applications were launched in 2022. As a result of the evaluations, 10 teams (23 children) from 8 provinces participated in the finals. The Scratch Cup award ceremony was held on June 12 with the participation of 10 finalist teams consisting of 23 children. In 2023, online and face-to-face trainings were organized in 62 different provinces, reaching 4,100 children and providing approximately 40 thousand hours of coding training. Online trainings provided on the Project website were accessed by 24,000 people. Twenty-one "volunteer finansçı" were trained as volunteer trainers. Through physical volunteer trainer trainings, 25 trainers were included in the project, and as of 2023, there are 350 volunteer trainers within the project. To date, the project has reached more than 45,000 children across Türkiye, more than 45 thousand Turkish-speaking children all over Türkiye and even abroad have been reached with the "Tiny Hands are Coding" project, and nearly 400 thousand hours of coding training has been provided.

QNB Finansbank Tales Math Museum
The project, realized in cooperation with QNB Finansbank and the Tales Math Museum in Aydın, started in 2018 with QNB Finansbank sponsoring the museum. In order to increase the number of children we reach and to expand the project area, the modules in the museum were put on a truck under the name of Tales Mobile Math Museum, and 36 cities were visited with this truck. With the pandemic, the Tales Math Museum program, which enabled more than 100,000 children to experience the fun world of mathematics, has become accessible to children all over Türkiye with certain modules of the museum on the QNB Finansbank - Tales Math Museum web sitesi in 2021. The project reached more than 140 thousand children. In 2023, the "A Day in the Museum" project was added to the project. Children from 10 selected cities spent an informative and fun day at the Tales Math Museum. After the devastating earthquakes in February 2023, children were mostly selected from the earthquake region for the project.

Success is Everywhere
The project, which covers eight primary schools in Ankara and Adana, was launched in 2015 in cooperation with Turkish Education Association (TED) and Ministry of National Education (MoNE) under the slogan "Equal Opportunity in Education" with the aim of creating a better education system in public schools and raising the level of education in Türkiye by improving children's cultural and sporting aspects as well as their academic achievements.

The project continues with eight primary schools in Adana and Ankara. In total, more than 25,000 children were involved in the project. Teachers and parents, who are their most important and influential role models, were provided training by a reputable educational institution. The project's support areas include textbooks, mock exams, books, musical instruments, all necessary needs for sports activities and participation in competitions, accommodation expenses, coding, science festivals, theater and music projects, gazebo days, guidance, etc. Many successes were achieved in schools in various fields, such as sports tournaments, painting contests, proficiency exams, poetry contests, chess, etc. Following the devastating earthquakes, 79 victim students were enrolled in project schools.

Support for Earthquake Affected Students

QNB Finansbank also took action to heal the wounds of the devastating natural disaster that occurred in 2023. The Bank is committed to reducing the negative impacts of natural disasters and implementing post-disaster social support practices. After the great earthquake on 6 February 2023, the Bank worked to help its customers residing in the disaster region. It implemented loan deferrals and restructurings to facilitate the return to normalcy for affected individuals. In addition, the Bank actively supports projects aimed at addressing social problems encountered in the aftermath of such disasters. In line with this commitment, the Bank has implemented many corporate social responsibility projects for children and young people affected by the earthquake, including the TL 36 Million Tiny Hands Big Dreams Education Scholarship, which was implemented in cooperation with TEV and TED after the earthquake.

Projects Supported for the Environment

Nature Pioneers Youth Program
In 2022, QNB Finansbank supported a project led by WWF Türkiye and the Ministry of National Education. With the project, 11 secondary school teachers selected from 10 provinces across Türkiye received 30 hours of face-to-face training in Istanbul, and these teachers were trained as formator trainers. The trainers reached 30-160 teachers in neighboring provinces, and a total of 1,000 teachers provided climate education to 10 thousand children.

Secondary and high school students reached under the program developed solutions to the problems brought about by the climate crisis using innovative approaches and contemporary technologies. Students produced innovative and transformative projects in the communities of Wildlife Protectors, Water Angels, Plastic Hunters, Food Warriors, and Carbon Catchers. On October 4, the National Youth Conference was held at the Kristal Tower with the participation of the Head of the General Directorate of Basic Education of the Ministry of National Education, representatives of the Istanbul Provincial Directorate of National Education, WWF Türkiye General Manager and QNB Finansbank General Manager. As a result of the conference evaluations, finalist projects and young people with projects were awarded.

Climate Protectors are Growing Up

Conducted in cooperation with the Educational Volunteers Foundation of Türkiye (TEGV), the education-oriented and sustainability-based climate project for children aged 6-14 reached 500 children in 13 cities in 2022. With the project, children are made aware of the climate crisis, which is the most discussed issue today, and sustainability awareness is also created. In 2023, the "Climate Protectors are Growing Up" project, which has been carried out since 2022, was transformed into a different format for children in the earthquake region to receive psychological support due to the earthquakes.

In collaboration with TEGV, QNB Finansbank launched a psychosocial support project called "Social and Emotional-Based Post-Disaster Activities" for children in the region. In 2023, the project reached 1,750 children. The climate project is planned to continue in 2024.

Social Projects Supported

Make-A-Wish - Türkiye
QNB Finansbank celebrates the birthdays of its customers every year. This year, the birthday project is being realized in partnership with the "Make-A-Wish" Foundation. "Make a Wish" realizes the dreams of children between the ages of 3-18 who are struggling with life-critical diseases. With this project, the Bank realized the dreams of 30 children in the earthquake region.

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Social and Community Investments

Cooperation with the Down Syndrome Association

As part of QNB Finansbank's cooperation with the Down Syndrome Association of Türkiye, the +1 Academy for the Future development center was opened in İskenderun. The support center has been planned to have a social worker, physiotherapist, and trainer. Through this center, contact is established with families in need in container and tent cities and in the city, and work is carried out in the fields of health, education, and psychological counseling with the help of experts. Support is also provided to children with different development and their families, as well as typically developing children and families in need of psychological support.

As part of the project, necessary trainings were initiated before the physical building was established. Training on "Grief and trauma in children in the earthquake region" was provided to the employees of the Directorate of Family and Social Services. In order to provide efficient support to families and to measure the outputs, formation studies on measurement and evaluation were initiated. For two years, project outputs will be regularly communicated by the association through result reports.

Social and Community Investments	2021	2022	2023
Total Hours Allocated to Volunteering Activities	1,881	1,586	1,500*
Total Social Investments (TL)	940,000	5,730,000	56,750,000

*Decreased due to the impact of the devastating earthquake disaster that occurred in Türkiye in February 2023.

Volunteer Finansçı

As part of its business and sustainability strategy, QNB Finansbank encourages its employees to take part in corporate social responsibility projects by creating new projects or participating in ongoing projects. The Bank's Volunteer Finansçı Program, which consists of projects developed and attended by its employees, is one of the largest corporate volunteering programs in Türkiye in terms of scope, participation, and results.

Within this scope, the Bank organizes a competition every year in which Bank employees participate with social responsibility projects they developed for children aged 4-14, and financial support is provided to the selected projects. Since 2015, 49 valuable projects contributing to children in the fields of education, health, and culture & arts were realized with the support of project leaders and Volunteer Finansçı members participating in the Volunteer Finansçı Project Competition, and the lives of more than 7 thousand children were touched.

The ninth "Volunteer Finansçı Project Competition" was organized for children affected by the February earthquakes that shook our country. After the Committee Meeting attended by the senior management of the Bank and its subsidiaries, it was decided to realize a total of 10 projects with the support of QNB Finansbank, QNB Finansfactoring, QNB Finansleasing, QNB Finansinvest, and QNB Finans Asset Management. In 2023, the following projects were implemented: M. Çelik Primary School Library Repair, Enjoyable Hours at the Child Life Center, Collecting Good Memories at School Again, Library of Love, You Smile Too, Happy Children, Tiny Pedals, Don't Let Special Children Be Shocked, Looking for the Star Where My Hope is Hidden, and Tiny Hands Clean Schools.

M. Çelik Primary School Library Repair: Within the scope of the project, a library will be built at Mehmet Çelik Primary School with a design to attract children. In this way, an environment where students can have a pleasant experience and learn at the same time will be built.

Enjoyable Hours at the Child Life Center: Within the project, children living in difficult conditions in container cities will be provided with games to make them happy and smile in the life centers; thus, their development will be ensured, and they will get away from the thoughts of living in difficult conditions.

Collecting Good Memories at School Again: Within the project, efforts will be made to collect happy/good memories of children who suffered losses after the earthquake, to support their mental development, and to ensure that good memories replace the traumatic events.

Library of Love: Within the project, one classroom of the schools selected from the earthquake region will be transformed into a library that will attract children. During the 2-day period when the library is being completed, activities will be carried out with the children, aiming to inform them while having fun.

You Smile Too: Within the project, nearly 300 children affected by the earthquake in Adıyaman will be trained in modules also prepared with the contributions of the Provincial Directorate of Family and Social Services.

Happy Children: The project aims to take the children of families who settled in Istanbul coming from the earthquake region to historical sites and entertainment centers to have a pleasant time.

The project supported by QNB Finans Invest:
Tiny Pedals: Within the project, colorful bicycles will be gifted to 47 children living in container cities. Thus, children whose bicycles are buried under the rubble will be able to have some fun and an enjoyable time.

The project supported by QNB Finans Leasing:
Don't Let Special Children Be Shocked: Within the project, inadequate educational materials in special classrooms designed for children with autism will be provided, and training services will be provided for special education class teachers to be able to use these materials.

Projects supported by QNB Finansfactoring;
Looking for the Star Where My Hope is Hidden: Within the project, game and quiz contests will be held between classes, and all students who participate in the contests will be presented with awards. Animation shows will be organized from time to time, and a barbecue will be served at noon.

Project supported by QNB Finans Asset Management;
Tiny Hands Clean Schools: Within the scope of the project started in 2023, painting and renovation works and improvement of the physical conditions of Şehit Ahmet Saylak Primary School in Hatay Kırıkhan district will continue in 2024.

Donation Fair: This is a completely volunteer-based organization that has become a tradition within the bank, where some QNB Finansbank employees open a booth in the Kristal Tower and offer their products for sale to other employees, and where all sales revenues are donated to a non-governmental organization.

World Animal Day: Every year on October 4, World Animal Day, donations are collected for an institution or shelter with the support of Finansçı members in order to help adorable animal friends with their nutritional and medical needs and to improve their quality of life.

DOĞADAİZİNOLSUN Project: In order to create a more livable world and improve our common future, the e-training of volunteers is completed, and support is provided to create seed balls and drop them in designated areas with the help of drones. In this way, a contribution is made to the growth of forests.

Sponsorships

In addition to corporate social responsibility projects, QNB Finansbank supports economic and social development through various sponsorship activities. The Bank strengthens its social impact dimension by supporting art and sports activities in order to make them known to a wider audience.

With the "Young Talents" Project, QNB Finansbank, together with the Contemporary Education Foundation (ÇEV) and ÇEV Art, supports gifted young musicians, who continue their education in schools where world-renowned musicians are trained, to represent our country in national and international culture & arts. The Bank provides financial support to 29 talented young musicians to meet their needs in the field of music and offers them the opportunity to give concerts where they can introduce themselves on the international stage. Young talents are evaluated according to their talent areas through scholarship auditions organized by ÇEV Art every year, and the project is continued by increasing the number of young talents in each new period. In 2023, 29 skilled young musicians continued to be supported.

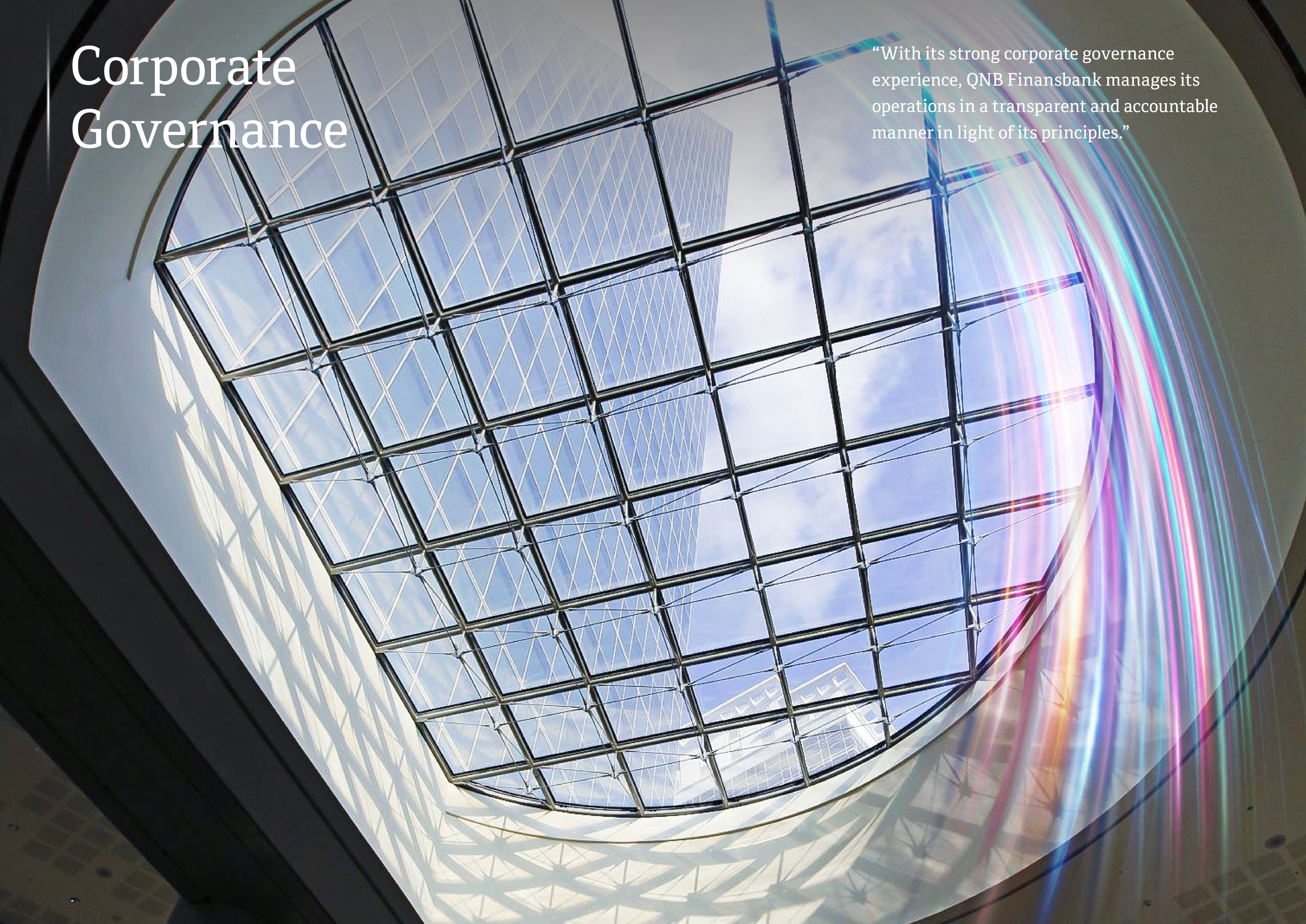
The Istanbul Seniors Cup, organized in cooperation with the Tennis Fencing Mountaineering Club (TED), has been running for ten years under the main sponsorship of QNB Finansbank Private Banking. Every year, the Bank hosts the "QNB Finansbank Private Banking Istanbul Seniors Cup", which has a distinguished place among national seniors tournaments, with the participation of well-known business people, famous names of the art community, and TED club members. The 14th tournament was held 9-19 March 2023.

The Bank continues to be the bank of choice for doctors by offering special financial and sports services for doctors for the first time in Türkiye with solutions tailored to professional groups. The TED Doctors Tennis Tournament has been organized under the sponsorship of 'QNB Finansbank Xclusive Doctors' since 2012. The winners of the TED Doctors Tennis Tournament, sponsored by QNB Finansbank Xclusive Doctors, which offers special services for doctors in the field of banking for the first time in Türkiye, have the chance to be selected for the national team and participate in the Balkan Tournament. The 40th tournament was held between 10-17 June 2023.

QNB Finansbank's main shareholder QNB, one of the world's 50 largest banks, has become the main sponsor of Trabzonspor Football Team, one of Türkiye's four major sports clubs. In the past seasons, QNB Finansbank brought Trabzonspor fans together with their team through social media activities and autograph sessions. In addition to match tickets and signed jersey contests, the Bank developed special banking products and campaigns to contribute to Trabzon's economy and offered them to football fans. Its sponsorship adventure, which started with the 50th anniversary of Trabzonspor, one of the most important sports clubs representing our country in Europe, continues as the arm sponsor including the 2023/2024 and 2024/2025 football seasons as well.

QNB Finansbank – 2023 Integrated Annual Report

Corporate Governance



"With its strong corporate governance experience, QNB Finansbank manages its operations in a transparent and accountable manner in light of its principles."

Corporate Governance

Board of Directors Structure

As per Article 21 of QNB Finansbank's Articles of Association, Board members may be elected for a maximum of three years. Re-election of the members is possible. The General Assembly determines the term of office of the Board members. In accordance with the Turkish Commercial Code, new members who fulfill the legal requirements are elected to replace the membership vacancies before the end of the term of office and serve until the general assembly meeting of the following year. The number and qualifications of the independent board members are determined in accordance with the regulations of the Capital Markets Board on corporate governance.

In order to evaluate the performance of the Board of Directors on an annual basis, a self-assessment form has been established that includes the competence and effectiveness of the Board as well as its responsibilities in sustainability performance areas such as social, environmental, economic, and governance.

Shareholders may attend the General Assembly meetings either physically or electronically, express their opinions, make suggestions, and vote. "One Share, One Vote" principle is followed, and there are no privileged voting groups.

The Committees may benefit from the opinions of independent experts on matters they deem necessary in relation to their activities. The cost of the consultancy services required by the Committees is covered by the Bank.

Board of Directors by Gender

Female 27.3%
Male 72.7%

Senior Management by Gender

Female 23.5%
Male 76.5%

Attendance rate of Board members at Board meetings in 2023

2023 94.80%

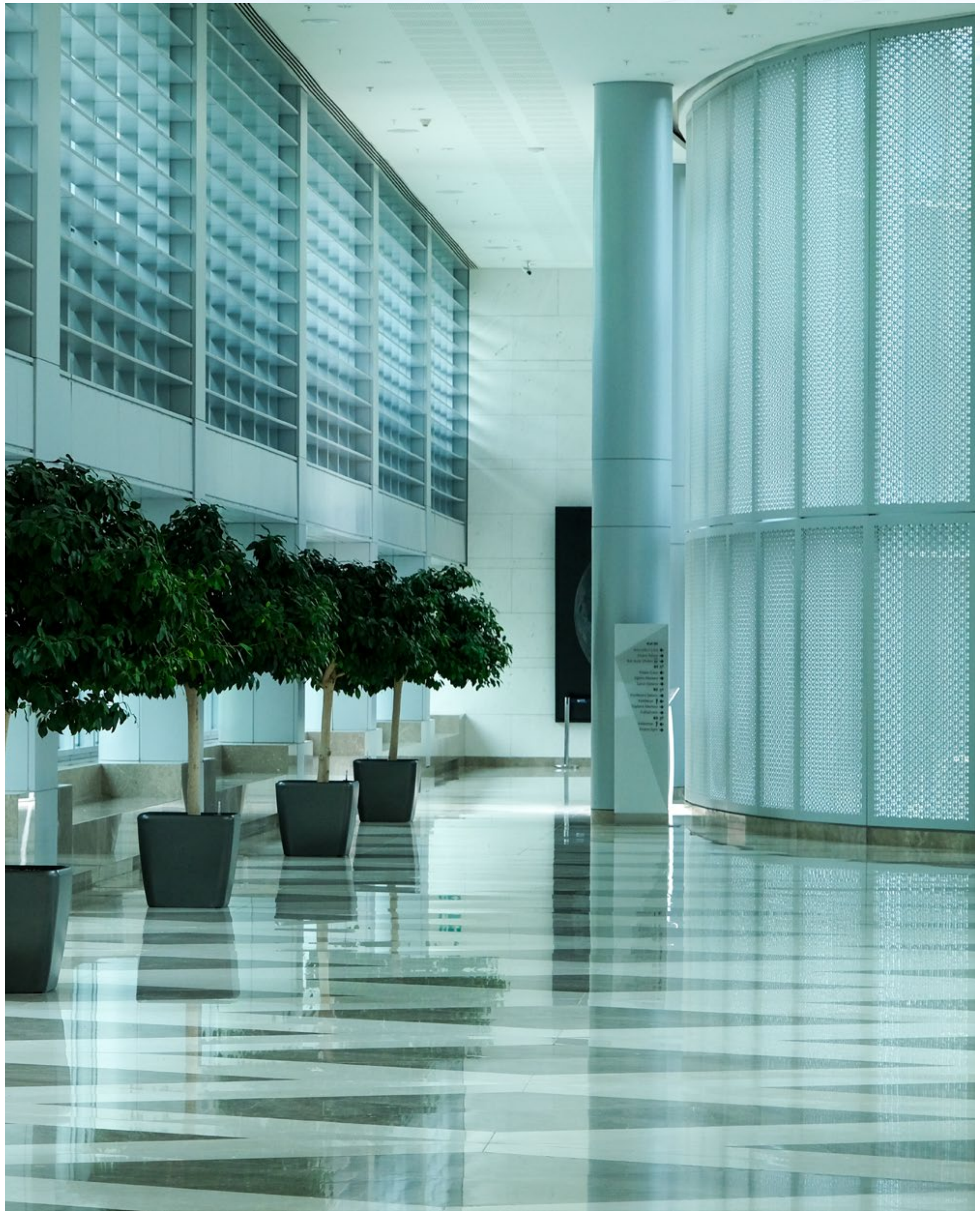
Average seniority of the Board of Directors *(year)*
11

Average industry experience of the Board of Directors *(year)*
30

Status of attendance at Committee Meetings
98%

Status of Independence
5/11

Average Age
55



QNB Finansbank – 2023 Integrated Annual Report

Corporate Governance

Board of Directors Diversity Matrix

Name	Mehmet Ömer Arif Aras	Yousef Mahmoud H. N. Al-Neama	Temel Güzeloğlu	Osman Ömür Tan	Adel Ali M. A. Al-Malki	Durmuş Ali Kuzu	Fatma Abdulla S. S. Al-Suwaidi	Noor Mohd J. A. Al-Naimi	Saleh Nofal	Ramzi T. A. Mari	Yeşim Güra
Title	Chairperson	Vice Chairperson	Member of the Board of Directors	General Manager (CEO) and Member of the Board of Directors	Member of the Board of Directors	Member of the Board of Directors	Member of the Board of Directors	Member of the Board of Directors	Member of the Board of Directors and Chairperson of the Audit Committee	Member of the Board of Directors	Member of the Board of Directors
Sector of Experience											
Total experience at QNB Finansbank (by year):	37 years	5 years	20 years	26 years	5 years	8 years	8 years	7 years	1 year	8 years	1 year
Total Experience (by year):	41 years	34 years	30 years	28 years	26 years	26 years	24 years	23 years	38 years	33 years	32 years
Financial/Audit & Risk	●	●	●	●	●	●	●	●	●	●	●
Legal/ Public Policy		●				●					
Cybersecurity/ IT	●	●	●		●	●	●				
M&A/Capital Market		●				●				●	●
Communications/Marketing/Customer Service		●	●	●							●
Environmental/Social		●									
International Experience	●	●	●		●	●	●	●	●	●	●
Committee Memberships Under the Board of Directors											
Audit Committee						●		●	●	●	
Risk Committee	●				●		●		●		
Credit Committee	●	●	●	●			●	●		●	
Corporate Governance Committee									●	●	●
Remuneration Committee		●	●								
Attendance of Committee Meetings											
Audit Committee						20/20		16/20	15/20[1]	17/20	
Risk Committee	11/12		9/12[3]	10/12[3]	9/12		6/12		9/12		
Credit Committee	38/38	38/38	38/38	38/38			38/38	38/38		38/38	
Corporate Governance Committee									4/5[1]	5/5	4/5[2]
Remuneration Committee		6/6	6/6								
Independence	Not independent	Not independent	Not independent	Not independent	Not independent	Independent[4]	Not independent	Independent[4]	Independent[4]	Independent[4]	Independent

[1] Since he was appointed on 30.03.2023, former Chairperson of the Audit Committe attended the 5 meetings held before.
[2] Since she was appointed on 30.03.2023, former member attended the meeting held before.
[3] Not member of the Risk Committee
[4] Members of the Audit Committee are considered as independent members within the scope of Article 6 of the Corporate Governance Communiqué

CVs of the Board Members are included in the Integrated Annual Report 2023, pages 16-19.

Corporate Governance

Organizational Structure and Changes [1,2]

- **BOARD OF DIRECTORS** – **Ömer Aras**, Chairperson of the Board of Directors
  - **Audit Committee** – **Saleh Nofal**, Chairperson of Audit Committee
    - **Internal Systems**
      - **Risk Management** – **Zeynep Aydın Demirkıran**, Chief Risk Officer
      - **Internal Control and Compliance** – **Sercan Kısas**[1], Chief Internal Control and Compliance Officer
      - **Internal Audit** – **Ersin Emir**, Chief Audit Officer
      - **Audit Committee Office** – **Jale Canan Çıray**, Division Head
  - **Ömür Tan**, General Manager (CEO)
    - **Financial Control and Planning** – **Adnan Menderes Yayla**, Executive Vice President
      - **Legal Affairs** – **Ali Yılmaz**, Executive Vice President
    - **Consumer and Small Business Banking** – **Enis Kurtoğlu**, Executive Vice President
      - **QNBEYOND** – **Derya Düner**, Executive Vice President
    - **Loans Allocation** – **Burçin Dündar Tüzün**, Executive Vice President
      - **Corporate Banking and Project Financing** – **Zeynep Kulalar**, Executive Vice President
    - **Human Resources** – **Cenk Akıncılar**, Executive Vice President
      - **Loans Monitoring and NPL** – **İsmail Işık**, Executive Vice President
    - **Payment Systems** – **Murat Koraş**, Executive Vice President
      - **Digital Corporate Banking and Digital Transformation** – **Okay Yıldırım**, Head of Group Corporate Digital Banking
    - **Treasury** – **Köksal Çoban**, Executive Vice President
      - **Medium-Size Enterprises and Commercial Banking** – **Engin Turhan**, Executive Vice President
    - **Communications and Customer Experience Office** – **Armağan Engel**, Director
      - **Information Security Management** – **Argun Derviş**[2], Chief Information Security Officer (CISO)
    - **Enpara.com** – **Cumhur Türkmen**, Executive Vice President
      - **Information Technologies, Operations, Channels and Business Development** – **M. Kürşad Demirkol**, Executive Vice President

[1] Ahmet Erzengin, who had been serving as the Chief Officer of Internal Control and Compliance since 2011, resigned from his post and Sercan Kısas took over his duties effective as of 1 January 2024.

[2] As of 01.01.2024

QNB Finansbank – 2023 Integrated Annual Report

Corporate Governance

Remuneration and Financial Rights

The principles of remuneration for Board Members and senior management are determined in line with the principles set out in the Remuneration Policy, and practices and decisions of the Human Resources Department as well as the Remuneration Management Committee, in addition to QNB Finansbank's Articles of Association, the Guidelines on Best Compensation Practices of Banks, and the Communiqué on Corporate Governance Principles by CMB. While determining these wages, it is aimed to keep the salary levels at a satisfactory level and thus ensure the retention of employees with the necessary qualifications and experience in the organization. Pension rights are determined in accordance with the country's Social Security Institution legislation. Pension criteria are based on seniority, and insurance premiums are held in the same scope for each manager.

The income of the Bank's employees is determined within the framework of policies based on their business line, job family, title, level, and position and approved by senior management and the Remuneration Management Committee. Internal balance and fairness are essential in Remuneration Management. Taking into account the Bank's objectives, internal balance, and the industry, base salary and reward (variable salary) policies are determined on the basis of position in line with the remuneration policies. All remuneration processes are approved by the Remuneration Management Committee. Aimed to function as a tool of variable compensation in remuneration management, the bonus structure is designed in order to promote high performance without encouraging excessive risk-taking, to reward the success and contribution of the employee, to support the Bank's business strategy and goals. Within the scope of overall remuneration management, this structure is aligned with target realizations of both individuals and the Bank in general, as well as the holistic performance; moreover, it is based on the sectoral salary balance and policy of the task.

The remuneration of the Board members is determined by the General Assembly. The remuneration of Executive Vice Presidents and other employees is determined by the Board of Directors upon the recommendation of the Remuneration Management Committee. Senior management targets include sustainability items based on diversity and inclusion. The remuneration of senior management is determined based on the industry, internal balance analyses, and performance criteria, taking into account the realization of all business targets assigned to them. Independent experts are not included in assessment of the Board of the Directors' performance. In order to evaluate the performance of the Board of Directors on an annual basis, a self-assessment form has been established, covering the competence and effectiveness of the Board as well as its responsibilities in sustainability performance areas such as social, environment, economy and governance.

Committees Under the Board of Directors

Audit Committee

The Audit Committee was established to oversee the effectiveness and adequacy of the Bank's internal systems, the operation of these systems, and the accounting and reporting systems in line with the Law and related regulations, and the reliability and integrity of the information produced; to carry out the necessary preliminary assessments for the selection of independent audit firms and rating, valuation and support service companies by the Board of Directors; to regularly monitor the activities of the companies selected and contracted by the Board of Directors; and to ensure the consolidated maintenance and coordination of the internal audit activities of the partnerships subject to consolidation in accordance with the regulations enacted pursuant to the Law on behalf of the Board of Directors.

Board Member:
Saleh Nofal (Committee Chairperson)

Board Member:
Ramzi T.A. Mari

Board Member:
Durmuş Ali Kuzu

Board Member:
Noor Mohd J. A. Al-Naimi

Risk Committee

The Risk Committee is responsible for determining the Bank's risk management policies and strategies, reviewing all types of risks to which the Bank is exposed, monitoring the implementation of risk management strategies, and bringing significant risk issues to the attention of the Board of Directors.

Chairperson of the Board of Directors:
Mehmet Ömer Arif Aras

Board Member:
Fatma Abdulla S.S. Al-Suwaidi

Board Member:
Adel Ali M. A. Al-Malki

Board Member and Chairperson of the Audit Committee:
Saleh Nofal

Credit Committee

The duty of the Credit Committee is to evaluate and approve loans and to ensure effective and efficient credit risk management in accordance with the current legal regulations within the framework of the authority granted to it by the Board of Directors in accordance with the Banking Law No. 5411.

Chairperson of the Board of Directors:
Mehmet Ömer Arif Aras

Deputy Chairperson of the Board of Directors:
Yousef Mahmoud H.N. Al-Neama

Board Member:
Temel Güzeloğlu

Board Member:
Fatma Abdulla S.S. Al-Suwaidi

General Manager and Board Member:
Osman Ömür Tan

Alternate Members:
Ramzi T.A. Mari and Noor Mohd J. A. Al- Naimi

Corporate Governance Committee

The Corporate Governance Committee was established to ensure that our Bank reaches the best practice standards regarding corporate governance, to monitor its compliance with the corporate governance principles set forth in the Banking Law and capital markets legislation, and to ensure that the composition, structure, working procedures, and principles of the Board of Directors comply with legal regulations. Within the scope of Article 4.5.1 of the Corporate Governance Communiqué, a separate Nomination Committee was not established, and the Corporate Governance Committee also fulfills the duties of this committee.

Board Member:
Ramzi T.A. Mari (Committee Chairperson)

Board Member and Chairperson of the Audit Committee:
Saleh Nofal

Board Member:
Yeşim Güra

Investor Relations Manager:
Burcu Günhar

Remuneration Management Committee

It was established to define the remuneration and rewarding policies of all employees, including Board members and senior management, and to make recommendations to the Board of Directors to ensure that these policies are in line with the Bank's ethical values, internal practices, and objectives.

Deputy Chairperson of the Board of Directors:
Yousef Mahmoud H.N. Al-Neama

Board Member:
Temel Güzeloğlu

Participation at Board and Board Committee Meetings

In 2023, the Board of Directors held 7 meetings and all members were present at these meetings except for exceptional circumstances. Within the scope of Article 390 of the Turkish Commercial Code, the Board of Directors adopted several Board resolutions without holding a meeting.

The Audit Committee held 20 meetings in 2023, and all members were present at these meetings excluding exceptional circumstances.

The Risk Committee held 12 meetings in 2023, and except for exceptional circumstances all members were present at all meetings.

The Corporate Governance committee held 5 meetings in 2023, and all members were present at these meetings except when their attendance was prevented due to reasonable circumstances.

The Credit Committee held 38 meetings in 2023.

The Remuneration Committee held 6 meetings in 2023.

Other Committees in the Bank

Business Loans Management Risk Committee

The primary purposes of the Business Loans Management Risk Committee of QNB Finansbank are effective management, risk monitoring, and steering of activities of the Bank, as well as reviewing strategy and activity proposals for all business loans, i.e., micro, SME, agriculture, commercial and corporate portfolios. Members of the Corporate Credit Policies Committee are as follows:

- General Manager/CEO (Chairperson)
- Executive Vice President of Credits
- Executive Vice President of Loan Monitoring and Follow-up
- Executive Vice President of Corporate Banking and Project Finance
- Executive Vice President of Commercial and Medium Size Enterprises Banking
- Executive Vice President of Consumer and Small Banking
- Executive Vice President of Payment Systems

QNB Finansbank – 2023 Integrated Annual Report

Corporate Governance

Retail Loans Management Risk Committee

The primary purposes of the Retail Loans Management Risk Committee of QNB Finansbank are effective management, risk monitoring, and steering of activities of the Bank, as well as reviewing strategy and activity proposals for all retail loans, i.e., credit cards, personal need loans, mortgage and overdraft portfolios. Members of the Retail Credit Management and Policies Committee are as follows:

- General Manager/CEO (Chairperson)
- Executive Vice President of Consumer and Small Banking
- Executive Vice President of Payment Systems
- Executive Vice President of Enpara.com
- Executive Vice President of Credits
- Executive Vice President of Loan Monitoring and Follow-up
- Chief Risk Officer (Chairperson)
- Executive Vice President of Information Technologies, Operations, Channels and Business Development
- Chief Internal Control and Compliance Officer
- Executive Vice President of Corporate Banking and Project Finance
- Executive Vice President of Commercial and Medium Size Enterprises Banking
- IT Security Director (CISO)
- Enpara.com Digital Banking Director
- Mass Banking Director
- Operational Risk and Business Continuity Division Manager
- Loan Policy and Project Management Division Manager

Reputational Risk Management Committee

The Reputational Risk Committee was established in order to manage the reputational risk of the Bank and adopt and implement related policies on reputational risk within the scope of the BRSA regulations. The committee members are as follows:

- Chief Risk Officer (Chairperson)
- Executive Vice President of Human Resources
- Executive Vice President of Legal Affairs
- Chief Internal Control and Compliance Officer
- HR Recruitment, Organization, Performance, and Talent Management Director
- Public Relations and Customer Experience Office Director
- Enpara.com Digital Banking Director
- Customer Experience Office Division Manager
- Customer Solution Center Division Manager
- Investor Relations Manager
- Personal Data Protection and Management Manager

Operational Risk Management Committee

The Operational Risk Management Committee is responsible for determining operational risk policies, reviewing and discussing operational risk issues of the Bank, and ensuring action plans to minimize them. Members of the Operational Risk Management Committee are as follows:

- Financial Legal Reporting and Treasury Control Director
- Loan Analytics and Retail Monitoring Director
- Credit Risk Management Division Manager
- Financial Reporting and Treasury Control Division Manager

ALCO

The primary purpose of the Asset and Liability Committee is to monitor and manage the balance sheet structure and structural asset-liability mismatch of the Bank, as well as to monitor, control, and manage the liquidity risk within the limits set by the Board of Directors. The Committee evaluates monthly reports submitted by Risk Management and determines critical issues regarding risk. The Committee has six members:

- Chairperson of the BoD (Chairperson)
- Member of the BoD (Temel Güzeloğlu)
- General Manager/CEO
- Executive Vice President of Financial Control, Planning and Purchasing (CFO)
- Executive Vice President of Treasury
- Balance Sheet Management Director

IFRS 9

The IFRS 9 Committee is appointed by the Board with the responsibilities of assessment, approval, administration, and reporting related activities pertaining to IFRS 9. The Committee oversees and manages the entire IFRS 9 process at the operational level. This Committee has eight members:

- General Manager/CEO (Chairperson)
- Executive Vice President of Financial Control, Planning and Purchasing (CFO)
- Chief Risk Officer
- Executive Vice President of Loan Monitoring and Follow-up

Sustainability Committee

The Sustainability Committee, in broad terms, is established to provide adequate, effective, and strategic oversight for the Bank's overall sustainability initiatives, to monitor the sustainability performance of the Bank, and to provide support and guidance to ensure sustainability projects are on track. Members of the Sustainability Committee are as follows:

- General Manager/CEO (Committee Co-Chair)
- Director of Treasury/International Banking (Committee Co-Chair)
- Chief Risk Officer
- Executive Vice President of Financial Control, Planning and Purchasing (CFO)
- Chief Internal Control and Compliance Officer
- Executive Vice President of Legal Affairs
- Executive Vice President of Corporate Banking and Project Finance
- Executive Vice President of Commercial and Medium Size Enterprises Banking
- Executive Vice President of Consumer Banking and Small Banking
- Executive Vice President of Payment Systems
- Executive Vice President of Enpara.com
- Executive Vice President of Credits
- Executive Vice President of Human Resources
- Executive Vice President of IT, Operations, Channels and Business Development
- Head of Corporate Digital Banking and Digital Transformation
- Public Relations and Customer Experience Office Director
- Treasury Sales and International Banking Director
- Purchasing Director
- Investor Relations Manager

Investigation Committee/Disciplinary Board

As a duty and authorization, the Disciplinary Board is responsible for evaluating the behaviors of employees against relevant codes, banking regulations, principles and practices of general banking and relevant procedures and for determining the penalties stated under the Disciplinary Penalties title for the behaviors evaluated as contradictory as well as the penalties against such behaviors stipulated by the legislation concerning the practice of Laws No. 5188 and 1402 which regulate the working principles of the security employees of our Bank. The Committee members are as follows:

- Chief Audit Officer (Chairperson)
- Chief Internal Control and Compliance Officer
- Chief Risk Officer
- Executive Vice President of Legal Affairs
- Executive Vice President of Human Resources
- Executive Vice President of IT, Operations, Channels and Business Development
- Executive Vice President of Financial Control Planning and Purchasing (CFO)
- Executive Vice President of Consumer Banking and Small Banking
- Executive Vice President of Commercial and Medium Size Enterprises Banking

Anti-Money Laundering and Counter Financing of Terrorism (AML-CFT) Committee

This Committee is authorized and responsible for making the necessary evaluations and deciding on establishing or terminating business relationships with customers in cases of doubt and for ensuring that priority is given to projects that adopt the Bank to comply with the regulations on the prevention of money laundering, terrorism financing, and the spread of weapons of mass destruction. The Committee members are as follows:

- Chief Internal Control and Compliance Officer (Chairperson)
- Executive Vice President of Legal Affairs
- Executive Vice President of Consumer Banking and Small Banking
- Executive Vice President of Commercial and Medium Size Enterprises Banking
- Executive Vice President of Treasury
- Executive Vice President of IT, Operations, Channels and Business Development
- IT Security Director (CISO)
- Treasury Sales and International Banking Director
- General Banking Operations Director
- Foreign Trade, Treasury, and Credit Operations Division Manager

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Corporate Governance

Centralized Purchasing Committee

The Centralized Purchasing Committee was formed to provide stronger control management for expenses and purchasing policies. This Committee has four members:

- Member of the BoD (Temel Güzeloğlu - Chairperson)
- General Manager/CEO
- Executive Vice President of IT, Operations, Channels and Business Development
- Executive Vice President of Financial Control Planning and Purchasing (CFO)

Information Security & Cyber Security Committee

The Information Security Committee is generally responsible for determining information security strategy, determining risk appetite on information security subjects and observation, following information security risks and measures taken, evaluating legal requirements and compliance, reviewing information security policy and standards regularly, and ensuring efficiency in line with the needs of the Bank. The Committee members are as follows:

- General Manager/CEO (Chairperson)
- Executive Vice President of Information Technologies, Operations, Channels and Business Development
- Executive Vice President of Payment Systems
- Executive Vice President of Enpara.com [1]
- Chief Internal Control and Compliance Officer
- Chief Risk Officer
- Executive Vice President of Human Resources
- Executive Vice President of Legal Affairs
- IT Security Director (CISO)
- Deputy Head of Internal Audit Department

Information Systems Strategy Committee

The Information Systems Strategy Committee is responsible for managing Information Systems goals, strategies, and investments in line with the business goals and strategies of the Bank on behalf of the Board of Directors of the Bank. The Committee members are as follows:

- General Manager/CEO (Chairperson)
- Executive Vice President of Information Technologies, Operations, Channels and Business Development
- Board Member (Temel Güzeloğlu)
- IBTech - Project Management Office PMO Coordinator and Domain Manager
- IBTech Executive Vice Presidents and Coordinators
- IBTech Board Members

Information Systems Steering Committee

The Information Systems Steering Committee was established to assist the Information Systems Strategy Committee and senior management in the fulfillment of its duties for the management of Information Systems strategy and risks delegated by the Bank's Board of Directors. The Committee members are as follows:

- General Manager/CEO (Chairperson)
- Executive Vice President of Information Technologies, Operations, Channels and Business Development
- Board Member (Temel Güzeloğlu)
- EVPs and Coordinators
- IBTech Project Management Office Coordinator and Domain Manager
- IBTech Project Portfolio Managers
- IBTech Board Members

Information Systems Continuity Committee

The Information Systems Continuity Committee is responsible for ensuring the continuity of Information Systems Services used in carrying out banking activities. The Committee members are as follows:

- Information Systems Continuity Management Officer (Chairperson)
- Executive Vice President of Information Technologies, Operations, Channels and Business Development
- Chief Risk Officer
- HR Recruitment, Organization, Performance, and Talent Management Director
- Purchasing Director
- Construction Real Estate and Appraisal Management Division Manager
- Information Security and Management Consulting Designer/Department Manager
- Deputy Head of Internal Control & Compliance Department
- Operational Risk and Business Continuity Division Manager
- Legal Division Head of Retail Banking and Payment Systems
- Legal Division Head of Corporate and Commercial Banking Projects Finance
- IT Security Director (CISO)
- Management Board Chief Technical Officer (CTO)
- CSA Management Board Chief Software Architect
- Management Board Chief Marketing Officer (CMO)
- IT Infrastructure Director
- IT Operations Division Manager
- IT Software and Applications Director

Information Systems Outsource Service Procurement and Risk Evaluation Committee

The Committee is responsible for evaluating risks related to the services prior to Outsource Service Procurement, supervising the management of outsourced services, ensuring that due diligence is carried out in the selection of outsourced service providers, making the decision on service procurement, and meeting and negotiating on relevant issues where deemed necessary by the outsource service supervisor (increase in risk, change in scope of services, etc.). The Committee members are as follows:

- Technology Purchasing Division Manager (Chairperson)
- Deputy Head of Internal Audit Department
- Information Security and Management Consulting Designer/Department Manager
- IBTech-IT Process Quality Risk and Governance Department Manager
- Operational Risk and Business Continuity Division Manager
- Compliance Division Head
- IBTech Service Management Division Manager

Information Sharing Committee

The Information Sharing Committee is responsible for coordinating the sharing of confidential customer and bank information, assessing the appropriateness of sharing requests, and recording these assessments, including the working procedures and principles approved by the Board of Directors in accordance with the principle of proportionality and the obligations assigned to it. Members of the Information Sharing Committee are as follows:

- Executive Vice President of Legal Affairs (Chairperson)
- Chief Internal Control and Compliance Officer
- Related Asset Owner

ESG Policies

The Board of Directors establishes ESG (Environmental, Social, and Governance) policies. The Sustainability Policy and supporting ESG policies are approved by the Board of Directors and published in the sustainability section of the Bank's corporate website.

For detailed information, please visit **Policies**.

[1] As of 01.01.2024, the EVP of Retail and Small Business Banking has replaced the EVP of Enpara.com.

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Information on the General Assembly

Agenda of the Ordinary General Assembly

1. Opening and constitution of the Presidential Board; authorization of the Presidential Board to sign the meeting minutes of the General Assembly of Shareholders;
2. Presentation of 2023 Integrated Annual Report of the Board of Directors to approval of the General Assembly upon reading and deliberations;
3. Presentation of 2023 Integrated Annual Report of the Auditor to approval of the General Assembly upon reading;
4. Presentation of 2023 financial statements (balance sheet - profit&loss accounts) to approval of the General Assembly upon reading and deliberations;
5. Resolution concerning the accrued profit of 2023 in accordance with the balance sheet and the contingency reserves of the past year;
6. Presentation of transactions regarding sale of some part of NPL portfolios executed in 2023 to approval of the General Assembly;
7. Appointment of Board of Directors members; determination of number of the Board members and their term of offices;
8. Resolution regarding the release of the members of the Board of Directors for their activities in 2023;
9. Determination of the remuneration of the members of the Board of Directors;
10. Determination of the Auditor as per the Turkish Commercial Code and other related legislation;
11. Information regarding donations made in 2023;
12. Resolution on approval of the Bank's Donation Policy,
13. Determination of upper limit of donations to be made in 2024 as the Capital Markets Law and related legislation;
14. Information regarding disclosure policy of the Bank;
15. Information on dividend distribution policies;
16. Resolution on granting permissions to the Board members within the scope of Articles 395 and 396 of the Turkish Commercial Code;
17. Information on transactions performed in 2023 within the scope of Article 1.3.6. of the Communiqué on Corporate Governance Principles of the Capital Markets Board numbered II-17.1.;
18. Information regarding remuneration policies of the Board members and senior management;
19. Wishes and hopes.

Dividend Distribution Proposal

Board of Directors' Proposal to General Assembly with regard to dividend distribution

The Board of Directors resolved that year 2023 net profit amounting to TL 33,172,441,567.31, which was calculated on the basis of the Bank's 2023 financial statements by deducting the taxes and other financial obligations, is to be allocated in part to the Real Estate Sales Profit Fund in accordance with CIT 5-1/e with an amount of TL 278,819.66 and the remaining TL 33,172,162,747.65 to be transferred to general reserves, since have reached 20% of paid in capital in the frame of Article 591/1 of the Turkish Commercial Code, and to submit such allocation to the approval of the Ordinary General Assembly to be held on 28 March 2024.

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Information on the General Assembly

Summary of Board's Report Submitted to the General Assembly

QNB Finansbank continued to further reinforce its already strong balance sheet on the back of robust results in 2023, in a challenging operating backdrop dominated by elevated inflation, volatile geopolitical risks and the global economic slowdown. The Bank maintained its support to the Turkish economy throughout the year 2023 as well.

As of 31 December 2023, the total assets of the Bank increased by 64%, compared to 2022 year-end, reaching TL 987 billion 817 million. In the same period, the Bank's net loans grew by 66% to TL 571 billion 44 million. With its securities portfolio growth of 66%, the Bank strengthened its robust liquidity as well as supporting its balance sheet growth and net interest income.

The Bank sustained its deposit-oriented funding strategy, and the Bank's customer deposits rose by 58% to TL 606 billion 466 million as of 31 December 2023. Having diversified its funding base with wholesale funding, QNB Finansbank rolled its two syndicated loan transactions in 2023 based-on sustainability performance criteria, with the awareness of the banking sector's responsibility in sustainable development. The Bank raised USD 860 million in total from these two transactions.

The Bank's net interest income realized at TL 34 billion 549 million in 2023, and its net fees and commissions income amounted to TL 18 billion 317 million. Profit before tax reached TL 37 billion 733 million, and net profit for the year period realized at TL 33 billion 172 million.

QNB Finansbank Board of Directors

Statement of Responsibility Regarding the 2023 Integrated Annual Report

QNB Finansbank's 2023 Integrated Annual Report has been prepared and presented in accordance with the principles and regulations stated in the "Regulation on the Preparation and Publication of Annual Report for Banks" as appeared in the Official Gazette on 1 November 2006, with number 226333.

Mehmet Ömer Arif Aras
Chairperson

Saleh Nofal
Board Member and Chairperson of the Audit Committee

Ramzi T.A. Mari
Board Member and Audit Committee Member

Durmuş Ali Kuzu
Board Member and Audit Committee Member

Noor Mohd J. A. Al-Naimi
Board Member and Audit Committee Member

Osman Ömür Tan
CEO and Board Member

Adnan Menderes Yayla
Executive Vice President responsible for Financial Control and Planning (CFO)

QNB Finansbank – 2023 Integrated Annual Report

Independent Auditor's Report on the Integrated Annual Report

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the General Assembly of QNB Finansbank A.Ş.

1. Qualified Opinion

We have audited the annual report of QNB Finansbank A.Ş. (the "Bank") and its subsidiaries subject to consolidation for the period of 1 January 2023 - 31 December 2023.

In our opinion, except for the effect of the matter described in the Basis For Qualified Opinion paragraph below, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Bank's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set unconsolidated and consolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Qualified Opinion

As expressed in the auditor's reports dated 29 January 2024 on the full set unconsolidated and consolidated financial statements for the 1 January - 31 December 2023 period; unconsolidated and consolidated financial statements as of 31 December 2023 include a free provision amounting to TL 6,800,000 thousand which consist of TL 5,400,000 thousand provided in prior year and TL 1,400,000 thousand recognized in the current period by the Bank management which is not within the requirements of BRSA Accounting and Financial Reporting Legislation.

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and the scope of "Regulation on Independent Audit of Banks" published on the Official Gazette No.29314 dated 2 April 2015. Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Bank in accordance with the Ethical Rules for Independent Auditors (including Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our qualified opinion.

3. Our Audit Opinion on the Full Set Unconsolidated and Consolidated Financial Statements

We expressed a qualified opinion in the auditor's reports dated 29 January 2024 on the full set unconsolidated and consolidated financial statements for the 1 January 2023 - 31 December 2023 period.

4. Board of Director's Responsibility for the Annual Report

The Bank management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102, Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") and "Regulation on Principles and Procedures Regarding Preparation and Promulgation of Annual Reports by Banks" published in Official Gazette No.26333 dated 1 November 2006 are as follows:

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

b) to prepare the annual report to reflect the Bank's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report, financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Bank may encounter are clearly indicated. The assessments of the Board of Directors in regard to these matters are also included in the report.

c) to include the matters below in the annual report:

- events of particular importance that occurred in the Bank after the operating year,
- the Bank's research and development activities,
- financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Banking Regulation and Supervision Agency, Ministry of Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of the TCC, Communique and "Regulation on Independent Audit of Banks" published on the Official Gazette No.29314 dated 2 April 2015 provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited unconsolidated and consolidated financial statements of the Bank and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited unconsolidated and consolidated financial statements and with the information obtained in the course of audit.

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

Talar Gül, SMMM
Independent Auditor
Istanbul, 7 March 2024

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Audit Committee's Assessment on the Operation of Internal Audit, Internal Control, Compliance and Risk Management Systems, and Information on its Activities in the Reporting Period

The Audit Committee is established pursuant to the provisions of Banking Law No. 5411 and Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks ("the Regulation") Internal Audit, Risk Management and Internal Control and Compliance Departments of the internal functions report to the Audit Committee. The Audit Committee Office assists the Committee in fulfilling its duties and responsibilities.

Audit Committee is authorized, on behalf of the BoD (Board of Directors), to supervise the effectiveness and adequacy of the Bank's internal systems, functioning of these systems as well as accounting and reporting systems in accordance with the Banking Law and applicable regulations, to ensure reliability and integrity of the information generated, to make necessary preliminary evaluations in selection of independent audit institutions and rating, valuation, support service institutions by the BoD. Moreover, it is responsible for regularly monitoring the activities of these institutions selected and contracted by the BoD and ensuring that internal audit activities of subsidiaries subject to consolidation as per relevant regulations of the Law are carried out in a consolidated manner and that such activities are in coordination with those of the Bank.

The Audit Committee convened twenty times in 2023. Based on its observations and evaluations, the Audit Committee identified that the internal systems of the Bank were efficient and functioning as planned, and internal controls systems were effective.

Moreover, the Audit Committee reviewed all support services procured by the Bank and followed up the engagements aimed at taking necessary measures to manage the risks associated with this process.

A summary of the activities performed by departments reporting to the Audit Committee is stated below.

Internal Audit Department

The Internal Audit Department has accomplished its mission to support the BoD to protect the Bank's assets, reputation and the sustainability of its activities throughout 2023. In order to ensure objectivity and independence required when undertaking this mission, audit engagements were carried out through Audit Committee and reported to the BoD.

In 2023, engagements were performed and progress was achieved related to execution of the annual audit plan, findings follow-up, performing the audits in accordance with international quality standards, conducting subject based special examinations, reporting to internal and external stakeholders, contributing to the notion of risk in the audited areas and identifying areas for improvement, developing application areas in the QNB International Governance Model and improving Risk and Control Awareness program.

In 2023, the Bank continued to implement the hybrid working model, ensuring that the audit plan was carried out without any disruption and progress was achieved by applying data-oriented audit techniques over the data obtained from digital environment. Also, the effectiveness and efficiency of existing audit resources were increased with the use of modern audit techniques and development oriented e-trainings.

The Department maintains its activities with six specialized units as "Credit Processes and Business Line Audits", "Treasury, Financial, Risk Management and Model Audits", "Operational and Subsidiary Audits", "Branch Audits", "Fraud and Special Investigations" and "IT Audits".

Internal auditors are encouraged to acquire professional certifications available in their field, which is a prerequisite for promotion. As 31% of the personnel have a postgraduate degree, the rate of certified auditors of Internal Audit Department is 24%, which is above the target limit of 20%.

According to International Internal Audit Standards of Institute of Internal Auditors (IIA), Internal Audit Department Activities should be subject to External Quality Assessment Reviews (QAR) once in every 5 years via an eligible and independent external organization.

As it is required by the mentioned 5-year evaluation cycle, following the QAR received in 2013, another QAR was received in 2018 and Internal Audit Department compliance with Standards was certified by the independent audit company. Assurance provided by this certificate is continuously monitored.

Within the scope of the 5-year evaluation cycle, new QAR engagements started as of October 2023, and the service was provided directly by the Quality Assessment Service Department of the International Institute of Internal Auditing (IIA - USA), which resulted in the highest score "Generally Conforms".

The status of compliance with the Annual Audit Plan is reported to the Audit Committee by the Internal Audit Department on a quarterly basis, and thus, the QNB Finansbank BoD is regularly informed about the activities of the Internal Audit Department through relevant activity reports submitted via the Audit Committee. In the engagements carried out by the department in 2023, internal control system of audited areas was assessed under the framework of the annual audit plan, which was prepared considering all risk exposures of the Bank.

The internal audit reports prepared as a result of the audit engagements carried out by the department are submitted to the Senior Management, Audit Committee and BoD. Actions taken to remediate the identified findings are followed up and regularly reported by the department throughout the year.

The annual activities of the Internal Audit Department are planned taking into account the risk assessment studies and the last audit date of the auditable areas and the relevant audits are carried out at the frequency specified in the legal legislation. Audit activities consist of Head Office units, branches, subsidiaries and information technologies processes audits. In addition to planned and unplanned audit engagements, 2023 activities covered incident-based investigations and inspections, participation in various projects and consultancy services.

In 2023, risk assessments of group affiliates and subsidiaries were considered and audits, which should be carried out by the Internal Audit Department were determined and performed accordingly. In addition to engagements performed in coordination with the internal audit units of related companies, internal audit departments of group affiliates and subsidiaries conducted audits as well and the results were monitored instantly by QNB Finansbank Internal Audit Department via quarterly activity reports and Governance, Risk and Control (GRC) software system named RSA Archer. In addition, attention was paid in order to maintain that the audit methodology of these units remained in line with the audit methodology of QNB Finansbank Internal Audit Department.

In Information Technologies area, risks, current cyber threats targeting financial institutions and the control environment over criteria such as confidentiality, integrity and accessibility of information are examined and evaluated and assurance was given regarding adequacy of the control environment. In addition to the information technologies audit engagements at QNB Finansbank group affiliates and subsidiaries, the department also monitors closely the effectiveness, adequacy and independence of internal audit control activities regarding information technologies and if required, provides necessary support to the units. Outsource companies, which provide information technologies services, are also audited.

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Internal Audit Department utilizes computer assisted audit technologies, with use of these techniques various analytical queries can be run within the context of audit activities and if needed specific data or samples can be prepared for special use.

In order to meet the aforementioned legal requirements, Financial Crimes Compliance Audit is annually planned and conducted. As it is annually required to evaluate the effectiveness, adequacy and compatibility of the internal controls of information systems and banking processes, Management Statement Audit is planned and conducted.

In Internal Audit Department; the GRC program called RSA Archer is used effectively in entry of audit records, finding and action tracking and various reporting. System usage is similarly used by subsidiary audit and internal control teams, in order to obtain methodological integration. In branch audits, a web-based audit application named FAST, which was developed by the Bank, is still in use. Through the application, branch audit team members can create audit records, upload work papers, enter findings and track their current statuses via online and secure web connection, and they can extract audit reports automatically from the system.

Following the activities completed in 2023, the Internal Audit Department accomplished its goals by providing independent and objective assurance and consultancy services as in previous years and contributed to the regular, systematic and disciplined evaluation and improvement of effectiveness of corporate governance, risk management and internal control environment in order to improve and add value to the Bank’s activities.

Internal Control and Compliance Department

Reporting to the BoD via Audit Committee, Internal Control and Compliance Department performs control activities to minimize the Bank’s exposure to operational, regulatory and financial risks with sufficient resources in terms of both quality and quantity.

A- Internal Control Division

Internal control system of the Bank is designed and constructed in a way that assets of the Bank are safeguarded, daily transactions are handled in compliance with the rules, laws and regulations and the financial reporting systems are reliable, accurate and timely achievable.

As an important part of the internal control system, the Internal Control Division is responsible for carrying out control activities among the branches, subsidiaries and Head Office units of the Bank. Remote and on-site control methods are used while performing second level controls.

Controllers are encouraged to acquire professional certifications from local and international institutions available in their field, which is a prerequisite for promotion.

Periodic activity reports prepared as a result of the control engagements carried out by the Division and contain annual control plan progress status are submitted to the Audit Committee quarterly. Besides, findings and related actions are followed continuously throughout the year and results are reported to the Senior Management and the Audit Committee of the Bank quarterly.

There are three units within Internal Control Division and responsibilities of these units are as follows:

Branch and Subsidiary Controls Unit
All branches are visited at least once a year and on-site controls are conducted by selecting recent samples from a pre-defined checklist. Findings are communicated to relevant internal systems and business line managers monthly and quarterly. They are also uploaded to Branch Finding Follow-up Module every month and are followed up by assigning a completion task to branches. In addition to branch controls, remote controls are carried out on Operation Field Support Centers (OSDEMs), which constitute a significant part of operational processes in branches, and on some products and services determined among the branch activities. Besides, compliance controls required by the Credit Guarantee Fund (CGF) from banks periodically are performed twice per year. As in branch controls, all financial subsidiaries of the bank are visited and controlled throughout the year according to the checklist prepared in collaboration with subsidiary management. Moreover, every quarter, action plans listed in periodic evaluation reports of outsource companies are followed-up and results are reported to the Audit Committee Office.

Head Office Controls Unit
Within the scope of Head Office Controls, teams of controllers specialized in different banking activities determine the following year's control points together with relevant business lines, taking into account legal, operational and financial risks. In this context, second level controls are mainly performed in areas such as accounting, financial control, loans, deposits, banking operations, treasury, cash management and credit card activities. Moreover, within the scope of centralized controls, the data obtained from the system is analyzed and presence of exceptional cases is monitored on a daily, weekly and monthly basis for certain issues.

In addition, in order to achieve full compliance with changing rules and regulations, announcements made by the Compliance Division are followed-up by Head Office Controls Unit to identify whether necessary actions are taken by business units. Action plans in the responses to regulatory agency reports are also followed up.

Information Technologies and Management Statement Controls Unit
With respect to Information Technologies (IT); controls are carried out to comply with Regulation on Information Systems and Electronic Banking Services of Banks and also logical access rights to systems and physical access rights to Head Office and data center locations are reviewed, effectiveness of software development process is evaluated, and controls on data and system security and infrastructure are tested. And also, compliance to Risk Center best practice guideline is tested. Moreover, many periodic reviews are made regarding IT general controls.

Within the scope of the Regulation on Information Systems and Business Processes Independent Audit, in order to form the basis of Management Statement, year-round reviews and monitoring engagements are carried out similar to the independent audit methodology in relation to banking and IT processes covered by the relevant legislation. The results are submitted to the independent auditor after the report is approved and signed by the BoD.

The unit also carries out ICOFR (Internal Controls Over Financial Reporting) engagements to be submitted to the independent audit firm of QNB (Q.P.S.C) on relevance and operability of the controls on business processes and information systems within the scope of the regulations of the Qatar Central Bank, which is the legal authority to which QNB Group is subject.

RSA Archer software, which is a joint platform for internal systems units, is used for report entries and follow-up activities regarding the controls by Internal Control Division.

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B- Compliance Division

The Compliance Division determines and manages the risks related to financial losses as a result of non-compliance with laws, regulations, Bank's processes and instructions.

The Compliance Division closely follows regulatory changes and ensures that the Bank's practices are updated accordingly by providing guidance and making announcements regarding such regulatory changes. Compliance responds to the questions posed by branches and Head Office units related to regulatory issues, and plays an active role by providing opinions and recommendations in the process of developing the banking products to be offered to customers. The Compliance Division also provides guidance to financial subsidiaries of the Bank regarding their own regulatory compliance engagements. Furthermore, it consults with regulatory and supervisory bodies. Activities of the division is being reported quarterly to the Audit Committee and monthly and quarterly to main shareholder.

Within the resolution process of the BoD to launch new products and services, opinions and evaluations of Compliance are required in terms of complying with applicable regulations. The activities of Compliance in 2023 were performed within this broad area of responsibility.

Three units carry out compliance activities as stated below:

Banking Regulations Unit
The unit issues circulars and announcements on new regulations and laws concerning the banking sector. The unit approves nonstandard text of letters of guarantees, counter guarantees, standby letters of commitment and reference letters. The unit provides written and verbal consultancy to branches and Head Office departments. Manager of the unit represents the Bank as a member of the Foreign Exchange Regulations Working Group, established by the Banks Association of Türkiye in order to analyze and provide solutions to any kind of sectoral problems related to foreign trade regulations. In addition, Manager of the unit is a member of the ICC (International Chamber of Commerce) Guarantees Task Force, which works on international guarantees.

Regulatory Compliance Unit
The unit reviews new products and campaigns, adverts and advertising materials on credit card, bank card, personal and commercial loan products and overdraft accounts, cash management products, digital transformation projects launched by related units of the Bank and evaluates all marketing and sales texts, questions, processes and other information requests on these products in accordance with related regulations in effect and grant approval. Customer complaints on these topics received through regulatory authorities, auditor reports and response letter prepared within this scope are reviewed and, if necessary, related units are advised to take appropriate actions to remediate relevant practices or flows. Also, unit provides mentorship to QNBeyond by evaluating compliance of projects and works in coordination with related units during establishment processes.processes.

Capital Markets and Investment Products Compliance Unit
The unit reviews and approves new products and campaigns, adverts and advertising materials on capital market instruments, investment, deposit and insurance products launched by related departments of the Bank and related matters in accordance with applicable regulations. The unit is also responsible for supply chain compliance and harmonization of policy/procedure related engagements. Customer complaints on these topics received through regulatory authorities, response letters and response texts prepared within this scope are reviewed and, if necessary, related units are advised to take appropriate actions to remediate relevant practices or flows. This unit also makes announcements to the Bank's relevant units about regulatory issues that fall under its job description including capital markets legislation as well as to financial subsidiaries, follows up penalties on topics that are in unit's responsibility fined to the Bank and its subsidiaries, coordinates reports made to the Audit Committee and main shareholder and performs control activities within the scope of capital markets regulations with regards to insider trading and market manipulation. The unit gives opinion on whether outsource services procured by the Bank are "support services" and/or "external services" or not. Lastly, unit evaluates data sharing issues with Legal Affairs and Data Protection and Management Division within the scope of Regulation on Disclosure of Confidential Information and ensures necessary actions are being taken.

C- Financial Crime Compliance Division (FCC)

Main responsibilities of the FCC Division is to ensure compliance with national and international laws, regulations and international standards and to prevent the Bank from being an intermediary in the laundering of criminal proceeds and financing of terrorism and to carry out control activities within this scope in order to mitigate the risk of the Bank being used to facilitate financial crimes, and to conduct fraud-based scenario analysis to prevent/detect fraud and to assess fraud risks through Fraud Control Unit. Activities of the division is being reported quarterly to the Audit Committee.

Division activities are carried out by four units as stated below:

Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) Unit
AML/CFT Unit is responsible for following up amendments in local and international regulations within the framework and informs employees regarding amendments on the AML/CFT and sanctions issues. In addition, this unit conducts face-to-face trainings and e-learning activities and reports suspicious transactions to MASAK (Financial Crimes Investigation Board).

Suspicious Transactions Monitoring and Analytics Unit
The unit is responsible for monitoring activities, making assessments and implementing the systems, and conducting analytical engagements in order to detect suspicious transactions as required by local and international regulations.

Sanctions and Customer Evaluation Unit
This unit is responsible for performing the blacklist and sanctions controls in financial activities as well as evaluating and managing customer due diligence operations.

Fraud Control Unit
The main objectives of the unit are establishing a fraud control framework within the Bank and conducting efforts to manage and reduce fraud risk. To this end, process evaluations related to the activities of the Bank's units are also carried out within the framework of fraud risk. In addition, conducting scenario analysis for detection of internal fraud, adapting the policies of QNB within the framework of fraud risk to the Bank, making regular reporting to Senior Management and QNB, preparing of data set for indebtedness and financial behaviors of Bank personnel, providing training to Bank personnel and raising fraud awareness are also among the responsibilities of the unit.

On the other hand, investigations regarding fraud incidents of certain criteria reported by the business units of the Bank can be conducted within the unit. After necessary investigations and analysis are conducted by the unit, required actions and improvements that will prevent the repetition of similar fraud cases are followed up in coordination with the Internal Audit Department.

D- Data Protection and Management Division

The team which previously operated as Personal Data Protection and Management Unit, operates as "Data Protection and Management Division" by establishing a different team under the name of "Data Management" and merging it under the same roof with the "Data Protection" team. Activities of the division is being reported quarterly to the Audit Committee and monthly and quarterly to main shareholder.

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Data Protection Unit
Data Protection Unit is responsible for ensuring that all activities and processes of the Bank comply with the legislation in accordance with the Law on Protection of Personal Data No. 6698 and secondary regulations such as the decisions and guidelines prepared by the Personal Data Protection Board, code and circulars published by official authorities. Requests/complaints submitted to the Bank by official institutions and customers are reviewed and answered in detail within the framework of the rules determined by the legislation. In addition, the personal data inventory created with the participation of business units within the Bank is kept up-to-date in line with the processes, and necessary technical and administrative measures are followed up. Within the scope of the obligations in the law, explicit consent and informing texts are prepared and adapted with the processes, opinion requests sent to our unit by the business units regarding the protection of personal data are answered, periodic data deletion studies are carried out every six months as required by the legislation and regular examinations are carried out to prevent data breaches. With the new planning, the decisions taken by the Information Sharing Committee (ISC) regarding the processes through which data is transferred from our Bank within the scope of the Regulation on Disclosure of Confidential Information are discussed with the business units and kept in the consolidated inventory. Pursuant to the Bank's obligations, relevant consolidated inventory is reported to BRSA once every six months.

Data Management Unit
A systematic inventory mapping project is carried out by Data Management Unit by tracking both the personal data inventory and the inventory of confidential information under a shared system. The project to create a dictionary of business terms aims to strengthen communication between the business unit and technical teams and use data effectively by creating a common language within the Bank. In the relevant process, it is planned to document basic points such as the definition of the data, its source, owner and perspective on the data, based on the data dictionary in the Bank, and keep it in the system. With the work carried out on the preparation of the data sharing channels inventory (FTP, web service), it is aimed to make healthier decisions by initiating communication between IT business units and ISC. Finally, in the "Structured and Non-Structured Data Discovery" Project, it is planned to identify sensitive and special data through the structured data in the Bank's data inventory and provide guidance to the relevant teams to take the necessary actions.

Risk Management

Risk Management is responsible for monitoring and managing all potential risks for the Bank in a centralized and efficiently coordinated manner. The primary goal of Risk Management is to provide appropriate economic capital allocation to business lines for risks they are exposed to and increase value-added by maximizing risk adjusted return on capital.

Bank risk profile and its coherence with risk appetite are reported to the BoD Risk Committee on monthly basis including risk strategy. Committee consists of minimum three BoD members and Chairperson of the Board leads the Committee.

Organizational Structure

Risk management governance at the Bank starts with the BoD. The Board's Risk Committee, Asset-Liability Committee (ALCO), Corporate and Retail Management Risk Committees (CPC), Operational Risk Management Committee (ORMC), Reputational Risk Management Committee (RRMC), Data Security Committee and the Risk Management Department are important bodies of the risk management structure at QNB Finansbank.

The BoD is responsible for determining general risk policy and risk appetite of the Bank. The Risk Committee defines risk policies and strategies, reviews all types of risks the Bank is exposed to in its monthly meetings, monitors implementation of risk management strategies, and brings important risk issues to the attention of the BoD. The ALCO, meeting monthly, monitors and manages the structural asset liability mismatch of the Bank. It also monitors and controls liquidity risk and foreign currency exchange risk.

Credit Management Risk Committee meets monthly and is responsible for monitoring and evaluating the Bank's lending portfolio and determining principles and policies related to credit risk management processes, such as loan approval, limit setting, rating, monitoring and problem management. The ORMC, also meeting quarterly, reviews the operational risk issues of the Bank and defines the necessary actions to be taken to minimize these risks. RRMC is established in order to define, evaluate and monitor the reputational risk subjected by QNB Finansbank and to ensure that required actions are taken for prevention of such risks.

QNB Finansbank Risk Management Department works independently from executive management and reports to the BoD through Audit Committee. Market Risk, Credit Risk Management and Operational Risk Management Units are responsible for identification, monitoring and managing of all related risks. Model Validation Unit is responsible for validation of risk measurement and loan rating/scoring models as well as performance assessment.

Management of Market Risk

Market risk refers to the risk resulting from market price changes of the positions kept in trading books with the intention of benefiting from the variations in trading prices or interest rates based on short term expectations. Trading books include financial assets held for trading, open foreign currency position and all derivatives except for those with hedging purposes.

The Bank established a structure to effectively identify, monitor and manage the risk arising from changes in market prices, including interest rates, equity and bond prices, foreign exchange rates and uncertainty in their volatility levels. In this structure, principles, measurement methods, processes and limits were determined to cover all market risk related transactions of the Bank.

Value at Risk (VaR), nominal position, interest rate sensitivity and option price sensitivity limits were identified in order to effectively manage market risk and keep the risk profile at levels appropriate for the risk appetite. In addition to these limits, the Bank defines warning levels for certain limit types, to allow a process of review, analysis, and consultation in order to take preventive actions, prevent limit breaches and limit possible losses. The limits are monitored on a daily basis by the Risk Management Department. VaR results are supported by regular stress testing and scenario analyses.

Pursuant to the Regulation on Measurement and Assessment of Capital Adequacy of Banks published by BRSA, general market risk and specific risk are calculated and reported monthly using the standardized method for capital adequacy calculation. In parallel to best practices, VaR is measured daily. VaR, which is a measure of the maximum potential loss on the trading portfolio, is calculated using the historical simulation method with a 99% confidence level and one-day holding period.

While the VaR approach provides a forecast for possible losses within the last one-year market conditions, it cannot predict contingent losses under extreme conditions. Hence, the VaR approach is complemented by stress tests in order to incorporate possible extreme market movements. In stress test analysis, valuation of positions is carried out by taking into account the price movements of interest rates, exchange rates and stock prices during crisis periods or by generating shock financial values.

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The Bank uses back-testing to verify the predictive power of VaR calculations. In back testing, theoretical gains/losses calculated by VaR on positions at closure of each business day is compared with the actual gains/losses arising on these positions on the next business day. The assumption of the VaR model is reviewed and revised, if such a need occurs as a result of the back-testing procedure.

Interest Rate Risk

The Bank is exposed to structural interest rate risk resulting from differences in timing of rate changes and timing of cash flows that occur in the pricing and maturity of a bank's assets and liabilities. The Bank defined the Policy for Management of Interest Rate Risk of Banking Book (IRRBB). According to the policy, interest rate risk is calculated for the banking book, which includes all portfolios except the trading book.

Even though the Bank is exposed to structural interest rate risk on its balance sheet due to the nature of its existing activities, the policy ensures that all positions are monitored effectively and the risk stays within predefined limits.

The Asset-Liability Committee (ALCO) aims to protect the economic value of equity while sustaining a stable earnings profile.

Interest rate sensitivity measures, calculated by discounting the future cash flows of all products in banking accounts, are used to manage interest rate risk through duration and gap analyses. In addition, the impact of changes in interest rates on net interest income is used in interest rate risk management.

The Bank utilizes scenario analysis in order to evaluate the impact of interest rate change on net economic value. Standard interest shocks are determined in accordance with the Basel regulation. Moreover, various historical crisis financial turmoil scenarios including reverse stress test, are simulated in order to measure the Bank's sustainability against severe interest rate shocks.

Liquidity Risk

Liquidity risk is the risk that, even if the Bank is in a position to pay its debts, it does not have sufficient financial resources to pay for due debts at that time or that it can only protect itself at very high costs in such a situation. The Bank manages its liquidity position on the basis that cash and available debt resources do not fall below a predetermined level of total deposits. In addition to early warning indicators, survival horizon under different stress levels and actions planned under liquidity crises are defined in the Bank's "Liquidity Contingency Plan". In parallel with these stress levels, Bank life expectancy is calculated and monitored through stress tests.

Short-term liquidity coverage ratio and net stable funding ratios, which are used to measure long-term liquidity, are calculated with respect to Basel III and BRSA. Liquidity coverage ratio and net stable funding ratio are monitored on a daily and monthly basis, respectively.

Credit Risk Management

Credit risk is defined as the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the institution or otherwise fail to perform as agreed. The aim of credit risk management is to maximize the Bank's risk adjusted rate of return by maintaining the credit risk exposure within acceptable limits defined by the risk strategy document.

Credit Risk Management is embedded into the end-to-end credit processes of the Bank. Credit Allocation Units are responsible for first level (day to day) management of credit risk, while the BoD has full control over the entire credit process by approving credit risk policies through Credit Policy Committees, determining credit granting criteria and delegating lending authorities within the defined limits.

The responsibility of Credit Risk Management Unit is establishment of effective and efficient internal policy, procedure and methodologies for definition, quantification, measurement, control and reporting of the credit risks. This responsibility includes independent and objective assessment of credit risk and monitoring the portfolio credit risk level through the metrics set out in the risk strategy to ensure that it remains within the limits consistent with the risk appetite defined by the BoD.

The Credit Risk Management Unit also carries out credit risk reporting in line with the needs and expectations of the Bank and legal authorities. In addition, international best practices are followed and an effective credit risk management approach is adopted within the framework of Basel principles.

The credit risk level of the portfolios and the risk-adjusted performance of the loan portfolios are monitored monthly by the BoD Risk Committee. In addition, the reports generated as a result of the engagements of Credit Risk Management Unit include regular credit risk reporting, portfolio analysis and monitoring activities. In case a mismatch is observed between the level of assumed credit risk and the credit risk policies approved by the Bank's BoD or the Bank's risk-taking capacity, necessary measures are immediately taken to align the credit quality of the portfolio with the Bank's defined risk appetite.

The Credit Risk Management Unit is also responsible for the capital management process, which includes compliance with regulatory capital requirements and establishment of the Bank's policies, processes, methods and systems relating to Internal Capital Adequacy and Assessment Process (ICAAP). This process involves calculation, projection and analysis of legal and economic capital requirements necessitated by annual and long-term business plans of the Bank, as well as stress tests and scenario analyses. Moreover, as a systemically important bank, the Bank carries out the engagements related to the Recovery Plan and the purpose of this plan is to determine in advance the measures to be taken in case any of the situations that may cause disruption in the Bank's financial structure due to non-compliance with the protective provisions of the Law and the regulations issued pursuant to the Law or any other reason emerges or may emerge. Quarterly stress tests on the capital adequacy ratio are also conducted and reported for various scenarios.

The Bank has traditionally put great emphasis on the strength of its capital base to maintain investor, creditor and market confidence and to sustain future business development. From this perspective, ICAAP is designed to confirm that the Bank has adequate capital resources to support its risk profile and business plans beyond compliance with regulatory capital requirements.

In addition, the unit develops credit risk parameter estimation models to be used for Expected Credit Loss calculations within the scope of IFRS 9, calculates and reports the provisions to be allocated for Expected Credit Loss. Within the scope of Environmental and Social risks, engagements are carried out to measure climate risks and quantify them through stress test approaches.

The reports generated by the Credit Risk Management Unit are shared with the BoD, Risk Management Committee and Audit Committee on a monthly, quarterly and annual basis.

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Audit Committee's Assessment on the Operation of Internal Audit, Internal Control, Compliance and Risk Management Systems, and Information on its Activities in the Reporting Period

Operational Risk and Business Continuity Management

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational Risk and Business Continuity Management Unit is responsible for identifying, measuring, monitoring and managing all risks under the scope of operational risk as well as business continuity management.

Activity process based operational risks are identified through Risk Control Self-Assessment and classified by cause, event and effect categories as proposed by Basel II and actions are taken for severe risks. The risk inventory for information systems risks is also evaluated and reported as integrated with Enterprise Risk Management approach. Operational loss data collection process, which began in 2005, continues. While loss data is accumulated to provide meaningful statistical data, business processes, where improvements are required, are defined based on the results and all necessary actions for improvement are taken.

Structured scenario analyzes are carried out to identify possible operational risk events and evaluate the possible consequences of these events. Scenarios are reviewed on an annual basis and revised to include new risks and loss amounts predicted for the following year. Scenario analysis results constitute input to the Bank's consolidated stress test processes.

Key Risk Indicators, which serve as early warning signals for severe risks, were identified and are regularly monitored. In addition, operational risk capital is calculated annually according to the Basic Indicator Approach and shared with the BRSA. Risk assessments are performed regarding support services and external services and the assessments are reported to the relevant committees. A robust operational risk management process and methodology is implemented.

The Bank also prepared and implemented a Business Continuity Management Plan, in order to minimize losses due to business interruptions. In addition, the Bank performs the comprehensive annual test of Disaster Recovery Center with participation of business units and IT Department.

The reports produced by the Operational Risk and Business Continuity Management as a result of these studies are shared with the BoD, Risk Management Committee and Audit Committee on a monthly, quarterly and annual basis, while reporting is also made to the Assistant General Managers and the Operational Risk Management Committee according to their interests and responsibilities.

Model Validation

Model Validation Unit is responsible for validating the suitability of risk measurement models for credit risk, market risk, IFRS 9 and ICAAP through qualitative and quantitative tests in terms of data quality, methodology, performance, compliance with legal requirements and best practices.

Once the above-mentioned models are implemented, adequacy of their performances under changing macroeconomic conditions, Bank's portfolio and risk appetite are monitored and reported on an ongoing basis via performance and stability tests.

Audit Committee Office

Established in 2011, the Audit Committee Office provides the services required for effective working of the Committee. The Office is responsible for reviewing and presenting to the Committee members reports concerning the Committee, monitoring Committee meetings, archiving all documents regarding the engagements carried out, coordination and follow-up of the support service activities, obtaining resource adequacy and independence statements from Independent Audit and Valuation companies and independence statements from the Bank's senior management regarding these companies, following up the implementation of the Committee decisions, reporting the Committee activities to the BoD, and performing other duties assigned by the Committee

Transactions Carried Out with QNB Finansbank's Risk Group

Regardless of the nature of transactions, relations with companies in the risk group of and controlled by the Bank, are conducted in the scope of a bank-client relationship and in compliance with the Banking Law and prevailing market conditions.

The type, amount and ratio of transactions to total transactions as well as the structure, amount and rate of main items, pricing policy and other terms in the transactions with the risk group companies are set on an arms-length basis and based on prevailing market conditions. As of 31 December 2023, cash loans granted to risk group composed 0.8% of the Bank's total loans, deposits obtained from risk group composed 1.6% of the Bank's total deposits.

Transactions involving the purchase and sale of real estate and other assets and services, agency contracts, leasing contracts, transfer of data obtained from research and development activities, license contracts, financing (including loans and cash or in-kind capital contributions), guarantees and collaterals, management contracts, and the like) are underwritten between the Bank and QNB Finans Leasing. Net leasing payables incurred from these contracts amounted to TL 4.3 million as of 31 December 2023.

The Bank has entered into a contract with IBTech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. for research, development, and consultancy services.

The Bank receives cash transfer services from its 33.3% subsidiary Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.

Information on Outsourced Service Groups and the Institutions Supplying Outsourced Services

Support services were procured within the scope of Regulation on Banks' Procurement of Support Services in 2023 under the following service groups.

Service Groups	Suppliers
IT Services	• Acerpro Bilişim Teknolojileri A.Ş. • Atos Bilişim Danışmanlık A.Ş. (Subcontractor of Atos Müşteri Hizmetleri A.Ş.) • Bilişim Bilgisayar Hizmetleri A.Ş. (Banksoft) • CyberWise Siber Güvenlik Ticaret A.Ş. • DGPays Bilişim Hizmetleri A.Ş. • eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. • Etcbase Yazılım ve Bil. Teknolojileri A.Ş. • IBTech Uluslararası Bilişim ve İletişim Tekn. Ar-Ge Danışmanlık Destek San. ve Tic. A.Ş. • Matriks Bilgi Dağıtım Hizmetleri A.Ş. • Vega Bilgisayar Hizmetleri Ltd. Şti.
Security Service	• MGS Merkezi Güvenlik Sistemleri San. Tic. A.Ş. • Tepe Savunma ve Güvenlik Sistemleri Sanayi A.Ş.
Mortgage Service	• Fu Gayrimenkul Yatırım Danışmanlık A.Ş.
Card Printing	• Austria Card Türkiye Kart Operasyonları A.Ş. • Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş • Farklı Yatırım İnşaat A.Ş.
Courier	• AGT Hızlı Kurye Hizmetleri A.Ş. • Posta ve Telgraf Teşkilatı A.Ş. (PTT)
Cash and Valuables Transfer	• Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.
Marketing, Sales, Operational Support	• Atos Müşteri Hizmetleri A.Ş. • Bilge Adam Yazılım ve Teknoloji A.Ş. • D Ödeme Elektronik Para ve Ödeme Hizmetleri A.Ş. • DSM Türkiye Yazılım Hizmetleri A.Ş. • Faturalab Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. • Figopara Ticari Bilgi ve Uygulama Platformu Anonim Şirketi • QNB Sağlık Hayat Sigorta ve Emeklilik A.Ş • Webhelp Çağrı Merkezi ve Müşteri Hizmetleri A.Ş. (Subcontractor of eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.)
Marketing, Sales, Operational Support and Collection Service	• CMC İletişim ve Çağrı Merkezi Hizmetleri A.Ş. • Webhelp Çağrı Merkezi ve Müşteri Hizmetleri A.Ş. • eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.
Personnel Selection and Temporary Personnel Employment	• Adecco Hizmet ve Danışmanlık A.Ş.
POS Service	• Bilişim Bilgisayar Hizmetleri A.Ş. (Banksoft) • Payten Teknoloji A.Ş. • Verifone Elektronik ve Danışmanlık Ltd. Şti.
Collection Service	• Global Bilgi Pazarlama Danışma ve Çağrı Servisi Hizmetleri A.Ş.

Transparency, Legal Compliance and Business Ethics

Transparency

Creating value in a transparent and ethical manner is a crucial components of QNB Finansbank's strong reputation. As outlined in the Disclosure Policy, information and disclosures, excluding trade secrets, are provided in line with local and global reporting requirements. This ensures accessibility to shareholders, investors, employees, customers, creditors, and other relevant parties in a timely, accurate, complete, understandable, and cost-effective manner, treating all stakeholders equally. Accordingly, communication with stakeholders is carried out by taking into account transparency and all requirements that support transparency. This approach is considered as an important opportunity to improve QNB Finansbank operations.

Since 2018, the value created has been shared transparently with our stakeholders through Sustainability Reports, CDP Climate Change Reports, and UNGC Progress Reports. With the first Integrated Annual Report you are reading, all of these studies are brought together in a more holistic manner and presented to our stakeholders.

Legal Compliance and Business Ethics

QNB Finansbank conducts its operations in compliance with applicable laws, regulations, and standards by actively assessing the related risks. Accordingly, the Legal Compliance Unit is responsible for identifying and assessing the risks that may arise in case of non-compliance with laws, regulations, and standards, making opinions and recommendations, monitoring and reporting such risks.

Financial Crimes Compliance (fraud control, combating proceeds of crime, suspicious transaction monitoring and analytics, sanctions, and customer assessment) and Personal Data Protection and Management Units operate under the Legal Compliance umbrella.

The Financial Crimes Compliance Committee ensures the Bank's compliance with all applicable laws, regulations, standards, and agreements by following national and international developments and reviewing whether there is a new relevant process; investigates and reports violations and misconduct of laws and regulations in order to prevent the Bank from being an intermediary in laundering proceeds of crime and financing terrorism; and within this context, conducts fraud-based scenario analyses to prevent/detect fraud; assesses fraud risks and makes recommendations to senior management and/or the Audit Committee for appropriate action plans and measures; and carries out control activities to reduce the risk of the Bank being used as a facilitator for financial crimes.

Regarding Anti-Bribery and Anti-Corruption, the Legal Compliance Department communicates important issues related to acts of bribery and corruption that have a tangible impact on the Bank's operations to the Board of Directors through the Audit Committee. The Anti-Bribery and Anti-Corruption Policy and Anti-Bribery and Anti-Corruption Instruction cover issues such as responsibilities, general principles and rules, rules on gift giving and receiving, reporting, disciplinary actions, record keeping, and relations with third parties. In addition, the Bank has initiated studies to establish a program called 'Anti-Bribery and Anti-Corruption Program'. There were no cases of corruption during the reporting period.

QNB Finansbank Anti-Bribery and Anti-Corruption Policy is available here.

Audits covering the risks and controls that may arise in the Anti-Bribery and Anti-Corruption process were planned by the Board of Inspectors and integrated into the Annual Audit Plan. Within this context, relevant controls were included and performed within the scope of Financial Crimes Compliance Audit (2021-2022), Financial Crimes Compliance Participation Audits (2021-2022), Procurement Audit (2022), Foreign Trade Operations Audit (2022), Safe Deposit Box and Deposit Operations Audit (2023), and Loans and Cash Management Operations Audit (2023). Especially during the Financial Crimes Compliance processes controls, the audit teams carefully scrutinize transactions involving third parties in wire transfers, EFTs, third-party deposits and withdrawals, loan disbursement, and closing stages.

All QNB Finansbank members are expected to comply with the applicable laws, regulations, and ethical standards monitored and declared by the Bank. Within this scope, compliance trainings are developed for employees in line with the relevant legal requirements.

During the reporting period, 11,514 employees were informed about anti-corruption policies and procedures. In addition, 10,517 employees were trained on the same topic.

Transparency, Legal Compliance and Business Ethics

QNB Finansbank adopts universal human rights principles and national/international ethical banking practices in its operations. Accordingly, all employees are expected to act in accordance with these principles and practices. In addition to this basic framework, risks that may arise for our stakeholders are monitored in line with the policies and principles specific to QNB Finansbank.

QNB Finansbank adopts universal human rights principles and national and international ethical banking practices and expects its employees to act in accordance with these standards. Thanks to the policies and principles followed by the Bank, risks that both employees and customers may face are monitored and managed.

The policies and principles within this scope are as follows:

- Anti-Money Laundering and Counter-Terrorism Financing
- Implementation of the “Know Your Customer” principle
- Sanctions Prevention and Monitoring
- Anti-Bribery and Anti-Corruption
- Employee Code of Conduct
- Fraud Prevention and
- Human Resources

In addition to these policies and principles, regular trainings and notifications are provided to the Bank's employees, orientation trainings are offered to new recruits, and information is provided through different channels.

Policies, instructions, and procedures within this scope:

- Employee Code of Conduct Instruction
- Code of Ethical Conduct for Finance Professionals
- Corporate Governance Policy and Guidelines
- Anti-Bribery and Anti-Corruption Policy
- Policy of the Anti-Money Laundering and Counter-Terrorism Financing Committee
- Policy for the Intragroup Information Sharing Between Our Bank and Our Subsidiaries Forming the Financial Group Within the Regulation on the Program for Compliance with the Obligations Regarding the Anti-Money Laundering and Counter-Terrorism Financing
- Anti-Money Laundering and Counter-Terrorism Financing Policy
- Group Compliance Policy on Anti-Money Laundering and Counter-Terrorism Financing
- Counterfeiting Risk Management Policy
- Precious Metals Responsible Supply Chain Compliance Policy
- Conflict of Interest Policy

Notification channels were established to ensure that notifications or complaints are reported to the relevant authorities within the framework of the confidentiality principle. Notifications submitted through these channels are reviewed by the relevant authorities, and necessary actions are taken in accordance with the procedures. There is a Notification Hotline mechanism where employees can report any irregularities and misconduct they suspect or witness. The Notification Hotline is available to all QNB Finansbank employees. The opinions of relevant stakeholders are included in the process at all stages. The Audit Committee, which is an organ of the Board of Directors, has the authority and responsibility to monitor the results of the notifications made to the Notification Hotline, the measures taken by senior management and executive units, and the actions taken. Each new employee is trained on the Notification Hotline mechanism. In addition, employees are periodically sent reminder e-mails about the Notification Hotline mechanism and its functioning.

Compliance Reports within the scope of CMB Legislation

Corporate Governance Compliance Report

	Company Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2. - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	●					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1. - Management did not enter into any transaction that would complicate the conduct of special audit.	●					
1.3. GENERAL ASSEMBLY						
1.3.2. - The company ensures that the General Assembly agenda is clear, and an item on the agenda does not cover multiple topics.	●					
1.3.7.- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					●	
1.3.8. - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	●					
1.3.10. - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	●					
1.3.11. - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.		●				In accordance with the Internal Directive on the Working Principles and Procedures of the General Assembly approved at the General Assembly meeting of our Bank dated 28.03.2013, the Bank's employees, guests, audio and video recording technicians may attend the meeting, unless otherwise decided by the person of the meeting, in addition to the persons who are required to attend the meeting in accordance with the legislation.
1.4. VOTING RIGHTS						
1.4.1. - There is no restriction preventing shareholders from exercising their shareholder rights.	●					
1.4.2. - The company does not have shares that carry privileged voting rights.	●					
1.4.3. - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					●	

Compliance Reports within the scope of CMB Legislation

Corporate Governance Compliance Report

	Company Compliance Status					
	Yes	Partial	No	Ex-empted	Not Appli-cable	Explanation
1.5. MINORITY RIGHTS						
1.5.1. - The company pays maximum diligence to the exercise of minority rights.	●					The Bank's Articles of Association do not set the minority rights lower than one twentieth of the share capital. However, the Bank pays utmost attention to the exercise of minority rights in accordance with the Turkish Commercial Code and CMB regulations.
1.5.2. - The Articles of Association extend the use of minority rights to those who own less than one twenthieth of the outstanding shares, and expand the scope of the minority rights.			●			Considering the current shareholder structure, minority rights have not been set lower than one twentieth of the share capital in the Bank's Articles of Association. However, utmost attention is paid to the exercise of minority rights in conformity with the Turkish Commercial Code and CMB regulations.
1.6. DIVIDEND RIGHT						
1.6.1. - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	●					
1.6.2. - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	●					
1.6.3. - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.		●				
1.6.4. - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	●					
1.7. TRANSFER OF SHARES						
1.7.1. - There are no restrictions preventing shares from being transferred.	●					
2.1. CORPORATE WEBSITE						
2.1.1. - The company website includes all elements listed in Corporate Governance Principle 2.1.1..	●					
2.1.2. - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.					●	
2.1.4. - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	●					

	Company Compliance Status					
	Yes	Partial	No	Ex-empted	Not Appli-cable	Explanation
2.2. ANNUAL REPORT						
2.2.1. - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	●					
2.2.2. - The annual report includes all elements listed in Corporate Governance Principle 2.2.2..	●					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1. - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	●					
3.1.3. - Policies or procedures addressing stakeholders' rights are published on the company's website.	●					
3.1.4. - A whistleblowing programme is in place for reporting legal and ethical issues.	●					
3.1.5. - The company addresses conflicts of interest among stakeholders in a balanced manner.	●					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1. - The Articles of Association, or the internal regulations (terms of reference/ manuals), regulate the participation of employees in management.			●			There is no model for stakeholders' participation in management. However, there are independent members in the Board of Directors in order to provide assurance that the rights of minority shareholders and other stakeholders are protected equally within the scope of taken decisions. The management committees in which employees partake and the Intranet portals established to receive suggestions and ideas of employees are designed to promote employee participation.
3.2.2. - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	●					
3.3. HUMAN RESOURCES POLICY						
3.3.1. - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	●					
3.3.2. - Recruitment criteria are documented.	●					
3.3.3. - The company has a policy on human resources development, and organises trainings for employees.	●					
3.3.4. - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	●					
3.3.5. - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	●					

Compliance Reports within the scope of CMB Legislation

Corporate Governance Compliance Report

	Company Compliance Status					
	Yes	Partial	No	Ex-empted	Not Appli-cable	Explanation
3.3. HUMAN RESOURCES POLICY						
3.3.6. - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	●					
3.3.7. - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	●					
3.3.8. - The company ensures freedom of association and supports the right for collective bargaining.	●					
3.3.9. - A safe working environment for employees is maintained.	●					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1. - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	●					
3.4.2. - Customers are notified of any delays in handling their requests.	●					
3.4.3. - The company complied with the quality standards with respect to its products and services.	●					
3.4.4. - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	●					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1. - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	●					
3.5.2. - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	●					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1. - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	●					
4.1.2. - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	●					

	Company Compliance Status					
	Yes	Partial	No	Ex-empted	Not Appli-cable	Explanation
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1. - The board of directors documented its meetings and reported its activities to the shareholders.	●					
4.2.2. - Duties and authorities of the members of the board of directors are disclosed in the annual report.	●					
4.2.3. - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	●					
4.2.4. - IInformation on the functioning and effectiveness of the internal control system is provided in the annual report.	●					
4.2.5. - The roles of the Chairman and Chief Executive Officer are separated and defined.	●					
4.2.7. - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	●					
4.2.8. - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.		●				Any damage that may be caused by the members of the Board of Directors during the execution of their duties is covered by professional liability insurance; however, the insurance coverage is below 25% of the capital.
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9. - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			●			No target ratio has been set for the number of female members in the Board of Directors. Currently, there are three female members on the Board of Directors, and the ratio of female members is above 25%.
4.3.10. - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	●					

Compliance Reports within the scope of CMB Legislation

Corporate Governance Compliance Report

	Company Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.4. BOARD MEETING PROCEDURES						
4.4.1. - Each board member attended the majority of the board meetings in person or electronically.		●				In order to facilitate the attendance of all members to the Board of Directors Meetings, our Bank offers remote access and participation to the Board of Directors Meetings in electronic media via videoconference in combination with physical setting.
4.4.2. - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	●					
4.4.3. - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	●					
4.4.4. - Each member of the board has one vote.	●					
4.4.5. - The board has a charter/written internal rules defining the meeting procedures of the board.	●					
4.4.6. - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	●					
4.4.7. - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		●				Members of the Board of Directors may take responsibilities outside the Bank under the conditions allowed by the legislation; such duties are described in the Integrated Annual Report.

	Company Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.5. BOARD COMMITTEES						
4.5.5. - Board members serve in only one of the Board's committees.			●			In compliance with the banking legislations, the members of the Board of Directors take part in more than one committee, taking into consideration the number of members in the Board of Directors, the number of Board-level committees, and the experience of the members of the Board of Directors. Such members play a supportive role in matters requiring information exchange and co-operation among the committees.
4.5.6. - Committees have invited persons to the meetings as deemed necessary to obtain their views.	●					
4.5.7. - If external consultancy services are used, the independence of the provider is stated in the annual report.					●	
4.5.8. - Minutes of all committee meetings are kept and reported to board members.	●					
4.6. FINANCIAL RIGHTS						
4.6.1. - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.	●					
4.6.4. - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.		●				The loans to be given to the Members of the Board of Directors and Executives by the Bank are restricted by a limit set out in Article 50 of the Banking Law. No loans are granted to the Members of the Board of Directors and Executives beyond such limits.
4.6.5. - The individual remuneration of board members and executives is disclosed in the annual report.		●				The remuneration of the Board of Directors and executives with administrative responsibilities is disclosed collectively, without any individualised disclosure.

QNB Finansbank – 2023 Integrated Annual Report

Compliance Reports within the scope of CMB Legislation

I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

a) As detailed below and throughout the Report, QNB Finansbank has complied with the imperative principles of the Corporate Governance Principles numbered 1.3.1.-1.3.5.-1.3.6.-1.3.9.-4.2.6.-4.3.1.-4.3.2.-4.3.3.-4.3.5.-4.3.6.-4.3.7.(1)-4.3.8.(1)-4.5.1.(2)-4.5.2.-4.5.3.-4.5.4.(3)-4.5.10.-4.5.11.(4)-4.6.2. and 4.6.3. set out in of the Corporate Governance Communiqué No.II-17.1., published by the Capital Markets Board (CMB), throughout the financial reporting year of 01.01.2023-31.12.2023. Principle 4.3.4. is an exemption for banks within the scope of Article 6 of the Corporate Governance Communiqué.

b) QNB Finansbank does not implement principles nr. 1.5.2.-1.7.1.-2.1.2. (5)-2.1.3.-2.2.2. (Most of the information herein is stated in the Integrated Annual Report.) -3.1.-3.2.-4.3.9.- 4.5.5., which are advisory principles. However, the Bank has set up a Corporate Governance Committee responsible for monitoring whether the Corporate Governance Principles are complied with, describing the problems that may arise due to noncompliance and offering remedy actions to the Board of Directors. The Committee consists of Ramzi T.A. Mari, Saleh Nofal, Yeşim Güra and Burcu Günhar. During meetings held in 2023, the Committee put effort to improve the corporate governance practices in the Bank. The Corporate Governance Committee shall consider the said principles in its activities in 2024 and work in order to continue the improvement of corporate governance practices. The Committee also coordinates the operations of the Investor Relations Division.

Corporate Governance Compliance Report and Corporate Governance Information Form for 2023 published on the Public Disclosure Platform are approved by the Board of Directors along with the Integrated Annual Report.

II - AUDIT COMMITTEE REPORT

The related report of the Audit Committee is included in the section titled “Evaluations of the Audit Committee on the Activities of Internal Control, Internal Audit and Risk Management Systems and Information About Their Activities in the Accounting Period” of the Integrated Annual Report.

III - INVESTOR RELATIONS

Investor Relations Divison

QNB Finansbank established Investor Relations Division in 2005, for the purposes of overseeing the rights of shareholders and ensuring effective communication between the Board of Directors and shareholders. Activities of Investor Relations Division are carried out in line with the Corporate Governance Communique Part 4 Article 11, dated 03.01.2014 and published by the Capital Markets Board. Investor Relations Division is managed by Ms. Burcu Günhar and supervised by the Corporate Governance Committee. Ms. Burcu Günhar holds Capital Markets Activities Level 3 License, Derivatives License and Corporate Governance Rating License and appointed as Corporate Governance Committee Member as disclosed in the Public Disclosure Platform on 14.05.2018.

In 2023, all telephone and e-mail inquiries were answered within the scope of the relevant legislation. During the year representing the Bank, Investor Relations attended 2 investor conference and participated in meetings with 100 international investors, rating agencies and analysts. Each quarter presentations based on financial results of the bank were prepared and uploaded on the Investor Relations website.

Shareholders' Right to Access Information

Within the scope of the Informational Policy of QNB Finansbank as approved at the General Assembly on 27 March 2014, all information in relation to shareholders' rights, such as capital increases, are sent to Borsa Istanbul (Istanbul Stock Exchange) and published in print and on the Public Disclosure Platform (www.kap.gov.tr) in Material Event Disclosure format. Shareholders are informed through emails, meetings and telephone calls, and through the Bank's website, regarding material financial and/or operational information that may affect the exercise of the rights of shareholders.

Appointment of a special auditor is not regulated by the Articles of Association of the Bank. The Bank is audited both by the auditors appointed by the Bank's General Assembly within the scope of the Turkish Code of Commerce and related legislations, and by the Banking Regulation and Supervision Agency (“BRSA”) in accordance with the Banking Law.

General Assemblies

The Annual General Assembly was held on 30 March 2023 at the Head Office located at Esentepe Mahallesi, Büyükdere Caddesi Kristal Tower Binası No: 215 Şişli/İstanbul with a meeting quorum of 99.9%. The Board of Directors invitation for the Assembly was published in the Turkish Trade Registry Gazette and two daily newspapers, namely, Milliyet and Hürriyet. Shareholders were duly provided with the date, agenda and information form regarding the agenda of the Meeting through the website of the Bank, the Public Disclosure Platform as well as the electronic General Assembly System.

At the Annual General Assembly held in 2022, none of the shareholders proposed any items to be included to the agenda. Questions of shareholders were answered and dissenting opinions given during the meeting were attached to the meeting minutes and such minutes of the Annual General Assembly is presented to our shareholders' review in our website and Public Disclosure Platform. In the General Assembly, within the scope of item 11, shareholders were provided information regarding the total amount of donations made in 2022.

In addition, pursuant to Art. 1.3.6. of the Corporate Governance Communiqué Nr. II-17.1., information was provided regarding transactions conducted in 2022. The General Assembly was informed that other than transactions conducted in 2021 within the limits allowed by the Banking Law and relevant legislation, no material transactions of the nature to cause a conflict of interest with the Bank or its affiliated companies were carried out by shareholders in charge of management, Board members, executive management, and their spouses and kind of second degree by blood and marriage; that they did not conduct, in their own account or on behalf of third parties, any transactions of the type falling under the field of operation of the Bank or its affiliated companies; and that they did not join as a partner with unlimited liability another company carrying out similar commercial transactions.

Voting Rights and Minority Rights

No voting privilege is granted and no cumulative voting procedure is adopted by the Bank's Articles of Association. Minority rights is not determined as less than 5% (1/20) of the share capital by the Articles of Association.

Dividend Distribution Policy

Dividend distribution policy of the Bank was approved in the General Assembly dated 27.03.2014. The dividend is calculated under the provisions of the applicable regulations and provisions of the Bank's Articles of Association and determination and distribution of the annual profit are regulated by Article 25 and 26 of the Articles of Association of the Bank; there is no restriction on participation to the annual profit. Besides, distribution of the profit is included to the agenda.

Transfer of Shares

QNB Finansbank's Articles of Association do not restrict shareholders from transferring their shares. However, share transfer is subject to the BRSA approval pursuant to the relevant provisions of the Banking Law.

IV - STAKEHOLDERS

Informing Stakeholders

Bank employees are informed about the Bank's operations when deemed necessary via internal communications tools. In addition, managers at the Headquarters and branches are informed about developments via regularly held meetings.

The tip-off hotline, set up for informing regarding transactions contrary to the Bank's procedures and instructions, and that are against legislation and improper ethically, is open to access by stakeholders through a number of channels.

Participation of Stakeholders in Management

The Bank does not have a model to ensure stakeholders' involvement in management.

V - BOARD OF DIRECTORS

Detailed information is dislosed in Board of Directors and Corporate Governance Information Form Sections of the Integrated Annual Report.

Declaration of Independence

To QNB Finansbank A.Ş.,

I declare that

- Neither I nor my spouse and relatives by blood or marriage up to second degree, have a relationship with the Bank, or any of related parties of the Bank or legal entities related to shareholders holding shares directly or indirectly 10% or more of the Bank's capital by management or by shares within the last five years, in terms of employment at administrative positions to have directly or indirectly significant duties or responsibilities, any capital-related relations or material commercial relations;
- I have not worked at or served as board member at the companies which manage the operations or organization of the Bank wholly or partially within the scope of contracts signed, including but not limited to companies which audit, give rating and give consultancy to the Bank within the last five years;
- I have not taken part in as an associate, employee or board member in any company which provide the Bank with at a certain level of services and products within the last five years;
- I am not a shareholder in the Bank's capital, and should I have any shares, such share shall only be limited by 1% of the capital;
- I am qualified in terms of professional background, education, information and experience to duly discharge my duties assigned as an independent board member;
- I am not serving as a full-time employee in any public agency, and I shall not serve in such titles during the term of my service as independent board member;
- I am resident at Türkiye as per the Income Tax Law;
- I have the ethical standard, professional reputation and experience to make contributions to operations of the Bank, to maintain integrity as an independent board member in case of any conflict of interest between the shareholders, and to make independent decisions by considering the rights of the stakeholders; and
- I may and I shall have the sufficient time to follow up the Bank's operations and to fulfill my responsibilities duly as they are assigned.

Yeşim Güra
29.03.2023

(1) Article three of the Principle numbered 4.3.7. and Article two of the Principle 4.3.8. shall not be implemented by banks, accordingly such Articles are not implemented.
(2) Article 4.5.1 includes exceptions for banks with regard to committees.
(3) The general manager should be appointed to the Credit Committee within the scope banking legislation, this Article is implemented with this exception.
(4) Corporate Governance Committee is responsible for this Article within the scope of organizational structure of the Bank.
(5) The principle is not applicable for the Bank, taking into account the ownership structure of the Bank.

QNB Finansbank – 2023 Integrated Annual Report

Compliance Reports within the scope of CMB Legislation

Corporate Governance Information Form

Related Companies	
Related Funds	
1. SHAREHOLDERS	
1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/etc.) organised by the company during the yearı	In addition to one-on-one investor meetings, the Bank participated at 2 investor conference with the attendance of Senior Management in 2023. At these organizations, 100 analyst and investor meetings were held in total. As regular meetings were carried out with three credit rating agencies, inquiries submitted by analysts and investors via telephone or e-mails were responded.
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	None.
The number of special audit requests that were accepted at the General Shareholders' Meeting	None.
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/tr/Bildirim/1255474
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same timeı	Published simultaneously in Turkish and English: Turkish: https://www.qnbfinansbank.com/yatirimci-iliskileri/kurumsal-yonetim/genel-kurul English: https://www.qnbfinansbank.com/en/investor-relations/corporate-governance/general-assembly
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	None.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	None.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	None.
The name of the section on the corporate website that demonstrates the donation policy of the company	None.
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	None.
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	Stakeholders' participation in the General Assembly is not regulated by the Articles of Association.
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	In 2023, shareholders and Bank employees attended the Ordinary General Assembly.
1.4. Voting Rights	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	There are no privileged votes.
The percentage of ownership of the largest shareholder	99.88%

1.5. Minority Rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No.
If yes, specify the relevant provision of the articles of association.	-
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	It is published in the Investor Relations section of the Bank's corporate website under the heading "Policies and Rules Regarding Corporate Governance": https://www.qnbfinansbank.com/en/investor-relations/corporate-governance/corporate-governance-policies-and-rules
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.	The 5th item of the agenda and the proposal regarding the said item were read. Pursuant to the proposal, it was resolved that out of the net profit after tax and other financial liabilities for the year 2022 amounting to TL 17,223,765,514.79, TL 28,297,062.89 is to be added to the Real Estate Sales Profit Fund pursuant to Article 5-1/e of the Corporate Tax Law and the remaining TL 17,195,468,451.90 be added to the Real Estate Sales Profit Fund pursuant to Art. 5-1/e of the Corporate Tax Law, and transferring the remaining TL 17,195,468,451.90 to the General Reserves since statutory reserves have reached 20% of paid in capital in the frame of Article 591/1 of the Turkish Commercial Code, and authorising the Board of Directors to use the reserves were approved with a majority of votes with the votes of acceptance representing TL 3,345,892,248,466 of the share capital against the votes of rejection representing TL 13,866 of the share capital.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	https://www.kap.org.tr/tr/Bildirim/1129944
General Assembly Meetings	
General Meeting Date	30.03.2023
The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	0
Shareholder participation rate to the General Shareholders' Meeting	99.88%
Percentage of shares directly present at the GSM	0%
Percentage of shares represented by proxy	99.88%
Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	It is published annually on QNB Finansbank Corporate Website - Investor Relations - Corporate Governance - General Assembly (https://www.qnbfinansbank.com/en/investor-relations/corporate-governance/general-assembly)
Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	It is published annually on QNB Finansbank Corporate Website - Investor Relations - Corporate Governance - General Assembly (https://www.qnbfinansbank.com/en/investor-relations/corporate-governance/general-assembly)
The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	Article 16
The number of declarations by insiders received by the board of directors	742
The link to the related PDP general shareholder meeting notification	https://www.kap.org.tr/tr/Bildirim/1129944

QNB Finansbank – 2023 Integrated Annual Report

Compliance Reports within the scope of CMB Legislation

Corporate Governance Information Form

2. DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Grouped under the Investor Relations Department on the QNB Finansbank corporate website (https://www.qnbfinansbank.com/en/investor-relations)
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	There are no real persons holding more than 5% of the shares.
List of languages for which the website is available	Turkish and English
2.2. Annual Report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	The external duties of the members of the Board of Directors and executives are included in the Board of Directors and Senior Management sections of the 2023 Integrated Annual Report. The statement of independence of Ms Yeşim Güra, Independent Board Member, is included in the Compliance Reports within the scope of CMB Legislation section.
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	2023 Integrated Annual Report - Committees Operating under the Board of Directors
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	2023 Integrated Annual Report - Attendance to Board of Directors and Board Committees Meetings
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	2023 Integrated Annual Report - QNB Finansbank's 2023 Performance Evaluation
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	None.
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	An explanation on the subject is provided in the 2023 Integrated Annual Report - Audit Committee's Assessment on the Operation of Internal Audit, Internal Control, Compliance and Risk Management Systems, and Information on its Activities in the Reporting Period
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	The Bank does not have any cross-shareholding company.
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	2023 Integrated Annual Report - "Operational Transformation" and "Transformation of Finansçı" sections titled

3. STAKEHOLDERS	
3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	None.
The number of definitive convictions the company was subject to in relation to breach of employee rights	52
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Ombudsman and Internal Audit Department
The contact detail of the company alert mechanism	They may notify the Board of Internal Auditors by mail or send an e-mail to ihbarhatti@qnbfinansbank.com. Bank employees may also report their complaints and/or denunciations by applying to the ombudsman.
3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	Although there are no written internal regulations, in line with the Bank's strategic priorities, employees are encouraged to participate in all projects and activities carried out.
Corporate bodies where employees are actually represented	Participation of employees in management is encouraged through the duties of middle and senior managers in committees and intranet portals established for employees to communicate their ideas and suggestions.
3.3. Human Resources Policy	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	There is a succession plan for key management positions and these plans are regularly reviewed by the General Manager as the Executive Board Member and re-evaluated with the Board of Directors when deemed necessary.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	Although the relevant human resources policy is not available on the corporate website, the relevant regulations are summarised in the "Transformation of Finansçı - Special Section: Equal Opportunities, Diversity and Gender Equality" section of the 2023 Integrated Annual Report. The Gender Equality Guide prepared in this context is published under the "Sustainability" tab of the Bank's corporate website under the heading Environmental and Social Policies.
Whether the company provides an employee stock ownership programme	There is no share acquisition plan.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	Although the human resources policy is not available on the corporate website, the relevant regulations are summarised in the "Transformation of Finansçı - Special Section: Equal Opportunities, Diversity and Gender Equality" of the 2023 Integrated Annual Report.
The number of definitive convictions the company is subject to in relation to health and safety measures	0
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	Although there is no Code of Ethics Policy approved by the Board of Directors, there is an "Anti-Bribery and Anti-Corruption Policy" which is also available on the corporate website. In addition, there are "Instructions on Code of Ethical Conduct for QNB Finansbank Finance Professionals" and "Instructions on Code of Conduct for QNB Finansbak Employees" published with the resolution of the Board of Directors.
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	Although there is no corporate social responsibility report published on the corporate website, the activities carried out in this field can be accessed from the Corporate Social Responsibility and Sponsorships tab https://www.qnbfinansbank.com/qnb-finansbanki-taniyin/kurumsal-sosyal-sorumluluk) on the corporate website. The Bank's sustainability policy, Environmental and Social Risk Management Policy and other sustainability policies are available on the corporate website under the Sustainability tab. (Sustainability - https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability)
Any measures combating any kind of corruption including embezzlement and bribery	Although there is no Code of Ethics Policy approved by the Board of Directors, there is an "Anti-Bribery and Anti-Corruption Policy" which is also available on the corporate website.

Compliance Reports within the scope of CMB Legislation

Corporate Governance Information Form

4. BOARD OF DIRECTORS-I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	The self-assessment process of the Board of Directors for 2023 was held in February 2024.
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
ame(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	There has been no delegation of authority.
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	The Internal Control Unit submitted 4 reports to the Audit Committee in 2023, including an activity report for each quarter.
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	2023 Integrated Annual Report Section "Audit Committee's Assessments on the Functioning of Internal Control, Internal Audit and Risk Management Systems and Information on Activities in the Accounting Period"
Name of the Chairman	Dr Mehmet Ömer Arif Aras
Name of the CEO	Osman Ömür Tan

4. BOARD OF DIRECTORS-I (Continued)	
4.2. Activity of the Board of Directors (Continued)	
If the CEO and Chair functions are combined: provide the link to the relevant PDP annoucement providing the rationale for such combined roles	The Chairperson of the Board of Directors and the General Manager are not the same person.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	Although the damages that may be caused by the members of the Board of Directors during the execution of their duties are covered by professional liability insurance, the amount of such coverage is below 25% of the share capital.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	2023 Integrated Annual Report "Transformation of the Finansçı" and "Special Section: Equal Opportunities, Diversity and Gender Equality" in the sections titled.
The number and ratio of female directors within the Board of Directors	The 11-member Board of Directors includes 3 female Board Members. The corresponding rate is 27.27%.

Board Members

Name-Surname	Real Person Acting on Behalf of Legal Person Member	Independent Board Member or not	The First Election Date To Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/He lost the Independence or Not	Whether the Director has at Least 5 Years' Experience on Audit, Accounting and/or Finance or not
Dr. Mehmet Ömer Arif Aras	Non-Executive	Not an independent member	16.04.2010	-	-	No	Yes
Yousef Mahmoud H N Al-Neama	Non-Executive	Not an independent member	28.05.2019	-	-	No	Yes
Adel Ali M A Al-Malki	Non-Executive	Not an independent member	28.05.2019	-	-	No	Yes
Yeşim Güra	Non-Executive	Independent member	30.03.2023	-	It has been evaluated by the Corporate Governance Committee.	No	Yes
Saleh Nofal	Non-Executive	Independent member	30.03.2023	Within the scope of Article 6 of the Corporate Governance Communiqué, he is accepted as an independent member since he is a member of the Audit Committee.	Not evaluated	No	Yes
Durmuş Ali Kuzu	Non-Executive	Independent member	25.08.2016	Within the scope of Article 6 of the Corporate Governance Communiqué, she is accepted as an independent member since he is a member of the Audit Committee.	Not evaluated	No	Yes
Fatma Abdulla S. S. Al Suwaidi	Non-Executive	Not an independent member	16.06.2016	-	-	No	Yes
Noor Mohd J. A. Al-Naimi	Non-Executive	Independent member	22.06.2017	Within the scope of Article 6 of the Corporate Governance Communiqué, she is accepted as an independent member since she is a member of the Audit Committee.	Not evaluated	No	Yes
Temel Güzeloğlu	Non-Executive	Not an independent member	16.04.2010	-	-	No	Yes
Ramzi T. A. Mari	Non-Executive	Independent member	16.06.2016	Within the scope of Article 6 of the Corporate Governance Communiqué, he is accepted as an independent member since he is a member of the Audit Committee.	Not evaluated	No	Yes
Osman Ömür Tan	Executive officer (General Manager)	Not an independent member	1.01.2022	-	-	No	Yes

QNB Finansbank – 2023 Integrated Annual Report

Compliance Reports within the scope of CMB Legislation

Corporate Governance Information Form

4. BOARD OF DIRECTORS-II	
4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	In 2023, the Board of Directors physically held 7 meetings. However, the Board of Directors took various decisions without holding a meeting within the scope of Article 390 of the Turkish Commercial Code in 2023.
Director average attendance rate at board meetings	94.8%
Whether the board uses an electronic portal to support its work or not	Yes
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	Information and documents are submitted to the members at least 5 days before the Board of Directors meeting
The name of the section on the corporate website that demonstrates information about the board charter	QNB Finansbank Corporate Website - Investor Relations - Corporate Governance under the heading of Articles of Association of our Bank. (https://www.qnbfinansbank.com/en/investor-relations)
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	The limits determined in the banking legislation are applied.
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented	2023 Integrated Annual Report - Committees Operating under the Board of Directors
Link(s) to the PDP announcement(s) with the board committee charters	Although there is no link to the PDP Disclosure, the working principles are summarised in the annual report. 2023 Integrated Annual Report - Committees Operating under the Board of Directors

Composition of Board Committees-I

Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Corporate Governance Committee	-	Ramzi T. A. Mari	Yes	Board member
Corporate Governance Committee	-	Saleh Nofal	No	Board member
Corporate Governance Committee		Yeşim Güra	No	Board member
Corporate Governance Committee	-	Burcu Günhar	No	Not board member
Audit Committee	-	Saleh Nofal	Yes	Board member
Audit Committee	-	Ramzi T. A. Mari	No	Board member
Audit Committee	-	Durmuş Ali Kuzu	No	Board member
Audit Committee	-	Noor Mohd J A Al-Naimi	No	Board member
Committee of Early Detection of Risk	-	Mehmet Ömer Arif Aras	No	Board member
Committee of Early Detection of Risk	-	Fatma Abdulla S S Al-Suwaidi	No	Board member
Committee of Early Detection of Risk	-	Adel Ali M A Al-Malki	No	Board member
Committee of Early Detection of Risk	-	Saleh Nofal	No	Board member
Other	Credit Committee	Mehmet Ömer Arif Aras	No	Board member
Other	Credit Committee	Temel Güzeloğlu	No	Board member
Other	Credit Committee	Fatma Abdulla S S Al-Suwaidi	No	Board member
Other	Credit Committee	Yousef Mahmoud H N Al-Neama	No	Board member
Other	Credit Committee	Osman Ömür Tan	No	Board member
Other	Credit Committee	Noor Mohd J A Al-Naimi	No	Board member
Other	Credit Committee	Ramzi T. A. Mari	No	Board member
Remuneration Committee	-	Temel Güzeloğlu	No	Board member
Remuneration Committee	-	Yousef Mahmoud H N Al-Neama	No	Board member

4. BOARD OF DIRECTORS-III	
4.5. Board Committees-II	
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	2023 Integrated Annual Report - Committees Operating under the Board of Directors
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website	2023 Integrated Annual Report - Committees Operating under the Board of Directors
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Although the activities of the nomination committee in our Bank are carried out by the Corporate Governance Committee, information is shared under the heading of 2023 Integrated Annual Report - Committees Operating under the Board of Directors.
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	2023 Integrated Annual Report - Committees Operating under the Board of Directors
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	2023 Integrated Annual Report - Committees Operating under the Board of Directors
4.6. Financial Rights	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	2023 Integrated Annual Report, QNB Finansbank's 2023 Performance Evaluation.
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	None.
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	2023 Integrated Annual Report of the Bank's financial statements and footnotes in the Financial Reports Section of the Annual Report of 2023, Section VII.1.4., "Information on benefits provided to senior management".

Composition of Board Committees-II

Names Of The Board Committees	Name of committees defined as "Other" in the first column	The Percentage Of Non-executive Directors	The Percentage Of Independent Directors In The Committee	The Number Of Meetings Held In Person	The Number Of Reports On Its Activities Submitted To The Board
Audit Committee	-	100%	100%	20	4
Corporate Governance Committee	-	75%	75%	5	1
Committee of Early Detection of Risk	-	100%	25%	12	1
Other	Credit Committee	86%	29%	38	.
Remuneration Committee	-	100%	0%	6	1

Compliance Reports within the scope of CMB Legislation

Sustainability Compliance Report

	Company Compliance Status						
	Yes	Partial	No	Not Applicable		Explanation	Report Information on Publicly Disclosed Information
A. GENERAL PRINCIPLES							
A1. Strategy, Policy and Goals							
A1.1. The prioritised environmental, social and corporate governance (ESG) issues, risks and opportunities have been determined by the Company's Board of Directors.	●					Board of Directors identifies the Environmental, Social, Governance (ESG) material issues, risks and opportunities, and discloses its sustainability performance to the public on an annual basis in integrated annual report, according to the GRI and IIRC guideline.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
A1.1. The ESG policies (Environmental Policy, Energy Policy, Human Rights and Employee Policy etc.) have been created and disclosed to the public by the Company's Board of Directors.	●					The Board of Directors creates ESG policies. The Sustainability Policy and supporting ESG policies are approved by the Board of Directors and published in the sustainability section of the Bank's corporate website.	Sustainability Related Policies: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-related-policies
A1.2. The short and long-term targets set within the scope of ESG policies have been disclosed to the public.	●					The Bank's sustainability strategy, framework, short and long-term goals and materiality matrix created according to the United Nations Sustainable Development Goals are announced to the public in the integrated annual report and in the sustainability section of the corporate website.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
A2. Implementation/Monitoring							
A2.1. The responsible committees and/or business units for the implementation of ESG policies and the senior officials related to ESG issues in the Company and their duties have been identified and disclosed to the public.	●					The Sustainability Committee is responsible for the overall management and oversight of the sustainability strategy and performance. The Sustainability Team is responsible for the execution of all the Bank's sustainability efforts, their compliance with the QNB Group's strategies and policies, and all sustainability reporting issues. Moreover, Sustainability Working Groups are composed of representatives of relevant business lines and units within the Bank, and create and execute projects and action plans related to sustainability.	Sustainability Governance and Management: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-governance-and-management
A2.1. The activities carried out within the scope of policies by the responsible committee and/or unit have been reported to the Board of Directors at least once a year.	●					The Sustainability Committee is responsible for the overall management and oversight of the sustainability strategy and performance. It is responsible for informing the Corporate Governance Committee and the Board of Directors at least twice a year and with the necessary frequency, and reporting on sustainability activities.	Sustainability Governance and Management: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-governance-and-management
A2.2. In line with the ESG targets, the implementation and action plans have been formed and disclosed to the public.	●					Project and action plans have been created within the scope of short- and long-term targets and reported to the Board of Directors and relevant committees. Although the relevant project/action plans are not disclosed to the public, performance outputs and key performance indicators are presented to the public periodically and comparatively with integrated annual report.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
A2.3. The Key ESG Performance Indicators (KPI) and the level of reaching these indicators have been disclosed to the public on yearly basis.	●					The identified Key Performance Indicators (KPIs) of the Bank are disclosed in integrated annual report as a comparison over the years.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
A2.4. The activities for improving the sustainability performance of the business processes or products and services have been disclosed to the public.	●					Activities to improve the sustainability performance of business processes, products and services are disclosed in the relevant sections of the integrated annual report.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
A3. Reporting							
A3.1. The information about the sustainability performance, targets and actions have been given in annual reports of the Company an understandable, accurate and sufficient manner.	●					The Bank's Compliance with the Capital Markets Board of Türkiye, Sustainability Principles is explained in the annual report; The Bank's sustainability performance. Moreover, targets and sustainability activities are announced to the public on an annual basis with the integrated annual report.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
A3.2. The information about activities which are related to the United Nations (UN) 2030 Sustainable Development Goals have been disclosed to the public.	●					The Bank's integrated annual report provide information on its sustainability priorities and activities related to the relevant UN SDGs.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
A3.3. The lawsuits filed and/or concluded against the Company about ESG issues which are material in terms of ESG policies and/or will significantly affect the Company's activities, have been disclosed to the public.	●					Disclosures regarding lawsuits filed and/or concluded against ESG issues are published in the relevant sections of the Bank's integrated annual report.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
A4. Verification							
A4.1. The Company's Key ESG Performance metrics have been verified by an independent third party and publicly disclosed.	●					Sustainability performance measurements are prepared according to the Global Reporting Initiative (GRI) Sustainability Reporting Guide Core Level and Financial Services Sector Supplement. In addition, in order to demonstrate environmental performance, ISO 14001: Environmental Management System Certificate was obtained in 2022 and ISO 50001 Energy System Management Certificate was obtained in 2023 and was shared with the public on the website. Carbon footprint for 2023 data was calculated for scope 1, scope 2 and scope 3 in accordance with ISO 14064-1:2006, scope 1, scope 2 and scope 3 (excluded category 15) verified by third parties and shared on the website. The Bank's 2023 water footprint was calculated in accordance with ISO 14046:2014, verified by third parties and shared on the website. In the upcoming period, it is considered to obtain assurance from an independent party for integrated annual report.	Integrated Annual Report and ISO Certificates: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports

Compliance Reports within the scope of CMB Legislation

Sustainability Compliance Report

	Company Compliance Status					
	Yes	Partial	No	Not Applicable	Explanation	Report Information on Publicly Disclosed Information
B. ENVIRONMENTAL PRINCIPLES						
B1. The policies and practices, action plans, environmental management systems (known by the ISO 14001 standard) and programs have been disclosed.	●				QNB Finansbank strives to develop different methods and implement different practices to increase operational efficiency and reduce the environmental impact of its operations. Acting with the awareness that the biggest environmental impacts arise “indirectly” due to the lending processes. The Bank also takes actions to responsibly manage the “direct” impact and environmental footprint resulting from its own activities. Therefore, it aims to reduce its environmental impacts by choosing environmentally friendly devices for electrical and mechanical projects, controlling buildings through automation systems, and taking actions to reduce energy and paper consumption. Carrying out the necessary work for the operation of an environmental management system at international standards, the Bank received the ISO 14001 Environmental Management System Certificate, covering the Kristal Tower (Headquarters Building), Erzurum Operations Building, and Umraniye E Block Building. In addition, it received the Energy Management System Certificate in 2023 for Kristal Tower and Ümraniye E Block Building, confirming that it carries out the energy management system in accordance with ISO 50001 standards.	Integrated Annual Report and ISO Certificates: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
B2. The environmental reports prepared to provide information on environmental management have been disclosed to the public which is inculiding the scope, reporting period, reporting date and limitations about the reporting conditions.	●				In the “About the Report” sections of the integrated annual report, the boundary of the report, the reporting period and reporting principles are detailed.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
B4. The environmental targets within the scope of performance incentive systems which included in the rewarding criteria have been disclosed to the public on the basis of stakeholders (such as members of the Board of Directors, managers and employees).		●			The Bank provides incentives related to climate change to all its employees, beginning from the top management level. In addition, a systematic incentive mechanism has been established for the Bank’s senior management, but it has not been disclosed to the public.	CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
B5. How the prioritised environmental issues have been integrated into business objectives and strategies has been disclosed.	●				The targets and strategies regarding the management of environmental risks arising from the Bank’s own activities are detailed in the relevant sections of the integrated annual report. In order to ensure that indirect environmental impacts are included in business goals and strategies, the installation of the Environmental and Social Risk Management Policy has been completed in 2020 and shared on the web site.	Sustainability Related Policies: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-related-policies
B7. The way of how environmental issues has been managed and integrated into business objectives and strategies throughout the Company's value chain, including the operational process, suppliers and customers has been disclosed.	●				The Bank takes the utmost care to conduct direct operations along the value chain and actions taken in this regard. The relevant provisions of the integrated annual report are detailed.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
B8. Whether the Company have been involved to environmental related organizations and non-governmental organizations' policy making processes and collabrations with these organizations has been disclosed.	●				The Bank’s environmental memberships and collaborations are reported in detail in the memberships section of the integrated report. In addition, it contributes to the meetings and working groups of the organizations.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
B9. In the light of environmental indicators (Greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity impacts)), information on environmental impacts is periodically disclosed to the public in a comparable manner.	●				Environmental indicators, that are directly related to the Bank’s activities, are calculated periodically and comparatively, and shared with the public through integrated annual report and CDP reports.	Integrated Annual Report and CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
B10. Details of the standard, protocol, methodology, and baseline year used to collect and calculate data has been disclosed.	●				International standards and methodologies have been used in data collection and calculation. The protocol methodology and base year details for the carbon & water footprint calculation and ISO 14001 Environmental Management Certificate and ISO 50001 Energy Management Certificate are presented in the ISO certificates, assurance reports, integrated annual reports and CDP reports on the website.	Integrated Annual Report, CDP Reports, ISO Certificates & Assurance Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
B11. The increase or decrease in Company's environmental indicators as of the reporting year has been comparatively disclosed with previous years.	●				In integrated annual report, environmental indicators are presented as a comparison with previous years.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
B12. The short and long-term targets for reducing the environmental impacts have been determined and the progress compared to previous years' targets has been disclosed.	●				In integrated annual reports, the Bank's short and long-term targets are announced and progress against the determined targets is presented to the public.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
B13. A strategy to combat the climate crisis has been created and the planned actions have been publicly disclosed.	●				The strategy and actions to combat the climate crisis are explained in the CDP Climate Change reports and integrated annual report.	Integrated Annual Report and CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
B14. The programs/procedures to prevent or minimize the potential negative impact of products and/or services on the environment have been established and disclosed.	●				The Bank’s Environmental and Social Risk Management Policy, approved by the Board of Directors, has been created to prevent the potential negative impact of services on the environment and has been published on the corporate website.	Sustainability Related Policies: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-related-policies
B14. The actions to reduce greenhouse gas emissions of third parties (suppliers, subcontractors, dealers, etc.) have been carried out and disclosed.	●				As of 2021, through the evaluation of environmental and social risks in lending processes, actions for the limitation of potential negative effects by third parties have been carried out. The Bank’s Environmental and Social Risk Management Policy, approved by the Board of Directors, has been published on the corporate website.	Integrated Annual Report and CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports

QNB Finansbank – 2023 Integrated Annual Report

Compliance Reports within the scope of CMB Legislation

Sustainability Compliance Report

	Company Compliance Status						
	Yes	Partial	No	Not Applicable		Explanation	Report Information on Publicly Disclosed Information
B. ENVIRONMENTAL PRINCIPLES (Continued)							
B15. The environmental benefits/gains and cost savings of initiatives/projects that aims reducing environmental impacts have been disclosed.	●					The results of the actions taken to reduce environmental impacts are shared in the relevant sections of the integrated annual report on a project basis. In addition, projects and actions to reduce environmental impacts are explained in the CDP Climate Change and Water Security reports.	Integrated Annual Report and CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
B16. The data related to energy consumption (natural gas, diesel, gasoline, LPG, coal, electricity, heating, cooling, etc.) has been disclosed as Scope-1 and Scope-2.	●					Energy consumption data is calculated periodically and comparatively. Scope 1 and Scope 2 data are disclosed in the CDP Climate Change and integrated annual reports.	Integrated Annual Report and CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
B17. The information related to production of electricity, heat, steam and cooling as of the reporting year has been disclosed.	●					The main consumption data within the scope of the Bank's operations are shared in detail in the relevant sections of the integrated annual report.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
B18. The studies related to increase the use of renewable energy and transition to zero/low carbon electricity have been conducted and disclosed.	●					Utmost care is taken to increase the use of renewable energy sources. Studies on the transition to zero or low carbon electricity are described in the 2022 CDP Climate Change and integrated annual reports. In 2023, 100% of electricity consumption was compensated by renewable energy sources.	Integrated Annual Report and CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
B19. The renewable energy production and usage data has been publicly disclosed.	●					In 2023, 100% of electricity consumption was compensated by renewable energy sources. Energy consumption data is disclosed in integrated annual report.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
B20. The Company conducted projects about energy efficiency and the amount of reduction on energy consumption and emission achieved through these projects have been disclosed.	●					The results of the actions to increase energy efficiency on a project basis are shared in the relevant parts of the intregrated annual report. In addition, energy consumption and emission reduction amounts are included in the CDP Climate Change reports.	Integrated Annual Report and CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
B21. The water consumption, the amount, procedures and sources of recycled and discharged water from underground or above ground (if any), have been disclosed.	●					The Bank provides details on water consumption in the integrated annual report and CDP Water Security Report.	-
B22. The information related to whether Company's operations or activities are included in any carbon pricing system (Emissions Trading System, Cap & Trade or Carbon Tax).				●		There is no Emissions Trading System (ETS) in Türkiye.	Integrated Annual Report and CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports Digital Channels Offset Sertificates: https://www.qnbfinansbank.com/qnb-finansbanki-taniyin/surdurulebilirlik/iklim-dostu-dijital-platformlar?utm_source=qnb&utm_medium=footer
B23. The information related to accumulated or purchased carbon credits within the reporting period has been disclosed.	●					In 2023, the Bank obtained a carbon credit (I-REC Certificate) to zero its emissions from electricity. The bank also received a carbon credit (Gold Standard Carbon Offset Certificate) for the carbon emissions resulting from its digital channels.	Integrated Annual Report and CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
B24. If carbon pricing is applied within the Company, the details have been disclosed.	●					Studies on carbon pricing are included in CDP Climate Change and integrated annual reports.	Integrated Annual Report and CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
B25. The platforms where the Company discloses its environmental information have been disclosed.	●					The Bank discloses its environmental information to the public in its integrated annual report and CDP reports.	Integrated Annual Report and CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports

QNB Finansbank – 2023 Integrated Annual Report

Compliance Reports within the scope of CMB Legislation

Sustainability Compliance Report

	Company Compliance Status					
	Yes	Partial	No	Not Applicable	Explanation	Report Information on Publicly Disclosed Information
C. SOCIAL PRINCIPLES						
C1. Human Rights and Employee Rights						
C1.1. The Institutional Human Rights and Employee Rights Policy has been established in the ligh of the Universal Declaration of Human Rights, ILO Conventions ratified by Türkiye and other relevant legislation. The policy and the officals that responsible for the implementation of it have been determined and disclosed.		●			Human Rights and Employee Rights are mentioned in the Sustainability Policy.	Sustainability Related Policies: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-related-policies
C1.2. Considering the effects of supply and value chain, fair workforce, improvement of labor standards, women's employment and inclusion issues (gender, race, religion, language, marital status, ethnic identity, sexual orientation, gender identity, family responsibilities, union activities, political opinion, disability, social and cultural differences, etc., such as non-discrimination) are included in its policy on employee rights.	●				QNB Finansbank respects the human rights of everyone who affected by its activities; it ensures that everyone is treated with dignity and equally, regardless of race, religion, gender, age or language. The Bank offers its employees a working environment where they are treated with justice, equality and respect. The issues of providing equal remuneration and development opportunities, establishing complaint mechanisms, preventing discrimination, ensuring job security and safety of employees are assessed within this framework. QNB Finansbank expects its customers and suppliers to respect human rights, prevents child labor and forced labor within its workforce and supply chain.	Sustainability Related Policies: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-related-policies
C1.3. The measures taken for the minority rights/equality of opportunity or the ones who are sensitive about certain economic, environmental, social factors (low income groups, women, etc.) along the supply chain have been disclosed.	●				Measures throughout the value chain to ensure that groups sensitive to social factors or minority rights and equality of opportunity are respected have been disclosed to the public through the integrated activity report and sustainability policies.	Sustainability Related Policies: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-related-policies Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
C1.4. The developments regarding preventive and corrective practices against discrimination, inequality, human rights violations, forced and child labor have been disclosed.	●				Actions taken and related regulations are disclosed to the public in the Bank's related ESG policies, annual integrated report and the sustainability section of the corporate website.	Sustainability Related Policies: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-related-policies Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
C1.5. Investments in employees (education, development policies), compensation, fringe benefits, right to unionize, work/life balance solutions and talent management are included in the employee rights policy.	●				Relevant information is disclosed in integrated annual report as well as in the Sustainability Policies.	Sustainability Related Policies: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-related-policies Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
C1.5. The mechanism for employee complaints and resolution of disputes have been established and related solution processes have been determined.	●				Relevant information is disclosed in integrated annual report.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
C1.5. The activities carried out within the reporting period which related to ensure employee satisfaction have been disclosed.	●				Relevant information about employee satisfaction is disclosed in integrated annual report.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
C1.6. The occupational health and safety policies have been established and disclosed.		●			The Bank has an Internal Health and Safety Policy. It has not been disclosed to the public.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
C1.6. The measures taken for protecting health, preventing occupational accidents and related statistics have been disclosed.	●				Statistics on occupational accidents are published in integrated annual report over the years.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
C1.7. The personal data protection and data security policies have been established and disclosed.	●				The Bank's Protection of Personal Data and Information Security and Cyber Security Policy exists and has been disclosed to the public.	Protection of Personal Data Policy: https://www.qnbfinansbank.com/en/information/protection-of-personal-data Information Security and Cyber Security Policy: https://www.qnbfinansbank.com/en/about-qnb-finansbank/policies
C1.8. The ethics policy have been established and disclosed.		●			Different regulations/ instructions/procedures have been established for the listed activities, and there is no Ethics Policy that covers all of them and has been disclosed to the public. Additionally, there is an Employee Code of Conduct Procedure.	Employee Code of Conduct Procedure: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-related-policies
C1.9. The studies related to social investment, social responsibility, finansal inclusivity and access to finance have been explained.	●				Many studies are carried out at the Bank within the specified scopes. It is disclosed to the public in the relevant sections of the integrated annual report.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
C1.10. The informative meetings and training programs related to ESG policies and practices have been organized for employees.	●				In addition to general awareness-raising activities and/or trainings on sustainability, trainings and meetings specific to ESG policies and practices are organized, and utmost care is taken to increase the participation of relevant employees.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports

QNB Finansbank – 2023 Integrated Annual Report

Compliance Reports within the scope of CMB Legislation

Sustainability Compliance Report

	Company Compliance Status						
	Yes	Partial	No	Not Applicable		Explanation	Report Information on Publicly Disclosed Information
C. SOCIAL PRINCIPLES (Continued)							
C2. Stakeholders, International Standards and Initiatives							
C2.1. The customer satisfaction policy regarding the management and resolution of customer complaints has been prepared and disclosed.		●				The Bank has relevant policies and procedures, but they have not been disclosed to the public.	-
C2.2. The information about the communication with stakeholders (which stakeholder, subject and frequency) have been disclosed.	●					It takes the utmost care to ensure continuous and transparent communication with its stakeholders. Detailed information on Stakeholder Engagement and Communication is shared in the integrated annual report.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
C2.3. The international reporting standards that adopted in reporting have been explained.	●					The Bank explains the adopted international reporting standards in its integrated annual report.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
C2.4. The principles adopted regarding sustainability,the signatory or member international organizations, committees and principles have been disclosed.	●					The Bank discloses the institutions and principles as a signatory in its integrated annual report.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
C2.5. The improvements have been made and studies have been carried out in order to be included in the Borsa Istanbul sustainability indices and/or international index providers.	●					The Bank participated in the Bloomberg Gender Equality Index (BBGEI) in 2023. The issue of participation in the Borsa Istanbul Index is evaluated.	Bloomberg Gender Equality Index Indicators: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports
D. CORPORATE GOVERNANCE PRINCIPLES							
D1. The opinions of stakeholders have been sought in the determination of measures and strategies related to sustainability field.	●					In all processes, the opinions of the relevant stakeholders are sought as well as their contributions to processes and strategies are encouraged.	-
D2. The social responsibility projects, awareness activities and trainings have been carried out to raise awareness about sustainability and its importance.	●					To decide the Corporate Governance Strategy, developments related to sustainability, national and international best practices, sustainability priorities, targets and performance of the Bank are assessed.	Integrated Annual Report: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports

Additional Information on the Activities of the Bank

The Bank does not have a share repurchase program and has not bought back its own shares from the marketplace. The Bank's quarterly financial statements are subject to a limited review, whereas the annual financial statements are audited by an independent auditor. Moreover, the Bank is subject to constant surveillance under the scope of banking regulation and is subject to supervision of the Banking Regulation and Supervision Agency.

With regards to transactions carried out with the Bank's controlling main shareholder, namely Qatar National Bank Q.P.S.C. ("QNB"), and its related subsidiaries and affiliates, there exist no measures either taken in favour of the Bank or refrained from taken. Transactions and/or relevant legal deals among the group companies and related parties have been conducted on an arms-length principle and go through the regular procedures and principles as if they are conducted with an independent third party. There have been no actions taken to the detriment of the Bank either by the controlling main shareholder or its affiliates.

All legal transactions realized with the controlling company and other affiliated companies thereof, details of which are provided in the Affiliation Reports, have, to the best of the Bank's knowledge of circumstances and market conditions, been done so against compatible counter actions. No measures have been taken or avoided to be taken, and the Bank has suffered no damages. As a result of an inspection of financial transactions the Bank had realized with the controlling company and other affiliated companies thereof, as per Art. 199 of the Turkish Commercial Code, all transactions conducted by the Bank were compatible with ensuing market conditions and precedents, performed on an arms-length basis.

QNB Finansbank – 2023 Integrated Annual Report

Financial Reports and Appendices

INDEPENDENT AUDITOR'S REPORT

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

To the General Assembly of QNB Finansbank A.Ş.

A. Audit of the Unconsolidated Financial Statements

1. Qualified Opinion

We have audited the accompanying unconsolidated financial statements of QNB Finansbank A.Ş. ("the Bank"), which comprise the statement of unconsolidated balance sheet as at 31 December 2023, unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended, and the notes to the unconsolidated financial statements and a summary of significant accounting policies and unconsolidated financial statement notes.

In our opinion, except for the effect of the matter on the unconsolidated financial statements described in the basis for the qualified opinion paragraph below, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2023, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

2. Basis for Qualified Opinion

As explained in Section Five Part II 9.4 of Explanations and Notes to the Unconsolidated Financial Statements; the accompanying unconsolidated financial statements as at 31 December 2023 include a free provision amounting to TL 6,800,000 thousand which consist of TL 5,400,000 thousand provided in prior year and TL 1,400,000 thousand recognized in the current period by the Bank management which is not within the requirements of BRSA Accounting and Financial Reporting Legislation.

Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements" section of our report. We hereby declare that we are independent of the Bank in accordance with the Ethical Rules for Independent Auditors (Including Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the unconsolidated financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our qualified opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion Section we have determined the matters described below to be key audit matters to be communicated in our report.

Key Audit Matters	How the key audit matter was addressed in the audit
Impairment of loans determined within the framework of TFRS 9 The Bank has total expected credit losses for loans amounting to TL 27,004,228 thousand in respect to total loans amounting to TL 598,048,152 thousand which represent a significant portion of the Bank's total assets in its unconsolidated financial statements as at 31 December 2023. Explanations and notes regarding the provision for impairment of loans are represented in Notes VIII of Section Three, II.1. of Section Four, II.4 of Section Four and 1.6. of Section Five of the accompanying unconsolidated financial statements as at 31 December 2023. The Bank recognizes provisions for impairment in accordance with "TFRS 9 Financial Instruments" requirements in line with the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 with number 29750. TFRS 9 is a complex accounting standard which requires considerable judgement and interpretation. These judgements and interpretations are key in the development of the financial models built to measure the expected credit losses on loans recorded at amortized cost. In addition, the operation of the models requires large data inputs that are generated through more than one system and the accuracy and completeness of the data are key in the determination of expected credit losses on loans. Impairment allowances are calculated on a collective basis for portfolios of loans of a similar nature and on individual basis for significant loans taking into account Management's best estimate at the balance sheet date and historical losses incurred. Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macroeconomic expectations, current conditions, historical loss experiences; the significance of the loan balances; the appropriateness of classification of loans as per their credit risk (staging) in accordance with applicable regulation and the importance of determination of the associated impairment allowances. Timely and correctly identification of loss event and the level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.	With respect to stage classification of loans and calculation of expected credit losses in accordance with TFRS 9, we have assessed policy, procedure and management principles of the Bank within the scope of our audit. We tested the design and the operating effectiveness of relevant controls implemented in accordance with these principles. We checked appropriateness of matters considered in methodology applied by the Bank with TFRS 9 for calculation of the provision amount through stage classification of loans. For forward looking assumptions by the Bank's management in its expected credit losses calculations, we held discussions with management, evaluated the assumptions using publicly available information. Regarding expected credit losses methodology; we have assessed and tested appropriateness of model segmentation, lifetime probability of default model, exposure at default model, loss given default model, and approaches in relation to projection of macroeconomic expectations with our financial risk experts. We have assessed expert judgment utilized in interpretation of supportable forward looking expectations (including macroeconomic factors). Our procedures also included the following: • Together with our financial risk experts, we evaluated and tested reasonableness of the changes in the expected credit loss allowance methodology and the performance of the impairment models used. • For a sample of exposures, we checked the accuracy of determining Exposure at Default, including the consideration of prepayments and repayments in the cash flows and the resultant arithmetical calculations. • We checked the calculation of the Loss Given Default (LGD) used by the Bank in the expected credit losses calculations, and tested collaterals, recovery and costs in addition to arithmetical calculations. • For a selected sample, we checked expected credit losses determined based on individual assessment per Bank's policy by means of supporting data, and evaluated appropriateness via communications with management. • We checked key data sources for data used in expected credit losses calculations. We tested reliability and completeness of the data used in expected credit losses calculations with our information systems specialists. • We checked accuracy of expected credit losses calculations. • To assess appropriateness of the Bank's determination of staging for credit risk, identification of impairment and timely and appropriate provisioning for impairment we have performed loan review procedures based on a selected sample. • We have reviewed disclosures made within the TFRS 9 framework in the unconsolidated financial statements of the Bank with respect to loans and related impairment provisions.

QNB Finansbank – 2023 Integrated Annual Report

INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

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

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

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

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

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

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

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

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

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

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

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

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Bank's bookkeeping activities concerning the period from 1 January to 31 December 2023 period are not in compliance with the TCC and provisions of the Bank's articles of association related to financial reporting.

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

Additional Paragraph for Convenience Translation

BRSA Accounting and Financial Reporting Legislation explained in detail in Section Three differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board including the application of IAS 29 - Financial Reporting in Hyperinflationary Economies as of 31 December 2023. Accordingly, the accompanying unconsolidated financial statements are not intended to present fairly the unconsolidated financial position, results of operations, changes in equity and cash flows of the Bank in accordance with IFRS.

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

Talar Gül, SMMM
Independent Auditor
Istanbul, 29 January 2024

QNB Finansbank – 2023 Integrated Annual Report

THE UNCONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş.
FOR THE YEAR ENDED 31 DECEMBER 2023

The Bank's;

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

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

- General Information about the Bank
- Unconsolidated Financial Statements of the Bank
- Explanations on Accounting Policies Of The Bank
- Information on Financial Structure and Risk Management of the Bank
- Footnotes and Explanations on Unconsolidated Financial Statements
- Other Explanations
- Independent Auditor's Report

The accompanying unconsolidated financial statements and related disclosures and footnotes for the year ended 31 December 2023, are prepared and independently audited in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidances, and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying unconsolidated financial statements are presented in **thousands of Turkish Lira (TL)**.

Mehmet Ömer Arif Aras
Chairperson of the Board of Directors

Saleh Nofal
Member of the Board of Directors and
Chairperson of the Audit Committee

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

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

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

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

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

Ercan Sakarya
Director of Financial, Statutory
Reporting and Treasuary Control

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

Name-Surname/Title	:	Mehmet Demirci / Financial Reporting Manager
Phone Number	:	(0 212) 319 69 22
Facsimile Number	:	(0 212) 318 55 78

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QNB FİNANSBANK ANONİM ŞİRKETİ

Notes to Unconsolıdated Financıal Statements for The Year Ended 31 December 2023

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

SECTION ONE

GENERAL INFORMATION

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

It was established in Istanbul on 26 October 1987 under the title of QNB Finansbank Anonim Şirketi ("Bank") in accordance with the provisions of the Banking Law and the Turkish Commercial Code published in the Turkish Trade Registry Gazette No. 1857 dated 25 September 1987. The Bank's shares have been listed on the Borsa Istanbul ("BIST") since 1990.

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

A share sales agreement has been concluded between National Bank of Greece S.A. (NBG), principal shareholder of the Bank in previous periods, and Qatar National Bank Q.P.S.C. ("QNB") regarding the direct or indirect sales of NBG's shares, owned by affiliates and current associations of the Bank, at the rate of 99.81% to QNB at a price of EUR 2,750 million as of 21 December 2015. On 7 April 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 4 May 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 12 May 2016 and share transfer of the Bank has been completed on 15 June 2016.

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

With the amendment to the articles of association of Cigna Sağlık Hayat ve Emeklilik A.Ş. (Cigna Finans Emeklilik) made at the Extraordinary General Assembly dated 30 May 2023, the brand name was changed to QNB Sigorta and the commercial name was changed to QNB Sağlık Hayat Sigorta ve Emeklilik A.Ş. (QNB Sigorta).

99.88% of shares of QNB Finansbank A.Ş. are controlled by Qatar National Bank as of 31 December 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.

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

Name	Titles	Date of Appointment	Education
Dr. Ömer A. Aras	Chairperson	16 April 2010	PhD
Yousef Mahmoud H. N. Al-Neama	Deputy Chairperson and Executive Member	28 May 2019	Masters
Saleh Nofal	Board Member and Chairperson of the Audit Committee	30 March 2023	Graduate
Ramzi T. A. Mari	Board Member and Audit Committee Member	16 June 2016	Masters
Dr. Fatma Abdulla S.S. Al-Suwaidi	Board Member	16 June 2016	PhD
Dr. Durmuş Ali Kuzu	Board Member and Audit Committee Member	25 August 2016	PhD
Osman Ömür Tan	Board Member and General Manager	1 January 2022	Masters
Temel Güzeloğlu	Board Member	16 April 2010	Masters
Yeşim Güra	Board Member	30 March 2023	Masters
Adel Ali M. A. Al-Malki	Board Member	28 May 2019	Graduate
Noor Mohd J. A. Al-Naimi	Board Member and Audit Committee Member	22 June 2017	Masters
Adnan Menderes Yayla	Executive Vice President	20 May 2008	Masters
Köksal Çoban	Executive Vice President	19 August 2008	Masters
Dr. Mehmet Kürşad Demirkol	Executive Vice President	8 October 2010	PhD
Enis Kurtoğlu	Executive Vice President	14 May 2015	Masters
Murat Koraş	Executive Vice President	14 May 2015	Masters
Engin Turhan	Executive Vice President	14 June 2016	Masters
Cumhur Türkmen	Executive Vice President	11 June 2018	Masters
Cenk Akıncılar	Executive Vice President	21 January 2019	Graduate
Burçin Dündar Tüzün	Executive Vice President	1 December 2019	Masters
Zeynep Kulalar	Executive Vice President	1 December 2019	Graduate
Derya Düner	Executive Vice President	1 January 2020	Graduate
Ali Yılmaz	Executive Vice President	1 January 2020	Masters
İsmail Işık	Executive Vice President	18 January 2023	Masters
Ahmet Erzengin	Head of the Department of Internal Control and Compliance	12 September 2012	Graduate
Ersin Emir	Head of Internal Audit	18 February 2011	Masters
Zeynep Aydın Demirkıran	Chief Risk Officer	16 September 2011	Masters

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

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

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

V. Explanations on The Bank's Services and Activities

The Bank's activities include trade finance and corporate banking, private and retail banking, SME banking, currency, money markets and securities operations and credit card operations. In addition, the Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of 31 December 2023, the Bank operates through 434 domestics (31 December 2022 - 434), 1 abroad (31 December 2022 - 1) and 1 Atatürk Airport Free Trade Zone (31 December 2022 - 1) branches. As of 31 December 2023, the Bank has 11,756 (31 December 2022 - 11,427) employees.

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

None.

QNB FİNANSBANK ANONİM ŞİRKETİ

Unconsolidated Statement of Balance Sheet - Assets for The Year Ended 31 December 2023

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

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

I.	BALANCE SHEET - ASSETS		Current Period 31.12.2023			Prior Period 31.12.2022		
		Section 5 Part II	TL	FC	TOTAL	TL	FC	TOTAL
I.	FINANCIAL ASSETS (NET)		123,149,804	144,661,317	267,811,121	68,402,783	109,337,997	177,740,780
1.1.	Cash and Cash Equivalents		65,570,536	119,528,818	185,099,354	20,619,505	93,032,986	113,652,491
1.1.1.	Cash and Balances with Central Bank	(1)	59,793,397	102,786,314	162,579,711	9,719,857	84,817,934	94,537,791
1.1.2.	Banks	(3)	47,396	16,766,307	16,813,703	2,874,204	7,794,093	10,668,297
1.1.3.	Money Markets	(4)	5,736,581	-	5,736,581	8,040,936	427,044	8,467,980
1.1.4.	Expected Credit Losses (-)		6,838	23,803	30,641	15,492	6,085	21,577
1.2.	Financial Assets at Fair Value Through Profit or Loss	(2)	1,261,340	1,100,629	2,361,969	722,557	549,922	1,272,479
1.2.1.	Government Debt Securities		602,135	488,760	1,090,895	429,424	239,920	669,344
1.2.2.	Equity Securities		274,661	-	274,661	151,484	-	151,484
1.2.3.	Other Financial Assets		384,544	611,869	996,413	141,649	310,002	451,651
1.3.	Financial Assets at Fair Value Through Other Comprehensive Income	(5)	49,557,935	17,794,151	67,352,086	29,670,635	10,468,015	40,138,650
1.3.1.	Government Debt Securities		49,557,935	17,794,151	67,352,086	29,662,961	10,468,015	40,130,976
1.3.2.	Equity Securities		-	-	-	7,674	-	7,674
1.3.3.	Other Financial Assets		-	-	-	-	-	-
1.4.	Derivative Financial Assets	(12)	6,759,993	6,237,719	12,997,712	17,390,086	5,287,074	22,677,160
1.4.1.	Derivative Financial Assets at Fair Value Through Profit/Loss		5,633,449	3,281,804	8,915,253	12,559,235	3,249,441	15,808,676
1.4.2.	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		1,126,544	2,955,915	4,082,459	4,830,851	2,037,633	6,868,484
II.	FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		466,587,932	206,523,859	673,111,791	280,427,104	126,473,361	406,900,465
2.1.	Loans	(6)	414,264,230	183,783,922	598,048,152	251,039,775	110,441,197	361,480,972
2.2.	Lease Receivables	(11)	-	-	-	-	-	-
2.3.	Factoring Receivables		-	-	-	-	-	-
2.4.	Other Financial Assets Measured at Amortized Cost	(7)	72,305,609	29,788,256	102,093,865	41,598,971	20,364,334	61,963,305
2.4.1.	Public Sector Debt Securities		72,305,609	29,669,309	101,974,918	41,598,971	19,872,597	61,471,568
2.4.2.	Other Financial Assets		-	118,947	118,947	-	491,737	491,737
2.5.	Expected Credit Losses (-)		19,981,907	7,048,319	27,030,226	12,211,642	4,332,170	16,543,812
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	(15)	-	-	-	-	-	-
3.1.	Held for Sale Purpose		-	-	-	-	-	-
3.2.	Related to Discontinued Operations		-	-	-	-	-	-
IV.	EQUITY INVESTMENTS		9,974,398	-	9,974,398	3,952,289	-	3,952,289
4.1.	Investments in Associates (Net)	(8)	53,722	-	53,722	45,477	-	45,477
4.1.1.	Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2.	Unconsolidated Associates		53,722	-	53,722	45,477	-	45,477
4.2.	Subsidiaries (Net)	(9)	9,917,876	-	9,917,876	3,618,249	-	3,618,249
4.2.1.	Unconsolidated Financial Subsidiaries		9,789,830	-	9,789,830	3,490,203	-	3,490,203
4.2.2.	Unconsolidated Non-Financial Subsidiaries		128,046	-	128,046	128,046	-	128,046
4.3.	Joint Ventures (Net)	(10)	2,800	-	2,800	288,563	-	288,563
4.3.1.	Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2.	Unconsolidated Joint Ventures		2,800	-	2,800	288,563	-	288,563
V.	PROPERTY AND EQUIPMENT (NET)		14,484,108	487	14,484,595	4,729,373	94	4,729,467
VI.	INTANGIBLE ASSETS (NET)		2,189,315	-	2,189,315	1,028,549	-	1,028,549
6.1.	Goodwill		-	-	-	-	-	-
6.2.	Other		2,189,315	-	2,189,315	1,028,549	-	1,028,549
VII.	INVESTMENT PROPERTY (NET)	(13)	-	-	-	-	-	-
VIII.	CURRENT TAX ASSET	(14)	-	-	-	-	-	-
IX.	DEFERRED TAX ASSET	(14)	6,581,490	-	6,581,490	354,327	-	354,327
X.	OTHER ASSETS (NET)	(16)	12,388,685	1,275,172	13,663,857	6,702,020	347,279	7,049,299
	TOTAL ASSETS		635.355.732	352.460.835	987.816.567	365.596.445	236.158.731	601.755.176

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

I.	BALANCE SHEET – LIABILITIES AND EQUITY		Current Period 31.12.2023			Prior Period 31.12.2022		
		Section 5 Part II	TL	FC	TOTAL	TL	FC	TOTAL
I.	DEPOSITS	(1)	387,802,236	244,247,872	632,050,108	235,567,273	158,716,760	394,284,033
II.	FUNDS BORROWED	(3)	473,527	104,350,115	104,823,642	361,183	41,292,134	41,653,317
III.	MONEY MARKETS	(4)	1,099,251	27,736,364	28,835,615	195,056	21,733,804	21,928,860
IV.	SECURITIES ISSUED (NET)	(5)	3,814,855	42,134,323	45,949,178	4,655,384	23,284,322	27,939,706
4.1.	Bills		3,814,855	13,001,776	16,816,631	4,655,384	5,911,335	10,566,719
4.2.	Asset Backed Securities		-	-	-	-	-	-
4.3.	Bonds		-	29,132,547	29,132,547	-	17,372,987	17,372,987
V.	FUNDS		-	-	-	-	-	-
5.1.	Borrower Funds		-	-	-	-	-	-
5.2.	Other		-	-	-	-	-	-
VI.	FİNANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT & LOSS		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES		1,436,361	3,490,719	4,927,080	3,008,663	3,387,575	6,396,238
7.1.	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(2)	1,331,159	3,121,513	4,452,672	3,008,663	2,942,187	5,950,850
7.2.	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	105,202	369,206	474,408	-	445,388	445,388
VIII.	FACTORING PAYABLES		-	-	-	-	-	-
IX.	LEASE PAYABLES (NET)	(7)	1,150,029	1,213	1,151,242	744,979	339	745,318
X.	PROVISIONS	(9)	11,648,908	187,976	11,836,884	8,624,321	293,936	8,918,257
10.1.	Restructuring Provisions		-	-	-	-	-	-
10.2.	Reserve for Employee Benefits		2,748,658	31,702	2,780,360	2,443,812	18,146	2,461,958
10.3.	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4.	Other Provisions		8,900,250	156,274	9,056,524	6,180,509	275,790	6,456,299
XI.	CURRENT TAX LIABILITY	(10)	2,141,659	-	2,141,659	2,766,075	-	2,766,075
XII.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIII.	LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET)	(11)	-	-	-	-	-	-
13.1.	Held for Sale		-	-	-	-	-	-
13.2.	Discontinued Operations		-	-	-	-	-	-
XIV.	SUBORDINATED DEBT INSTRUMENTS	(12)	-	26,948,856	26,948,856	-	17,127,724	17,127,724
14.1.	Subordinated Loans		-	17,997,595	17,997,595	-	17,127,724	17,127,724
14.2.	Other Debt Instruments		-	8,951,261	8,951,261	-	-	-
XV.	OTHER LIABILITIES		35,520,714	12,013,203	47,533,917	18,843,473	16,886,646	35,730,119
XVI.	SHAREHOLDERS' EQUITY		81,648,407	(30,021)	81,618,386	44,937,472	(671,943)	44,265,529
16.1.	Paid-in Capital	(13)	3,350,000	-	3,350,000	3,350,000	-	3,350,000
16.2.	Capital Reserves		714	-	714	714	-	714
16.2.1.	Share Premium	(14)	714	-	714	714	-	714
16.2.2.	Share Cancellation Profits		-	-	-	-	-	-
16.2.3.	Other Capital Reserves		-	-	-	-	-	-
16.3.	Other Comprehensive Income/Expense Items not Reclassified to Profit or Loss		7,329,944	-	7,329,944	(672,158)	-	(672,158)
16.4.	Other Comprehensive Income/Expense Items Reclassified to Profit or Loss		(409,275)	(30,021)	(439,296)	4,054,334	(671,943)	3,382,391
16.5.	Profit Reserves		38,204,582	-	38,204,582	20,980,816	-	20,980,816
16.5.1.	Legal Reserves		771,684	-	771,684	771,684	-	771,684
16.5.2.	Status Reserves		-	-	-	-	-	-
16.5.3.	Extraordinary Reserves		37,432,898	-	37,432,898	20,209,132	-	20,209,132
16.5.4.	Other Profit Reserves		-	-	-	-	-	-
16.6.	Profit/Loss		33,172,442	-	33,172,442	17,223,766	-	17,223,766
16.6.1.	Prior Periods' Profit/Loss		-	-	-	-	-	-
16.6.2.	Current Period's Net Profit/Loss		33,172,442	-	33,172,442	17,223,766	-	17,223,766
	TOTAL LIABILITIES		526,735,947	461,080,620	987,816,567	319,703,879	282,051,297	601,755,176

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

QNB Finansbank – 2023 Integrated Annual Report

QNB FİNANSBANK ANONİM ŞİRKETİ

Unconsolidated Statement of Off-Balance Sheet Commitments And Contingencies for The Year Ended 31 December 2023

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

II. STATEMENT OF OFF-BALANCE COMMITMENTS AND CONTINGENCIES

			Current Period 31.12.2023			Prior Period 31.12.2022		
		Section 5 Part III	TL	FC	TOTAL	TL	FC	TOTAL
A.	OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		906,414,157	920,386,613	1,826,800,770	477,282,216	597,878,783	1,075,160,999
I.	GUARANTEES	(1),(2),(3),(4)	48,589,723	54,274,597	102,864,320	29,691,070	35,538,119	65,229,189
1.1.	Letters of guarantee		44,117,603	34,125,730	78,243,333	25,624,515	20,031,380	45,655,895
1.1.1.	Guarantees subject to State Tender Law		1,053,713	296,168	1,349,881	884,755	188,383	1,073,138
1.1.2.	Guarantees given for foreign trade operations		19,387,931	33,829,562	53,217,493	12,326,738	19,842,997	32,169,735
1.1.3.	Other letters of guarantee		23,675,959	-	23,675,959	12,413,022	-	12,413,022
1.2.	Bank loans		4,424,551	8,634,539	13,059,090	4,028,331	9,696,287	13,724,618
1.2.1.	Import letter of acceptance		4,424,551	8,634,539	13,059,090	4,028,331	9,696,287	13,724,618
1.2.2.	Other bank acceptances		-	-	-	-	-	-
1.3.	Letters of credit		47,569	11,514,328	11,561,897	38,224	5,810,452	5,848,676
1.3.1.	Documentary letters of credit		47,569	10,658,640	10,706,209	38,224	5,228,027	5,266,251
1.3.2.	Other letters of credit		-	855,688	855,688	-	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		571,535,563	103,305,713	674,841,276	251,402,245	23,241,741	274,643,986
2.1.	Irrevocable commitments	(1)	485,304,663	9,176,161	494,480,824	172,054,958	23,241,741	195,296,699
2.1.1.	Forward asset purchase commitments		2,941,702	8,020,668	10,962,370	4,018,129	10,831,566	14,849,695
2.1.2.	Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4.	Loan granting commitments		93,558,042	2,944	93,560,986	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		6,684,472	-	6,684,472	3,895,823	-	3,895,823
2.1.8.	Tax and fund liabilities from export commitments		279,060	-	279,060	118,666	-	118,666
2.1.9.	Commitments for credit card expenditure limits		376,605,042	-	376,605,042	111,928,372	-	111,928,372
2.1.10.	Commitments for promotions related with credit cards and banking activities		211,656	-	211,656	109,533	-	109,533
2.1.11.	Receivables from short sale commitments		-	-	-	-	-	-
2.1.12.	Payables for short sale commitments		-	-	-	-	-	-
2.1.13.	Other irrevocable commitments		5,024,689	1,152,549	6,177,238	4,640,630	12,408,305	17,048,935
2.2.	Revocable commitments		86,230,900	94,129,552	180,360,452	79,347,287	-	79,347,287
2.2.1.	Revocable loan granting commitments		86,230,900	94,129,552	180,360,452	79,347,287	-	79,347,287
2.2.2.	Other revocable commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(5), (6)	286,288,871	762,806,303	1,049,095,174	196,188,901	539,098,923	735,287,824
3.1.	Derivative financial instruments for hedging purposes		19,524,240	184,897,927	204,422,167	20,638,338	127,538,657	148,176,995
3.1.1.	Fair value hedge		696,365	33,716,807	34,413,172	4,808,155	36,409,473	41,217,628
3.1.2.	Cash flow hedge		18,827,875	151,181,120	170,008,995	15,830,183	91,129,184	106,959,367
3.1.3.	Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2.	Held for trading transactions		266,764,631	577,908,376	844,673,007	175,550,563	411,560,266	587,110,829
3.2.1.	Forward foreign currency buy/sell transactions		19,577,116	32,006,901	51,584,017	10,544,244	19,818,125	30,362,369
3.2.1.1.	Forward foreign currency transactions-buy		18,911,051	7,747,196	26,658,247	10,071,714	5,490,339	15,562,053
3.2.1.2.	Forward foreign currency transactions-sell		666,065	24,259,705	24,925,770	472,530	14,327,786	14,800,316
3.2.2.	Swap transactions related to foreign currency and interest rates		231,627,564	530,103,983	761,731,547	105,471,315	326,590,280	432,061,595
3.2.2.1.	Foreign currency swap-buy		76,658	218,997,022	219,073,680	6,408,566	132,828,947	139,237,513
3.2.2.2.	Foreign currency swap-sell		138,769,508	85,720,981	224,490,489	60,927,351	75,675,597	136,602,948
3.2.2.3.	Interest rate swaps-buy		46,390,699	112,692,990	159,083,689	19,067,699	59,042,868	78,110,567
3.2.2.4.	Interest rate swaps-sell		46,390,699	112,692,990	159,083,689	19,067,699	59,042,868	78,110,567
3.2.3.	Foreign currency, interest rate and securities options		7,553,316	7,053,806	14,607,122	58,709,719	58,732,290	117,442,009
3.2.3.1.	Foreign currency options-buy		7,212,979	529,529	7,742,508	45,910,391	13,322,787	59,233,178
3.2.3.2.	Foreign currency options-sell		340,337	6,524,277	6,864,614	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		8,006,635	7,566,158	15,572,793	825,285	792,923	1,618,208
3.2.4.1.	Foreign currency futures-buy		8,006,635	-	8,006,635	-	792,923	792,923
3.2.4.2.	Foreign currency futures-sell		-	7,566,158	7,566,158	825,285	-	825,285
3.2.5.	Interest rate futures		-	-	-	-	3,570,022	3,570,022
3.2.5.1.	Interest rate futures-buy		-	-	-	-	1,785,011	1,785,011
3.2.5.2.	Interest rate futures-sell		-	-	-	-	1,785,011	1,785,011
3.2.6.	Other		-	1,177,528	1,177,528	-	2,056,626	2,056,626
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		2,645,744,535	1,183,177,946	3,828,922,481	1,761,989,623	700,599,629	2,462,589,252
IV.	ITEMS HELD IN CUSTODY		95,659,734	42,252,943	137,912,677	41,319,622	17,448,913	58,768,535
4.1.	Customer Fund and Portfolio Assets		50,559,811	-	50,559,811	10,712,892	-	10,712,892
4.2.	Investment securities held in custody		1,829,329	35,898,115	37,727,444	241,029	12,787,625	13,028,654
4.3.	Checks received for collection		38,107,346	2,363,435	40,470,781	26,852,980	2,065,638	28,918,618
4.4.	Commercial notes received for collection		5,163,248	1,736,736	6,899,984	3,512,596	1,187,016	4,699,612
4.5.	Other assets received for collection		-	-	-	-	-	-
4.6.	Assets received for public offering		-	-	-	-	-	-
4.7.	Other items under custody		-	2,254,657	2,254,657	125	1,408,634	1,408,759
4.8.	Custodians		-	-	-	-	-	-
V.	PLEDGED ITEMS		1,431,923,260	636,309,351	2,068,232,611	994,474,840	388,564,158	1,383,038,998
5.1.	Marketable securities		6,113,180	31,504,275	37,617,455	5,758,007	25,835,961	31,593,968
5.2.	Guarantee notes		951,802	431,079	1,382,881	754,876	505,077	1,259,953
5.3.	Commodity		1,167,097	-	1,167,097	1,005,497	-	1,005,497
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		348,159,077	298,122,947	646,282,024	223,359,270	180,431,706	403,790,976
5.6.	Other pledged items		1,075,532,104	306,251,050	1,381,783,154	763,597,190	181,791,414	945,388,604
5.7.	Pledged items-depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		1,118,161,541	504,615,652	1,622,777,193	726,195,161	294,586,558	1,020,781,719
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		3,552,158,692	2,103,564,559	5,655,723,251	2,239,271,839	1,298,478,412	3,537,750,251

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

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QNB Finansbank – 2023 Integrated Annual Report

QNB FİNANSBANK ANONİM ŞİRKETİ

Unconsolidated Statement of Profit or Loss for The Year Ended 31 December 2023

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

III. STATEMENT OF PROFIT OR LOSS

	INCOME AND EXPENSE ITEMS	Part 5 Note IV	Current Period 01.01 - 31.12.2023	Prior Period 01.01 - 31.12.2022
I.	INTEREST INCOME	(1)	121,756,615	64,131,081
1.1.	Interest income on loans		83,669,716	40,947,844
1.2.	Interest income on reserve deposits		412,862	130,135
1.3.	Interest income on banks		897,426	296,661
1.4.	Interest income on money market transactions		1,041,073	137,714
1.5.	Interest income on securities portfolio		35,232,750	22,577,620
1.5.1.	Financial assets measured at FVTPL		389,737	80,517
1.5.2.	Financial assets measured at FVOCI		10,166,347	5,650,136
1.5.3.	Financial assets measured at amortized cost		24,676,666	16,846,967
1.6.	Financial lease income		-	-
1.7.	Other interest income		502,788	41,107
II.	INTEREST EXPENSE (-)	(2)	87,207,758	26,734,823
2.1.	Interest on deposits		73,525,946	18,772,159
2.2.	Interest on funds borrowed		7,637,112	2,903,250
2.3.	Interest on money market transactions		2,547,746	2,305,838
2.4.	Interest on securities issued		2,888,108	2,314,161
2.5.	Interests on leases		138,951	100,886
2.6.	Other interest expenses		469,895	338,529
III.	NET INTEREST INCOME (I - II)		34,548,857	37,396,258
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		18,317,334	6,128,001
4.1.	Fees and commissions received		23,497,609	8,290,784
4.1.1.	Non-cash loans		890,168	429,239
4.1.2.	Others		22,607,441	7,861,545
4.2.	Fees and commissions paid (-)		5,180,275	2,162,783
4.2.1.	Non-cash loans		1,672	2,123
4.2.2.	Others		5,178,603	2,160,660
V.	DIVIDEND INCOME	(3)	11,227	14,948
VI.	TRADING INCOME / LOSS (NET)	(4)	12,015,576	516,384
6.1.	Trading gains / losses on securities		2,134,564	1,477,770
6.2.	Gain/losses from derivative transactions		(9,340,711)	(7,119,963)
6.3.	Foreign exchange gain / losses		19,221,723	6,158,577
VII.	OTHER OPERATING INCOME	(5)	2,376,629	309,762
VIII.	TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII)		67,269,623	44,365,353
IX.	EXPECTED CREDIT LOSSES (-)	(6)	11,997,737	4,916,850
X.	OTHER PROVISION LOSSES (-)		2,851,339	5,933,517
XI.	PERSONNEL EXPENSES (-)		8,585,015	4,473,419
XII.	OTHER OPERATING EXPENSES (-)	(7)	9,644,550	6,192,609
XIII.	NET OPERATING PROFIT / LOSS (VIII-IX-X-XI-XII)		34,190,982	22,848,958
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XV.	INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		3,541,658	1,433,856
XVI.	GAIN/LOSS ON NET MONETARY POSITION		-	-
XVII.	OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)	(8)	37,732,640	24,282,814
XVIII.	PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)	(9)	4,560,198	7,059,048
18.1.	Current tax charge		9,367,050	8,720,618
18.2.	Deferred tax charge (+)		3,301,966	1,697,992
18.3.	Deferred tax credit (-)		(8,108,818)	(3,359,562)
XIX.	NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)	(10)	33,172,442	17,223,766
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1.	Income from assets held for sale		-	-
20.2.	Income from sale of associates, subsidiaries and joint-ventures		-	-
20.3.	Others		-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1.	Expenses on assets held for sale		-	-
21.2.	Expenses on sale of associates, subsidiaries and joint-ventures		-	-
21.3.	Others		-	-
XXII.	PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX+XXI)		-	-
XXIII.	PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)		-	-
23.1.	Current tax charge		-	-
23.2.	Deferred tax charge (+)		-	-
23.3.	Deferred tax credit (-)		-	-
XXIV.	NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXII±XXIII)		-	-
XXV.	NET PROFIT/LOSS (XIX+XXIV)	(11)	33,172,442	17,223,766
	Group's profit/loss **Minority interest** **Earnings Per Share**		0.9902	0.5141

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

QNB FİNANSBANK ANONİM ŞİRKETİ

Unconsolidated Statement of Profit or Loss and Other Comprehensive Income for The Year Ended 31 December 2023

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

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Current Period 01.01 - 31.12.2023	Prior Period 01.01 - 31.12.2022
I.	CURRENT PERIOD PROFIT/LOSS	33,172,442	17,223,766
II.	OTHER COMPREHENSIVE INCOME	4,180,415	4,897,703
2.1.	Other Income/Expense Items not Reclassified to Profit or Loss	8,002,102	(448,215)
2.1.1.	Revaluation Surplus on Tangible Assets	7,914,871	-
2.1.2.	Revaluation Surplus on Intangible Assets	-	-
2.1.3.	Defined Benefit Plans' Actuarial Gains/Losses	53,860	(578,606)
2.1.4.	Other Income/Expense Items not Reclassified to Profit or Loss	7,234	(26,018)
2.1.5.	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	26,137	156,409
2.2.	Other Income/Expense Items to Reclassified to Profit or Loss	(3,821,687)	5,345,918
2.2.1.	Foreign Currency Translation Differences	-	-
2.2.2.	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(4,603,029)	4,479,271
2.2.3.	Gains/losses from Cash Flow Hedges	(777,885)	2,407,949
2.2.4.	Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5.	Other Income/Expense Items to Reclassified to Profit or Loss	165,053	56,242
2.2.6.	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	1,394,174	(1,597,544)
III.	**TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (I+II)**	**37,352,857**	**22,121,469**

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

QNB Finansbank – 2023 Integrated Annual Report

QNB FİNANSBANK ANONİM ŞİRKETİ

Unconsolidated Statement of Changes In Shareholders' Equity for The Year Ended 31 December 2023

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

							Other Comprehensive Income/Expense Items not Reclassified to Profit or Loss			Other Comprehensive Income/Expense Items Reclassified to Profit or Loss						
		Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Other(*)	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Other(**)	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Shareholders' Total Equity
	Prior Period - 01.01 - 31.12.2022															
I.	Prior Period End Balance		3,350,000	714	-	-	-	(213,835)	(10,108)	-	(1,608,182)	(355,345)	17,052,702	3,928,114	-	22,144,060
II.	Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1.	Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Balances at Beginning of Period (I+II)		3,350,000	714	-	-	-	(213,835)	(10,108)	-	(1,608,182)	(355,345)	17,052,702	3,928,114	-	22,144,060
IV.	Total Comprehensive Income		-	-	-	-	-	(420,591)	(27,624)	-	3,459,965	1,885,953	-	-	17,223,766	22,121,469
V.	Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase/Decrease by Others Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	3,928,114	(3,928,114)	-	-
11.1.	Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2.	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	3,928,114	(3,928,114)	-	-
11.3.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV...+X+XI)		**3,350,000**	**714**	**-**	**-**	**-**	**(634,426)**	**(37,732)**	**-**	**1,851,783**	**1,530,608**	**20,980,816**	**-**	**17,223,766**	**44,265,529**

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

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

QNB Finansbank – 2023 Integrated Annual Report

QNB FİNANSBANK ANONİM ŞİRKETİ

Unconsolidated Statement of Changes In Shareholders' Equity for The Year Ended 31 December 2023

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY **(CONTINUED)**

							Other Comprehensive Income/ Expense Items not Reclassified to Profit or Loss			Other Comprehensive Income/Expense Items Reclassified to Profit or Loss						
		Section 5 Part V	Paid-in Capital	Share Premium	Share Cancel-lation Profits	Other Capital Reserves	Revaluati-on surplus on tan-gible and intangible assets	Defined Benefit Plans' Actuarial Ga-ins/Losses	Other(*)	Translation Differences	Income/Expenses from Valuation and/ or Reclassification of Financial Assets Measured at FVOCI	Other(**)	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Shareholders' Total Equity
	Current Period - 01.01. - 31.12.2023															
I.	Prior Period End Balance		3,350,000	714	-	-	-	(634,426)	(37,732)	-	1,851,783	1,530,608	20,980,816	17,223,766	-	44,265,529
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	-	-	-	(634,426)	(37,732)	-	1,851,783	1,530,608	20,980,816	17,223,766	-	44,265,529
IV.	Total Comprehensive Income		-	-	-	-	7,914,871	79,997	7,234	-	(3,345,573)	(476,114)	-	-	33,172,442	37,352,857
V.	Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase/Decrease by Others Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	17,223,766	(17,223,766)	-	-
11.1.	Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2.	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	17,223,766	(17,223,766)	-	-
11.3.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV...+X+XI)		**3,350,000**	**714**	**-**	**-**	**7,914,871**	**(554,429)**	**(30,498)**	**-**	**(1,493,790)**	**1,054,494**	**38,204,582**	**-**	**33,172,442**	**81,618,386**

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

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

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

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QNB FİNANSBANK ANONİM ŞİRKETİ

Unconsolidated Statement of Cash Flows for The Year Ended 31 December 2023

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

VI. STATEMENT OF CASH FLOWS

		Current Period 01.01 - 31.12.2023	Prior Period 01.01 - 31.12.2022
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1.	Operating Profit Before Changes in Operating Assets and Liabilities	81,402,568	9,417,796
1.1.1.	Interest Received	89,137,466	28,020,863
1.1.2.	Interest Paid	(72,805,405)	(30,871,012)
1.1.3.	Dividend Received	11,227	14,948
1.1.4.	Fees and Commissions Received	23,551,509	8,381,713
1.1.5.	Other Income	1,057,107	309,762
1.1.6.	Collections From Previously Written Off Loans	3,111,751	2,246,618
1.1.7.	Payments To Personnel and Service Suppliers	(7,479,533)	(3,669,832)
1.1.8.	Taxes Paid	(8,985,561)	(7,434,364)
1.1.9.	Others	53,804,007	12,419,100
1.2.	Changes in Operating Assets and Liabilities	(37,186,546)	21,225,104
1.2.1.	Net (Increase) Decrease in Financial Assets Measured at Fair Value Through Profit/Loss	(1,059,403)	(580,021)
1.2.2.	Net (Increase) Decrease in Due From Banks	(25,961,313)	(2,298,732)
1.2.3.	Net (Increase) Decrease in Loans	(155,549,608)	(112,297,581)
1.2.4.	Net (Increase) Decrease in Other Assets	(8,045,574)	(4,951,535)
1.2.5.	Net Increase (Decrease) in Bank Deposits	8,129,678	(1,890,347)
1.2.6.	Net Increase (Decrease) in Other Deposits	142,510,754	124,410,817
1.2.7.	Net increase (Decrease) in financial liabilities at fair value through profit or loss	-	-
1.2.8.	Net Increase (Decrease) in Funds Borrowed	(13,559,251)	3,065,727
1.2.9.	Net Increase (Decrease) in Matured Payables	-	-
1.2.10.	Net Increase (Decrease) in Other Liabilities	16,348,171	15,766,776
I.	Net Cash Provided From / (Used in) Banking Operations	44,216,022	30,642,900

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

		Current Period 01.01 - 31.12.2023	Prior Period 01.01 - 31.12.2022
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net Cash Provided From / (Used in) Investing Activities	(35,056,995)	(6,864,317)
2.1.	Purchase Of Entities Under Common Control, Associates and Subsidiaries	(981,000)	-
2.2.	Sale of Entities Under Common Control, Associates and Subsidiaries	-	-
2.3.	Fixed Assets Purchases	(5,250,158)	(2,597,863)
2.4.	Fixed Assets Sales	1,055,691	572,573
2.5.	Purchase of Financial Assets Measured at Fair Value Through Other Comprehensive Income	(49,140,423)	(27,886,210)
2.6.	Sale of Financial Assets Measured at Fair Value Through Other Comprehensive Income	29,630,115	25,940,243
2.7.	Purchase of Financial Assets Measured at Amortized Cost	(33,404,616)	(12,898,683)
2.8.	Sale of Financial Assets Measured at Amortized Cost	23,033,396	10,005,623
2.9.	Others	-	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided From / (Used in) Financing Activities	34,225,180	448,366
3.1.	Cash Obtained From Funds Borrowed and Securities Issued	97,257,338	21,389,523
3.2.	Cash Used for Repayment of Funds Borrowed and Securities Issued	(62,458,213)	(21,092,362)
3.3.	Capital Increase	-	-
3.4.	Dividends Paid	-	-
3.5.	Payments for Finance Leases	(575,850)	(4,455)
3.6.	Other	1,905	155,660
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	2,214,140	1,454,238
V.	Net Increase / (Decrease) in Cash and Cash Equivalents (I+II+III+IV)	45,598,347	25,681,187
VI.	Cash and Cash Equivalents at Beginning of the Period	72,781,418	47,100,231
VII.	**Cash and Cash Equivalents at End of the Period (V+VI)**	**118,379,765**	**72,781,418**

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

QNB FİNANSBANK ANONİM ŞİRKETİ

Unconsolidated Statement of Profit Appropriation for The Year Ended 31 December 2023

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

VII. UNCONSOLIDATED STATEMENT OF PROFIT APPROPRIATION

		Current Period 01.01 - 31.12.2023(*)	Prior Period 01.01 - 31.12.2022
I.	DISTRIBUTION OF CURRENT YEAR INCOME		
1.1.	CURRENT YEAR INCOME	37,732,640	24,282,814
1.2.	TAXES AND DUTIES PAYABLE (-)	4,560,198	7,059,048
1.2.1.	Corporate Tax (Income Tax)	9,367,050	8,720,618
1.2.2.	Income Withholding Tax		-
1.2.3.	Other Taxes And Duties	(4,806,852)	(1,661,570)
A.	NET INCOME FOR THE YEAR (1.1.-1.2.)	33,172,442	17,223,766
1.3.	PRIOR YEAR LOSSES (-)	-	-
1.4.	FIRST LEGAL RESERVES (-)	-	-
1.5.	OTHER STATUTORY RESERVES (-)	-	-
B.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3.+1.4.+1.5.)]	33,172,442	17,223,766
1.6.	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1.	To Owners of Ordinary Shares	-	-
1.6.2.	To Owners of Privileged Shares	-	-
1.6.3.	To Owners of Preferred Shares	-	-
1.6.4.	To Profit Sharing Bonds	-	-
1.6.5.	To Holders of Profit And (Loss) Sharing Certificates	-	-
1.7.	DIVIDENDS TO PERSONNEL (-)	-	-
1.8.	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9.	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1.	To Owners of Ordinary Shares	-	-
1.9.2.	To Owners of Privileged Shares	-	-
1.9.3.	To Owners of Preferred Shares	-	-
1.9.4.	To Profit Sharing Bonds	-	-
1.9.5.	To Holders of Profit And (Loss) Sharing Certificates	-	-
1.10.	SECOND LEGAL RESERVES (-)	-	-
1.11.	STATUTORY RESERVES (-)	-	-
1.12.	EXTRAORDINARY RESERVES	-	17,194,697
1.13.	OTHER RESERVES	-	-
1.14.	SPECIAL FUNDS	-	29,069
II.	DISTRIBUTION OF RESERVES		
2.1.	APPROPRIATED RESERVES	-	-
2.2.	SECOND LEGAL RESERVES (-)	-	-
2.3.	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1.	To Owners of Ordinary Shares	-	-
2.3.2.	To Owners of Privileged Shares	-	-
2.3.3.	To Owners of Preferred Shares	-	-
2.3.4.	To Profit Sharing Bonds	-	-
2.3.5.	To Holders of Profit And (Loss) Sharing Certificates	-	-
2.4.	DIVIDENDS TO PERSONNEL (-)	-	-
2.5.	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III.	EARNINGS PER SHARE		
3.1.	TO OWNERS OF ORDINARY SHARES	0.9902	0.5141
3.2.	TO OWNERS OF ORDINARY SHARES (%)	99.02%	51.41%
3.3.	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4.	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	DIVIDEND PER SHARE		
4.1.	TO OWNERS OF ORDINARY SHARES	-	-
4.2.	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3.	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4.	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ

Notes to Unconsolidated Financial Statements for The Year Ended 31 December 2023

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

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

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

The unconsolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Law published in the Official Gazette no. 26333 dated 1 November 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 ("POA") for the format and detail of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué dated 1 February 2019 which include Turkish Accounting Standard principles.

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

Explanation for convenience translation to English

BRSA Accounting and Financial Reporting Legislation, as described in the preceding paragraphs, differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board including the application of IAS 29 - Financial Reporting in Hyperinflationary Economies as of 31 December 2023 and the differences between accounting principles have not been quantified in the accompanying consolidatedfinancial statements. 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 Bank in accordance with IFRS.

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

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

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

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

2.1. Changes in accounting policies and disclosures

Within the scope of the Benchmark Interest Rate Reform process, which continues on a global basis, the Bank has loan, securities, borrowing and derivative transactions. The necessary infrastructure developments for each product have been completed and started to be used in our bank. EURIBOR is not subject to reform and continues to be used. The reform-related transformation of transactions indexed to USD LIBOR rates has been completed as of 31 December 2023.

QNB FİNANSBANK ANONİM ŞİRKETİ

Notes to Unconsolidated Financial Statements for The Year Ended 31 December 2023

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

ACCOUNTING POLICIES (Continued)

I. Basis of Presentation (Continued)

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

2.2. 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. In the announcement dated 23 November 2023, issued by the Public Oversight, Accounting and Auditing Standards Authority, flexibility has been granted to competent institutions or organizations authorized to regulate and supervise in their respective fields to determine different transition dates for the application of inflation accounting for the financial statements of companies subject to independent audit. In this context, according to the decision numbered 10744 dated 12 December 2023, by the Banking Regulation and Supervision Agency (“BRSA”), it has been decided that the financial statements of banks, financial leasing, factoring, financing, savings financing, and asset management companies as of 31 December 2023, will not be subject to inflation adjustment required under IAS 29. Accordingly, inflation adjustment has not been applied in the preparation of the consolidated financial statements as of 31 December 2023, in accordance with IAS 29.

TFRS 17 Insurance Contracts Standard was published in the Official Gazette dated 16 February 2019 and No. 30688 by the Public Oversight Accounting and Auditing Standards Authority and is valid for annual reporting periods beginning on or after 1 January 2024. This standard replaces TFRS 4, which currently allows for a wide variety of applications. Based on this, the Bank has not applied the relevant standard in its consolidated financial statements for QNB Sigorta company, which is its subsidiary.

Regarding the partnership share in QNB Sağlık Hayat ve Emeklilik A.Ş., whose 49% capital is owned by the Bank, with the decision of Bank's Board of Directors, 22,950,000 shares with a total nominal value of TL 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 TL 981,000,000 (in full TL). In this context, a Share Purchase Agreement was signed with Cigna Nederland Gamma BV on 21 October 2022. The said share transfer transaction was realized with the General Assembly held on 21 December 2022, after the necessary permissions were obtained, but due to the fact that the original of the document subject to the transfer could not be found, the decision was made by the Bank for the cancellation of the document. The registration of the General Assembly regarding the share transfer was completed on 13 January 2023, and as of this date, the acquisition has been completed.

QNB Sağlık Hayat Sigorta ve Emeklilik A.Ş., which was accounted for by the equity method as a joint venture in the unconsolidated financial statements on 31 December 2022, became a "Subsidiary" as of January 2023 and was accounted for by the equity method in the unconsolidated financial statements in accordance with the provisions of TAS 28.

As explained in detail above, 51% of the Bank's subsidiary QNB Sigorta shares were purchased on 21 December 2022. Turkish Financial Reporting Standard No. 3 (“TFRS 3”), which is about business combinations, requires the acquisition price to be accounted for by distributing the identifiable assets and assumed identifiable liabilities, including the intangible assets of the acquired business, to their fair values at the acquisition date. The studies initiated by the Bank by appointing independent valuation companies in order to reliably determine the fair value, distribution of the purchase price and the amount of goodwill that may arise have been completed and the necessary adjustment records have been made as of the date of purchase.

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

Purchase price of additional QNB Sigorta shares (51%)	981,000
Fair value of QNB Sigorta shares held by the Bank before the acquisition (49%)	1,267,280
	2,248,280
Fair value of net assets controlled (100%)	2,586,285
Gain from bargaining purchase	**338,005**
Carrying value of QNB Sigorta shares held by the Bank before the acquisition (49%)	285,763
Fair value of QNB Sigorta shares held by the Bank before the acquisition (49%)	1,267,280
Value increase in shares owned before the acquisition	**981,517**
Gross profit resulting from the change of control	1,319,522
Tax effect	(99,312)
Net profit resulting from the change of control	**1,220,211**

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	**4,323,739**
Cash and Cash Equivalents	1,124,051
Agency Contract	2,113,426
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	**2,586,285**
Carrying value of QNB Sigorta shares held by the Bank before the acquisition (49%)	(285,763)
Net profit as a result of control transfer	(1,319,522)
Purchase price of additional QNB Sigorta shares (51%)	981,000

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ACCOUNTING POLICIES (Continued)

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

1. Strategy for the use of financial instruments

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

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

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

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

2. Foreign currency transactions

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

The Bank accounts for the transactions denominated in foreign currencies in accordance with TAS 21 “The Effects of Changes in Foreign Exchange Rates”. Foreign exchange gains and losses arising from transactions that are completed as of 31 December 2023 are translated to TL by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities except for non-monetary items are converted into TL by using foreign currency exchange rates of the Bank for the period end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency non-monetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement.

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

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

As of 31 December 2023, derivative financial transactions loss amounting to TL 9,340,711 (31 December 2022 - TL 7,119,963 derivative financial transactions loss) and net foreign exchange gain amounting to TL 19,221,723 (31 December 2022 - TL 6,158,577 net foreign exchange gain), excluding net interest expense amounting to TL 4,477,259 (31 December 2022 - TL 4,731,113 net interest expense) arising from derivative transactions, the net profit on foreign currency transactions is TL 14,358,271 (31 December 2022 - TL 3,769,727 net profit on foreign currency transactions).

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

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

In unconsolidated financial statements, the Bank accounts its financial subsidiaries according to the equity method defined in "Investments in Subsidiaries and Joint Ventures Turkish Accounting Standard 28 (TAS 28)" within the framework of "Individual Financial Statements Turkish Accounting Standard 27 (TAS 27)".

IV. Explanations on Futures and Options Contracts and Derivative Products

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

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

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

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

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

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

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

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

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QNB FİNANSBANK ANONİM ŞİRKETİ

Notes to Unconsolidated Financial Statements for The Year Ended 31 December 2023

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

ACCOUNTING POLICIES (Continued)

IV. Explanations on Futures and Options Contracts and Derivative Products (Continued)

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

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

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

In cash flow hedge accounting

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

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

In fair value hedge accounting

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

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

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term TL government bonds with fixed coupon payment in financial assets which is classified as fair value through Other Comprehensive Income portfolio using swap transactions as hedging instruments.

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

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

At each balance sheet date, the Bank applies effectiveness tests for fair value hedge accounting.

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

As of 30 September 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 31 December 2023, fair value exchange difference adjustment amounting to TL 1,114,764 which is shown tangible assets in the balance sheet, is amortized over the economic life of the property subject to hedging.

V. Explanations on Interest Income and Expenses

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

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

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

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.

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ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Instruments

Initial recognition of financial instruments

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

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. A financial asset or financial liability, excluding assets assessed under TFRS 15, is initially measured at its fair value when first recognized in the financial statements. In the initial measurement of financial assets and liabilities, excluding those for which fair value changes are reflected in profit or loss, transaction costs directly attributable to the acquisition or issuance are either added to or deducted from their fair value.

Classification of financial instruments

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

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

Assessment of business model

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

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

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

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

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

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

Other business models

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

Measurement categories of financial assets and liabilities

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

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

In accordance with the Uniform Chart of Accounts (UCoA) explanations, the positive difference between the acquisition cost and the discounted value of a financial asset is recorded under “Interest Income” If the fair value of the asset exceeds the discounted value, the positive difference is recorded in the “Capital Market Transactions Profits” account. Conversely, if the fair value is lower than the discounted value, the negative difference between the discounted value and the fair value is recorded in the “Capital Market Transactions Losses” account. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

Financial Assets at Fair Value Through Other Comprehensive Income

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

ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Instruments (Continued)

Unrealized gains and losses arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the the statement of profit or loss and other comprehensive income of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the "Other Accumulated Comprehensive Income or Expenses Reclassified to Profit or Loss" under shareholders' equity. When the aforementioned securities are collected or disposed, accumulated fair value differences which were reflected under equity, are reflected in the the statement of profit or loss and other comprehensive income. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

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

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

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

Financial Assets Measured at Amortized Cost

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

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

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

VIII. Explanations on Expected Credit Losses

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

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

Stage 1

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of expected credit losses on the 12-month default risk. It is calculated 12-month expected credit loss based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate. As of 31 December 2023, minimum probability of default of Basel II is used in the calculation for the expected loss of receivables from public institutions and organizations. Such calculation is performed for each of three scenarios explained below.

Stage 2

As of the reporting date of the financial asset, in the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses. The calculation method is similar to the one described in the above paragraph, but the probability of default and the loss rate in default are estimated throughout the life of the instrument.

Stage 3

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

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

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, three scenarios (internal mild negative, internal negative, internal severe negative) are evaluated. Each of these scenarios was associated with the probability of different default and loss in default.

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

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

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. PD models used in the retail portfolio include the behavioral data of the customer and the product in the bank and the demographic information of the customer. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

Loss Given Default (LGD)

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

Exposure at Default (EAD)

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

Consideration of the Macroeconomic Factors

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

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

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

The Bank updates the macroeconomic variables used in expected credit loss calculations twice a year and applies them to its models. In addition, The Bank revised its macroeconomic expectations and weights in the calculation of expected credit losses on 31 December 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 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 Bank will be exposed to credit risk. The time in financial guarantees and other irrevocable commitments represents the credit maturity for which the liabilities of the Bank. Behavioral maturity analysis has been performed on credit cards and overdraft accounts. With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless there is the legal right to call it earlier.

Significant increase in credit risk

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

Within the scope of quantitative assessment, the quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date. If there is a significant deterioration in PD, it is considered that there is a significant increase in credit risk and the financial asset is classified as stage 2. In this context, the Bank has calculated thresholds at which point the relative change is a significant deterioration. In the quantitative evaluation of the significant increase in credit risk, the Bank considers the absolute thresholds as well as the relative thresholds as an additional layer. Receivables with a probability of default above the absolute threshold value are evaluated in Stage 2, regardless of the relative change.

ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses (Continued)

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

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

Write-Off Policy

Receivables that are classified as non-performing loans are collected primarily within the framework of administrative contacts with the debtors, and if no results are obtained, through legal means, in case the write-off of the uncollectible receivables comes to the agenda, one of the methods of destruction, sale of receivables and write-off 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 numbered 31533, they are classified under the "Fifth Group-Loans with Losses" and are expected for life due to the default of the debtor. The portion of the loans for which there is no reasonable expectation of the recovery of the loan loss provision is deducted from the records within the period determined specifically for the situation of the borrower within the scope of TFRS 9, starting from the first reporting period (interim or year-end reporting period) following their classification in this Group. In this context, deducting the loans that cannot be collected from the records is an accounting practice and does not result in the waiver of the right to receivable.

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

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

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

Within the scope of TFRS 9, the amount written off by the Bank during the period is TL 10,113 (31 December 2022 - TL 361,940) and the effect on the NPL ratio of the Bank is 0.00% (31 December 2022 - 0.10%). While the NPL ratio is 1.75% (31 December 2022 - 2.50%) with the current period non-performing loan figures, the calculated rate including the loans written off during the year is 1.75% (31 December 2022 - 2.59%).

IX. Explanations on Netting of Financial Instruments

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

X. Derecognition of Financial Instruments

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

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

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

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

The 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 is derecognized. Except for equity instruments measured at fair value through other comprehensive income, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognized in profit/loss.

c) Derecognition of financial liabilities

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

d) Reclassification of financial instruments

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

e) Restructuring and refinancing of financial instruments

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

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

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

- Subsequent to the thorough review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time starting from the date when the debt is restructured all due principal and interest payments are made on time,

- At least 1 year should pass over the date of restructuring (or if it is later), the date of removal from nonperforming loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring/refinancing shall be paid.

ACCOUNTING POLICIES (Continued)

X. Derecognition of Financial Instruments (Continued)

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 non-performing receivable (based on the conditions mentioned above) and having no overdue and there is no doubt that future payments will be made on time.

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

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

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

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

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

As of the balance sheet date, securities subject to repo amounting to TL 39,923,647 (31 December 2022 - TL 30,168,346).

As of 31 December 2023 the Bank has no securities that are subject to lending transactions (31 December 2022 - None).

Securities purchased with a commitment to resell (reverse repurchase agreements) are recorded in a separate account under "Cash and Cash Equivalents" and on the line of "Money Market Placements" in the balance sheet. 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 TFRS 5 ("Assets Held for Sale and Discontinued Operations"), assets classified as held for sale are measured at lower of carrying value or fair value less costs to sell. Amortization on subject asset is ended and these assets are presented separately on financial statements. An asset (or a disposal group) is regarded as "asset held for sale" only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset (or a disposal group) should be actively marketed at a price consistent with its fair value. Various events and conditions may prolong the sale procedures for more than one year. In case subject delay is caused by the events and conditions beyond the bank's control and there is enough evidence that plans to sell subject asset (or a disposal group) continue subject assets continue to be classified as assets held for sale. As of 31 December 2023 the Bank has assets held for sale and discontinued operations and it is explained in footnote 1.15. of Section Five.

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

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

XIII. Explanations on Goodwill and Other Intangible Assets

The Bank's intangible assets consist of software and intangible rights.

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

Softwares have been classified as other intangible fixed assets. The useful life of softwares is determined as 3-5 years.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the "Turkish Accounting Standard on Impairment of Assets" (TAS 36) and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made. There is no goodwill regarding the associates, entities under common controls and subsidiaries in the accompanying unconsolidated financial statements.

XIV. Explanations on Tangible Assets

Initial records of tangible fixed assets are made based on their cost, which is calculated by adding the acquisition amount and other direct expenses necessary to make the asset usable. Tangible assets are valued at their remaining amounts after deducting accumulated depreciation and accumulated value decreases, if any, from their cost in the period following their recording.

As of 31 December 2023, the Bank started to account for its properties, under the tangible assets with their revalued amounts instead of their cost values in accordance with "TAS 16 Plant and Equipment". The revaluation difference arising from the valuations made by the appraisal firms authorized by Capital Markets Board ("CMB") and BRSA is accounted in Investment Properties Revaluation Differences line under the Shareholders' Equity.

As of each reporting date, the Bank evaluates whether there is any indication that its assets may be impaired; If such an indication exists, the recoverable amount of the relevant asset is estimated within the framework of TAS 36 - Impairment of Assets standard and allocates a provision for impairment if the recoverable amount is below the book value of the relevant asset.

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

ACCOUNTING POLICIES (Continued)

XIV. Explanations on Tangible Assets (Continued)

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).

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

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

The Bank depreciates special expenses on real estate acquired through operating leases before December, 2009 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 10 January 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.

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

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

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

XV. Explanations on Leasing Transactions

With the TFRS 16 Leases Standard, the difference between operating leases and financial leases has disappeared, and fixed assets acquired under finance lease contracts are presented under “Tangible Fixed Assets” on the asset side and under “Financial Lease Payables” on the liability side at the initial date of the lease. At the beginning of the lease, the Bank calculates the right-of-use amount based on the present value of the lease payments of the fixed asset and shows it under “Tangible Fixed Assets”. In liabilities, on the other hand, it measures the unpaid lease payments as of the relevant date over their present value and records them as “Financial Lease Payables”. Lease payments are discounted using the borrowing interest rate. The basis for the determination of related balance sheet amounts is the lower of fair value of the leased asset and the present value of the lease payments. The direct costs incurred for a finance lease transaction are capitalized as additions to the cost of the leased asset. Lease payments include the financing costs incurred due to the leasing transaction and the principal amount of the leased asset for the current period. Depreciation is calculated on a straight-line basis over the estimated useful life of the leased assets at the rate of 20% except for the buildings which are depreciated at the rate of 2%.

TFRS 16 Leases

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

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

Right of use assets

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

The right use includes the presence of:

- The initial measurement of the lease;
- The amount obtained by deducting all lease incentives received from all lease payments made on or before the date the lease actually begins; and
- All initial direct costs incurred by the Bank.

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

Lease Liabilities

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

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

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

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

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

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

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

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ACCOUNTING POLICIES (Continued)

XV. Explanations on Leasing Transactions (Continued)

Short-Term Leases and Leases of Low-Value Assets

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

Due to the Bank's implementation of TFRS 16, assets classified under tangible assets as of 31 December 2023 amounted to TL 1,308,043 (31 December 2022 - TL 746,576), lease liability amounted to TL 1,147,645(31 December 2022 - TL 738,360), financing expense amounted to TL 138,206 (31 December 2022 - TL 99,646), and depreciation expense amounted to TL 361,584 (31 December 2022 - TL 276,552).

XVI. Explanations on Provisions and Contingent Liabilities

Provisions, other than expected credit loss for loans and other receivables, and contingent liabilities are provided for in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Provisions are accounted for immediately when obligations arise as a result of past events and a reliable estimate of the obligation is made by the Bank. Whenever the amount of such obligations cannot be measured, they are regarded as "contingent". In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled, and a reliable estimate can be made of the amount obligation. If these criteria are not met, the Bank discloses these issues in the explanations and notes related to the financial statements. In cases where reliable estimate cannot be made of the amount of the obligation, it is considered contingent liabilities. For contingent liabilities if the probability that the event will occur is greater than the probability that it will not and the amount of the obligation can be measured reliably, a provision is made.

XVII. Explanations on Obligations of the Bank Concerning Employee Benefits

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

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

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

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

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

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

XVIII. Explanations on Taxation

1. Corporate Tax

According to the Corporate Tax Law No. 5520 published in the Official Gazette No. 26205 dated 21 June 2006, it is stated that; "While corporate tax is calculated at a rate of 20% on corporate profits, Corporate tax is collected at a rate of 25% on the corporate earnings of banks, companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies".

Law No. 7456, which entered into force after being published in the Official Gazette No. 32249 dated 15 July 2023, on the Issue of Additional Motor Vehicle Tax to Compensate the Economic Losses Caused by the Earthquakes that Occurred on 6 February 2023 and in the 21st article of Amending Certain Laws and the Decree Law No. 375 with in the first paragraph of the 32nd article of the Law No. 5520 the phrase "20%" has been changed to "25%" and the phrase "25%" to "30%". This change is valid to be applied to the earnings earned in 2023 and subsequent taxation periods, starting from the returns that must be submitted as of 1 October 2023. Prepaid taxes are tracked in the "Current Tax Liability" or "Current Tax Asset" accounts to be offset with the corporate tax liability of the relevant year.

With the 75% of the profits arising from the sale of the participation shares held in the Bank's assets for more than two years and the founder's shares, usufruct shares and preference rights held for the same period and 50% of the gains arising from the sale of immovables that are in the assets of the Bank for the same period is exempt from tax on the condition that it is added to the capital or kept in a special fund account for 5 years as stipulated in the Corporate Tax Law. With the 19th article of Law No. 7456, the exemption for the transfer and delivery of immovable properties that have been in the assets of institutions for at least two full years has been abolished. With the 22nd article of the same Law, it has been regulated that the 50% exception rate in paragraph 5/1-(e) of Law No. 5520 will be applied as 25% in the sales of immovable properties that were in the assets of the institutions before the date of entry into force of the said regulation, as of the date of entry into force of this article.

Companies calculate provisional tax at the rate of 30% on their quarterly financial profits to be applied to their profits earned in 2023 and subsequent taxation periods, starting from the declarations that must be submitted as of 1 October 2023 for the 2023 taxation periods, and they declare and pay it until the 17th day of the second month following that period.With the 9th article of the Law No. 7338 on the Amendment of the Tax Procedure Law and Some Laws published in the Official Gazette dated 26 October 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 3 February 2009, and No. 27130, and articles 15th and 30th of the Corporate Tax Law No. 5520. Natural persons who are fully taxpayers, those who are not liable for corporate tax and income tax, those who are exempt from corporate tax and income tax, non-resident corporations (expect for those who receive dividends through a workplace or permanent representative in Türkiye) and non-resident taxpayers while profit distribution to natural persons is subject to withholding tax at the rate of 15%, this rate has been changed to 10% with the Presidential Decision published in the Official Gazette dated 22 December 2021 and No. 31697. In the application of withholding tax rates for profit distributions to non-resident companies and natural persons, the practices included in the relevant Double Taxation Agreements are also taken into consideration.

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ACCOUNTING POLICIES (Continued)

XVIII. 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 20 January 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 31 December 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. After the third paragraph of temporary Article 33 of Law No. 213 and Article 17 of Law No. 7491, the following provision is added: 'For banks, companies within the scope of Law No. 6361 on Financial Leasing, Factoring, Financing, and Savings Financing Companies, payment and electronic money institutions, authorized exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies, and pension companies, the profit/loss difference arising from inflation adjustments made during the 2024 and 2025 accounting periods, including temporary tax periods, shall not be considered in determining income.

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.

In this context, the economic assets registered as assets of the Bank were subject to revaluation within the scope of temporary Article 32 and Recurrent Article 298/ç of the Tax Procedure Law.

2. Deferred Taxes

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

The Corporate Tax rate for banks, companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies will be applied as 30%, starting from the declarations that must be submitted as of 1 October 2023, and will also be applied to the profits earned in 2023 and subsequent taxation periods. As of 31 December 2023, deferred tax calculation has been made for assets and liabilities at a rate of 30%.

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

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

3. Transfer Pricing

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

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

XIX. Explanations on Additional Explanations on Borrowings

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

XX. Explanations on Share Issues

There are no shares issued in 2023 (31 December 2022 - None).

XXI. Explanations on Confirmed Bills of Exchange and Acceptances

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

XXII. Explanations on Government Incentives

As of 31 December 2023, the Bank does not have any government incentives or supports (31 December 2022 - None).

XXIII. Explanations on Segment Reporting

In addition to corporate banking, retail banking and commercial banking services, the Bank also provides private banking, SME banking, treasury operations and credit card services through branches and alternative channels. The Bank serves its retail banking clients with time and demand deposits, also overdraft services, automatic account services, consumer loans, vehicle loans, housing loans and investment fund services. The Bank provides services including deposit and loans, foreign trade financing, forward and option agreements to its corporate clients. The Bank also serves in trading financial instruments and treasury operations.

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

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ACCOUNTING POLICIES (Continued)

XXIII. Explanations on Segment Reporting (Continued)

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

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

Current Period (1 January - 31 December 2023)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Bank
Operating income	44,035,202	23,650,786	3,125,293	70,811,281
Dividend Income	-	-	11,227	11,227
Gain/(Loss) on joint venture accounted for at equity method	-	-	3,541,658	3,541,658
Profit Before Taxes	24,047,221	13,934,743	(249,324)	37,732,640
Provision Tax (-)(*)	-	-	4,560,198	4,560,198
Net Profit/Loss	24,047,221	13,934,743	(4,809,522)	33,172,442
Total Assets	275,133,998	295,909,926	356,945,504	987,816,567
Segment Assets	275,133,998	295,909,926	356,945,504	927,989,428
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	9,974,398
Undistributed Assets	-	-	-	49,852,741
Total Liabilities	407,646,366	198,819,841	237,068,272	987,816,567
Segment Liabilities	407,646,366	198,819,841	237,068,272	843,534,479
Undistributed Liabilities	-	-	-	62,663,702
Equity	-	-	-	81,618,386
Other Segment Accounts	3,303,016	2,244,536	(720,560)	4,826,992
Capital Expenditures	2,463,638	1,674,144	(531,919)	3,605,863
Amortization	839,378	570,392	(188,641)	1,221,129

(*) Provision tax is not distributed.

Prior Period (1 January - 31 December 2022)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Bank
Operating Income	13,442,486	11,324,230	21,032,493	45,799,209
Dividend Income	-	-	14,948	14,948
P/L from Equity Applied Partnerships	-	-	1,433,856	1,433,856
Profit Before Taxes	4,723,097	6,047,224	13,512,493	24,282,814
Provision Tax (-)(*)	-	-	7,059,048	7,059,048
Net Profit/Loss	4,723,097	6,047,224	6,453,445	17,223,766
Total Assets	131,795,902	213,161,296	227,753,060	601,755,176
Segment Assets	131,795,902	213,161,296	227,753,060	572,710,258
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	3,952,289
Undistributed Assets	-	-	-	25,092,629
Total Liabilities	253,680,550	130,377,708	125,271,620	601,755,176
Segment Liabilities	253,680,550	130,377,708	125,271,620	509,329,878
Undistributed Liabilities	-	-	-	48,159,769
Equity	-	-	-	44,265,529
Other Segment Accounts	966,170	651,413	(99,776)	1,517,807
Capital Expenditures	442,465	298,320	(38,982)	701,803
Amortization	523,705	353,093	(60,794)	816,004

(*) Provision tax is not distributed.

XXIV. Profit Reserves and Profit Distribution

The General Assembly Meeting of the Bank was held on 30 March 2023. In the Board of Directors meeting, it was decided that profit from 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

XXV. Earnings Per Share

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

	Current Period	Prior Period
Net Profit for the Period	33,172,442	17,223,766
Weighted Average Amount of Shares Issued (Thousands)	33,500,000	33,500,000
Earnings Per Share	0.9902	0.5141

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).

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ACCOUNTING POLICIES (Continued)

XXVI. Explanations on Other Matters

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

After obtaining the establishment permit, Enpara Bank A.Ş. was registered on 4 December 2023, and the application for obtaining the operational permit in accordance with the required regulations was submitted on 5 December 2023. The completion of the audit process and after obtaining the operating permit, an application will be made to BRSA, CMB and other institutions and organizations that require permission in order to carry out partial separation transactions in a structure where the shareholder status and current share ratios of the Bank's controlling shareholder (QNB Group) and minority shareholders are preserved.

As of 31 December 2023, Enpara's banking activities to be separated represent 9.6% of the Bank's unconsolidated assets and liabilities. Assets and liabilities that will be removed from the balance sheet will not create any change in the Bank's equity. If such a separation had occurred on 31 December 2023, the Bank's capital adequacy ratio would have increased by 207 basis points to 18.72%. If such a separation had occurred on 31 December 2022, the Bank's net profit in 2023 would have been 12% lower.

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. Explanations on Equity

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 31 December 2023 Bank’s total capital has been calculated as TL 112,258,551 (31 December 2022 - TL 64,881,289), capital adequacy ratio is 16.66% (31 December 2022 - 15.11%).

In the calculation of the amount subject to credit risk, in accordance with the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks (Regulation) published in the Official Gazette dated 23 October 2015, as stated in the Board Decision dated 28 April 2022 and numbered 9996, with the decision dated 31 January 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 31 December 2021 has been decided to continue using the CBRT's foreign exchange buying rate as of 30 December 2022, until a BRSA Decision to the contrary is taken.

In accordance with the BRSA's decision numbered 9996, dated 21 December 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 5 September 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.

Explanations on Equity	Current Period 31 December 2023	Prior Period 31 December 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	38,204,582	20,980,816
Gains recognized in equity as per TAS	9,637,262	3,460,024
Profit	33,172,442	17,223,766
Current Period Profit	33,172,442	17,223,766
Prior Period Profit	-	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	1,602	1,031
Common Equity Tier 1 Capital Before Deductions	84,366,602	45,016,351
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	2,741,678	1,100,811
Improvement costs for operating leasing	199,786	108,497
Goodwill (Net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (Net of related tax liability)	3,666,620	922,029
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (Net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions From Common Equity Tier 1 Capital	6,608,084	2,131,337
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	-	-
Total Common Equity Tier 1 Capital	77,758,518	42,885,014

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

I. Explanations on Equity (Continued)

ADDITIONAL TIER I CAPITAL	Current Period 31 December 2023	Prior Period 31 December 2022
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	15,455,055	9,815,715
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	15,455,055	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	15,455,055	9,815,715
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	93,213,573	52,700,729

TIER II CAPITAL	Current Period 31 December 2023	Prior Period 31 December 2022
Debt instruments and premiums deemed suitable by the BRSA	-	-
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	11,333,707	7,198,191
Provisions (Article 8 of the Regulation on the Equity of Banks)	7,770,666	5,023,213
Tier II Capital Before Deductions	19,104,373	12,221,404
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	19,104,373	12,221,404
Total Capital (The sum of Tier I Capital and Tier II Capital)	112,317,946	64,922,133
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	9,598	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 (-)	49,797	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 owns more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank owns more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-

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

I. Explanations on Equity (Continued)

	Current Period 31 December 2023	Prior Period 31 December 2022
TOTAL CAPITAL		
Total Capital	112,258,551	64,881,289
Total Risk Weighted Amounts	673,967,939	429,487,393
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	11.54	9.99
Tier 1 Capital Adequacy Ratio (%)	13.83	12.27
Capital Adequacy Ratio (%)	16.66	15.11
BUFFERS		
Bank specific total common equity tier 1 capital ratio (%)	2.50	2.50
a) Capital conservation buffer requirement (%)	2.50	2.50
b) Bank specific counter-cyclical buffer requirement (%)	-	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	5.54	3.99
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 tenthousandtwentyfive limitation)	20,571,780	9,718,573
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	7,770,666	5,023,213
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2023)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	15,455,055	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	11,333,707	7,198,191
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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.	QNB FİNANSBANK A.Ş.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	ISIN: XS2678233243 Common Code: 267823324
Governing law(s) of the instrument	BRSA	BRSA	It is subject to English Law and, with respect to certain articles, to Turkish regulations (CMB-BRSA).
Regulatory treatment	Additional Capital	Supplementary Capital	Supplementary Capital
Since 1.1.2015 10% reduction by being subject to the application	No	No	No
Eligible at stand-alone/consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Subordinated debt instrument (Bond)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	15,469	2,529	8,831
Par value of instrument (Currency in million)	15,469	2,529	8,831
Accounting classification	Liability - Subordinated Loans- amortized cost	Liability - Subordinated Loans- amortized cost	Liability - Subordinated Loans- amortized cost
Original date of issuance	30 June 2019	26 May 2022	15 Nov 2023
Perpetual or dated	Undated	Dated	Dated
Original maturity date	-	8 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	Every 5 years	3 years	5 years
Subsequent call dates, if applicable	-	-	-
Coupons/dividends	-	-	-
Fixed or floating dividend/coupon	Fixed	Floating	Fixed
Coupon rate and any related index	First 5 years fixed at 9.50%, next 5 years fixed at MS + 7.36%	SOFR + 5.10%	10.75%
Existence of a dividend stopper	There will be no interest on the deducted value after the impairment	-	-
Fully discretionary, partially discretionary or mandatory	Optional	-	-

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

I. Explanations on Equity (Continued)

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

Information on debt instruments included in the calculation of equity			
	1	2	3
Existence of set-up or another incentive to redeem	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	Yes	None
If convertible, conversion trigger(s)	-	Article number 7-2-i of “Own fund regulation”	-
If convertible, fully or partially	-	All of the remaining capital	-
If convertible, conversion rate	-	(*)	-
If convertible, mandatory or optional conversion	-	Optional	-
If convertible, specify instrument type convertible into	-	Equity Share	-
If convertible, specify issuer of instrument it converts into	-	QNB Finansbank A.Ş.	-
Write-down feature	Yes	None	Yes
If write-down, write-down trigger(s)	Non-existence of the core capital ratio is less than 5.125%	-	The occurrence of non-existence
If write-down, full or partial	Full and partial	-	Full and partial
If write-down, permanent or temporary	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”	-	-	It does not fulfill the conditions within the Article number 7 of “Own fund regulation”the Regulation on the Equity of Banks.

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

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

	Current Period	Prior Period
Balance sheet total equity	81,618,386	44,265,529
Hedge funds	(842,911)	(1,518,960)
Discounts made within the scope of the regulation	(3,866,035)	(1,029,880)
TFRS 9 transition period application (Temporary Article 5)	-	-
Accumulated revaluation and/or reclassification gains/losses on financial assets at fair value through other comprehensive income	849,078	1,168,325
Core Capital	77,758,518	42,885,014
Additional capital	15,455,055	9,815,715
Capital	93,213,573	52,700,729
Expected loss allowance (Stages 1 and 2)	7,770,666	5,023,213
Debt instruments deemed appropriate by the institution	11,333,707	7,198,191
Discounts made within the scope of the regulation	(59,395)	(40,844)
Total Equity	112,258,551	64,881,289

II. Explanations on Risk Management

1. Explanations on credit risk

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

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

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

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

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

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

The Bank has control limits over the positions of forward transactions, options and other similar agreements. The credit risk arising from these instruments are managed together with the risks resulting from market fluctuations.

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

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

The restructured and rescheduled loans are monitored by the Bank in line with Bank’s credit risk management procedures. The debtor’s financial position and commercial activities are continuously analyzed and the principal and interest payments of rescheduled loans are monitored by the related departments.

The restructured and rescheduled loans are evaluated in the Bank’s current internal rating system besides the follow up method determined in the related regulation.

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

II. Explanations on Risk Management (Continued)

1. Explanations on credit risk (Continued)

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

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

In accordance with the Banking Regulation and Supervision Agency's Decision No. 10496 dated 31 January 2023; In the calculation of the amount subject to credit risk in accordance with the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (Capital Adequacy Regulation) published in the Official Gazette dated 23 October 2015 and numbered 29511, specified in the Board Decision No. 9996 dated 28 April 2022; The practice of using the foreign exchange buying rate of the Central Bank of the Republic of Türkiye (Central Bank) as of 31 December 2021 when calculating the valued amounts of monetary assets and non-monetary assets, other than foreign currency items measured in historical cost, in accordance with Turkish Accounting Standards and the relevant special provision amounts; until a Board Decision to the contrary is taken, it will be continued by using the Central Bank foreign exchange buying rate of 30 December 2022.

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

With the attached decision of the Banking Regulation and Supervision Agency dated 31 January 2023 and numbered 10496, the Capital Adequacy Regulation;

The limit related to the definition of small and medium-sized enterprises (SMEs) stated in the first paragraph of Article 3(vv) is determined as TL 500,000,000 for domestically resident SMEs and for internationally resident SMEs, it determined to use the SME definition employed by the banking authority of the country where the SME is located for the calculation of capital adequacy.

It has been reported that a decision has been made to set the retail credit limit mentioned in the first sentence of the second paragraph of Article 6(c) at 20,000,000 Turkish Lira.

- The receivables of the Bank from its top 100 cash loan customers are 23% in the total cash loans (31 December 2022 - 26%).
- The receivables of the Bank from its top 200 cash loan customers are 28% in the total cash loans (31 December 2022 - 30%).
- The receivables of the Bank from its top 100 non-cash loan customers are 44% in the total non-cash loans (31 December 2022 - 44%).
- The receivables of the Bank from its top 200 non-cash loan customers are 53% in the total non-cash loans (31 December 2022 - 53%).
- The share of cash and non-cash receivables of the Bank from its top 100 loan customers in total cash and non -cash loans are 23% (31 December 2022 - 25%).
- The share of cash and non-cash receivables of the Bank from its top 200 loan customers in total cash and non -cash loans are 28% (31 December 2022 - 30%).
- The general loan loss provision taken by the Bank is TL 20,571,780 (31 December 2022 - TL 9,718,573).
- As of 31 December 2023, the Bank does not take any provision for probable risks in loan portfolio amounted (31 December 2022 - None).

	Current Period		Prior Period	
Exposure Categories	Risk Amount(**)	Average Risk Amount(*)	Risk Amount(**)	Average Risk Amount(*)
Conditional and unconditional receivables from central governments and Central Banks	278,931,981	223,881,298	159,077,176	139,439,702
Conditional and unconditional receivables from regional or local governments	177,659	217,896	238,920	258,761
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	726,187	642,471	894,033	1,476,421
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	73,608,543	78,551,771	63,732,448	63,794,402
Conditional and unconditional receivables from corporates	191,602,513	187,914,313	168,768,415	146,801,310
Conditional and unconditional receivables from retail portfolios	237,304,438	199,300,468	137,571,334	101,650,869
Conditional and unconditional receivables secured by mortgages	19,356,360	16,273,589	13,352,070	13,061,220
Past due receivables	1,820,351	1,479,849	1,519,660	1,564,461
Receivables defined under high risk category by BRSA	122,316,817	79,519,902	54,519,023	33,536,899
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Investment in equities	8,296,731	6,283,659	3,959,964	2,884,637
Other receivables	37,010,020	28,865,405	20,474,815	15,335,542

(*) The average risk amount is determined by calculating the arithmetic average of the post-transformation risk amounts for the January 2023 - December 2023 periods.

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

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

II. Explanations on Risk Management (Continued)

1. Explanations on credit risk (Continued)

Profile of significant exposures in major region

	Exposure Categories(*)							Exposure Categories(*)										
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Current Period																		
Domestic	278,931,981	177,659	726,187	-	-	16,287,766	189,882,739	237,211,710	19,210,199	1,820,110	122,276,587	-	-	-	-	8,296,731	37,010,020	911,831,689
EU countries	-	-	-	-	-	3,210,540	377,451	710	-	11	192	-	-	-	-	-	-	3,588,904
OECD countries(**)	-	-	-	-	-	40,733,028	-	2,310	-	-	65	-	-	-	-	-	-	40,735,403
Off-shore banking regions	-	-	-	-	-	7,797,239	230,343	994	926	-	8	-	-	-	-	-	-	8,029,510
USA, Canada	-	-	-	-	-	5,354,301	-	7	-	-	-	-	-	-	-	-	-	5,354,308
Other countries	-	-	-	-	-	225,669	1,111,980	88,707	145,235	230	39,965	-	-	-	-	-	-	1,611,786
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets/Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	278,931,981	177,659	726,187	-	-	73,608,543	191,602,513	237,304,438	19,356,360	1,820,351	122,316,817	-	-	-	-	8,296,731	37,010,020	971,151,600

	Exposure Categories(*)							Exposure Categories(*)										
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Prior Period																		
Domestic	159,077,176	238,920	894,033	-	-	17,081,473	167,185,325	137,393,062	13,292,121	1,519,592	54,488,508	-	-	-	-	3,959,964	20,474,815	575,604,989
EU countries	-	-	-	-	-	2,797,599	315,372	6,323	586	11	126	-	-	-	-	-	-	3,120,017
OECD countries(**)	-	-	-	-	-	38,621,246	18	9,732	-	-	-	-	-	-	-	-	-	38,630,996
Off-shore banking regions	-	-	-	-	-	3,673,122	489,579	43,248	1,172	-	-	-	-	-	-	-	-	4,207,121
USA, Canada	-	-	-	-	-	1,407,457	-	193	-	-	-	-	-	-	-	-	-	1,407,650
Other countries	-	-	-	-	-	151,551	778,121	118,776	58,191	57	30,389	-	-	-	-	-	-	1,137,085
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets/Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	159,077,176	238,920	894,033	-	-	63,732,448	168,768,415	137,571,334	13,352,070	1,519,660	54,519,023	-	-	-	-	3,959,964	20,474,815	624,107,858

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

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

(***) Includes assets and liability items that cannot be allocated on a consistent basis

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

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

II. Explanations on Risk Management (Continued)

1. Explanations on credit risk (Continued)

Profile of significant exposures in major region

	Exposure Categories(*)																			
Current Period	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**TL**	**FC**	**TOTAL**
Agriculture	-	-	220	-	-	-	1,356,964	1,240,165	200,736	10,116	107,828	-	-	-	-	-	-	2,216,638	699,391	2,916,029
Farming and Livestock	-	-	220	-	-	-	757,554	1,177,909	188,370	10,103	78,270	-	-	-	-	-	-	2,006,887	205,539	2,212,426
Forestation	-	-	-	-	-	-	7,921	27,746	487	-	-	-	-	-	-	-	-	36,154	-	36,154
Fishing Industry	-	-	-	-	-	-	591,489	34,510	11,879	13	29,558	-	-	-	-	-	-	173,597	493,852	667,449
Industrial	-	67,022	1,307	-	-	-	82,211,659	14,203,732	4,551,308	205,037	7,671,454	-	-	-	-	-	-	57,312,270	51,599,249	108,911,519
Mining and Quarrying	-	-	-	-	-	-	584,719	224,550	98,850	4,172	82,974	-	-	-	-	-	-	758,669	236,596	995,265
Manufacturing Industry	-	-	1,307	-	-	-	72,915,903	13,788,725	4,444,601	200,837	7,213,937	-	-	-	-	-	-	54,672,542	43,892,768	98,565,310
Electricity, Gas, Water	-	67,022	-	-	-	-	8,711,037	190,457	7,857	28	374,543	-	-	-	-	-	-	1,881,059	7,469,885	9,350,944
Construction	-	-	-	-	-	-	10,079,351	7,533,266	2,312,187	101,763	769,784	-	-	-	-	-	-	16,164,502	4,631,849	20,796,351
Services	124,647,112	18,133	19,302	-	-	66,016,098	85,970,072	30,642,574	10,572,004	475,520	13,409,344	-	-	-	-	-	-	165,884,882	165,885,277	331,770,159
Wholesale and Retail Trade	-	-	3,460	-	-	-	30,046,383	23,108,152	4,077,503	101,745	11,239,668	-	-	-	-	-	-	57,606,979	10,969,932	68,576,911
Hotels and Restaurants	-	-	-	-	-	-	7,279,162	492,050	1,321,122	1,184	93,950	-	-	-	-	-	-	2,538,093	6,649,375	9,187,468
Transportation and Communications	-	18,133	-	-	-	-	27,508,346	2,825,556	203,860	3,936	293,042	-	-	-	-	-	-	4,853,292	25,999,581	30,852,873
Financial Institutions	124,647,112	-	-	-	-	66,016,098	913,249	296,215	9,880	375	39,870	-	-	-	-	-	-	91,606,030	100,316,769	191,922,799
Real Estate and Rent Services	-	-	-	-	-	-	11,226,909	475,402	4,553,632	359,326	678,229	-	-	-	-	-	-	2,221,688	15,071,810	17,293,498
Independent Business Services	-	-	15,788	-	-	-	1,896,505	1,884,694	185,722	5,909	37,071	-	-	-	-	-	-	3,110,174	915,515	4,025,689
Education Services	-	-	-	-	-	-	214,227	367,340	36,926	214	167,956	-	-	-	-	-	-	786,663	-	786,663
Health and Social Services	-	-	54	-	-	-	6,885,291	1,193,165	183,359	2,831	859,558	-	-	-	-	-	-	3,161,963	5,962,295	9,124,258
Other	154,284,869	92,504	705,358	-	-	7,592,445	11,984,467	183,684,701	1,720,125	1,027,915	100,358,407	-	-	-	-	8,296,731	37,010,020	459,138,664	47,618,878	506,757,542
Total	278,931,981	177,659	726,187	-	-	73,608,543	191,602,513	237,304,438	19,356,360	1,820,351	122,316,817	-	-	-	-	8,296,731	37,010,020	700,716,956	270,434,644	971,151,600

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

1. Conditional and unconditional receivables from central governments or central banks
2. Conditional and unconditional receivables from regional or local governments
3. Conditional and unconditional receivables from administrative units and non-commercial enterprises
4. Conditional and unconditional receivables from multilateral development banks
5. Conditional and unconditional receivables from international organizations
6. Conditional and unconditional receivables from banks and brokerage houses
7. Conditional and unconditional receivables from corporates
8. Conditional and unconditional retail receivables
9. Conditional and unconditional receivables secured by mortgages
10. Past due receivables
11. Receivables defined as high risk category by the Regulator
12. Mortgage-backed Securities
13. Securitization Positions
14. Short-Term Receivables and Short-Term Corporate Receivables from banks and brokerage houses
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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

II. Explanations on Risk Management (Continued)

1. Explanations on credit risk (Continued)

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

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

1. Conditional and unconditional receivables from central governments or central banks
2. Conditional and unconditional receivables from regional or local governments
3. Conditional and unconditional receivables from administrative units and non-commercial enterprises
4. Conditional and unconditional receivables from multilateral development banks
5. Conditional and unconditional receivables from international organizations
6. Conditional and unconditional receivables from banks and brokerage houses
7. Conditional and unconditional receivables from corporates
8. Conditional and unconditional retail receivables
9. Conditional and unconditional receivables secured by mortgages
10. Past due receivables
11. Receivables defined as high risk category by the Regulator
12. Mortgage-backed Securities
13. Securitization Positions
14. Short-Term Receivables and Short-Term Corporate Receivables from banks and brokerage houses
15. Investments in the Nature of Collective Investment
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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

II. Explanations on Risk Management (Continued)

1. Explanations on credit risk (Continued)

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

	Term to Maturity				
Current Period Exposure Categories	**Up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**Over 1 year**
Conditional and unconditional receivables from central governments and Central Banks	2,142,465	2,159,983	3,044,119	3,022,874	143,915,428
Conditional and unconditional receivables from regional or local governments	-	3,068	18,133	3,763	152,662
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	118,871	230,211	93,004	294	225,567
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	11,828,568	26,775,739	5,091,841	3,565,614	8,349,606
Conditional and unconditional receivables from corporates	15,457,025	26,362,689	25,361,880	33,985,666	71,913,743
Conditional and unconditional receivables from retail portfolios	22,025,522	26,402,545	22,142,620	32,778,077	28,276,593
Conditional and unconditional receivables secured by mortgages	776,408	1,179,890	2,424,657	3,632,690	10,744,861
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	3,456,320	8,873,147	8,937,113	28,586,186	39,081,414
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Stock investments	-	-	-	-	-
Other receivables	-	-	-	-	-
Total	55,805,179	91,987,272	67,113,367	105,575,164	302,659,874

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

	Term to Maturity				
Prior Period Exposure Categories	**Up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**Over 1 year**
Conditional and unconditional receivables from central governments and Central Banks	2,559,232	2,252,336	322,789	1,807,675	38,301,974
Conditional and unconditional receivables from regional or local governments	-	-	3,656	-	175,226
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	616	777	9,750	-	195,007
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	6,958,091	9,444,736	1,227,883	6,250,355	5,748,629
Conditional and unconditional receivables from corporates	7,527,764	9,635,423	10,714,683	14,735,986	47,548,208
Conditional and unconditional receivables from retail portfolios	8,668,479	12,710,834	7,691,548	10,803,422	32,980,220
Conditional and unconditional receivables secured by mortgages	118,023	292,342	727,375	1,126,136	11,399,373
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	-	-	-	-	12,719,133
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Stock investments	7,674	-	-	-	-
Other receivables	-	-	-	-	-
Total	25,839,879	34,336,448	20,697,684	34,723,574	149,067,770

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

Exposures by Risk Weights

Current Period

Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	500%	2%	Deductions from Equity
1. Exposures Before Credit Risk Mitigation	287,934,239	-	36,450,309	9,250	58,534,679	206.660.613	259.092.607	100.473.580	21.386.661	-	456.576	153.086	4.175.228
2. Exposures After Credit Risk Mitigation	288,951,458	-	29,228,781	2,838,532	48,487,431	195.653.544	246.253.174	100.411.928	21.386.661	-	456.576	153.086	4.175.228

Prior Period

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

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

II. Explanations on Risk Management (Continued)

1. Explanations on credit risk (Continued)

Information by major sectors and type of counterparties

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

Current Period	Loans(*)			Provisions	
	Impaired Loans (TFRS 9)				
Major Sectors/Counterparties	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)	Non-Performing (Regulation of Provision)	Provision For Expected Losses of Credit (TFRS 9)	(Regulation of Provision)
1. Agriculture	85,292	149,260	-	141,587	-
1.1. Farming and Livestock	79,511	147,266	-	138,790	-
1.2. Forestation	3,493	104	-	600	-
1.3. Fishing	2,288	1,890	-	2,197	-
2. Industrial	3,511,009	1,901,346	-	2,030,528	-
2.1. Mining and Quarrying	13,637	24,341	-	21,354	-
2.2. Manufacturing Industry	3,472,217	1,817,317	-	1,948,793	-
2.3. Electricity, Gas, Water	25,155	59,688	-	60,381	-
3. Construction	2,084,607	681,351	-	1,155,747	-
4. Services	26,413,751	2,793,202	-	7,153,200	-
4.1. Wholesale and Retail Commerce	4,641,187	1,452,396	-	1,800,224	-
4.2. Hotel and Restaurant Services	1,774,322	145,729	-	478,709	-
4.3. Transportation and Communication	460,093	96,911	-	155,970	-
4.4. Financial Corporations	13,360	9,919	-	10,824	-
4.5. Real Estate and Loan Services	17,949,561	799,465	-	4,004,418	-
4.6. Independent Business Services	709,728	232,558	-	420,986	-
4.7. Education Services	44,752	26,928	-	32,557	-
4.8. Health and Social Services	820,748	29,296	-	249,512	-
5. Other	31,360,317	4,929,315	-	8,819,951	-
6. Total	63,454,976	10,454,474	-	19,301,013	-

(*) Represents the distribution of cash loans.

Prior Period	Loans(*)			Provisions	
	Impaired Loans (TFRS 9)				
Major Sectors/Counterparties	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)	Non-Performing (Regulation of Provision)	Provision For Expected Losses of Credit (TFRS 9)	(Regulation of Provision)
1. Agriculture	142,855	235,189	-	199,158	-
1.1. Farming and Livestock	133,225	232,789	-	196,103	-
1.2. Forestation	4,236	104	-	559	-
1.3. Fishing	5,394	2,296	-	2,496	-
2. Industrial	2,835,561	1,579,081	-	1,712,570	-
2.1. Mining and Quarrying	36,000	18,608	-	14,967	-
2.2. Manufacturing Industry	2,780,315	1,251,177	-	1,387,621	-
2.3. Electricity, Gas, Water	19,246	309,296	-	309,982	-
3. Construction	1,113,394	963,713	-	765,603	-
4. Services	19,344,003	3,096,630	-	6,023,086	-
4.1. Wholesale and Retail Commerce	4,698,583	1,716,036	-	1,922,030	-
4.2. Hotel and Restaurant Services	1,447,733	260,506	-	520,207	-
4.3. Transportation and Communication	441,084	126,724	-	166,205	-
4.4. Financial Corporations	32,486	8,950	-	11,303	-
4.5. Real Estate and Loan Services	11,188,469	810,278	-	2,832,590	-
4.6. Independent Business Services	846,616	101,121	-	302,366	-
4.7. Education Services	59,133	36,817	-	34,752	-
4.8. Health and Social Services	629,899	36,198	-	233,633	-
5. Other	12,915,604	3,150,313	-	4,337,928	-
6. Total	36,351,417	9,024,926	-	13,038,345	-

(*) Represents the distribution of cash loans.

Movements in value adjustments and provisions

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1. Stage 3 Provisions(**)	7,429,113	2,805,186	(903,898)	(908,332)	8,422,069
2. Stage 1-2 Provisions	9,094,661	11,087,320	(1,599,822)	-	18,582,159

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

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

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

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

II. Explanations on Risk Management (Continued)

1. Explanations on credit risk (Continued)

Exposures subject to countercyclical capital buffer

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

Information on private sector receivables

Current Period Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Türkiye	684,072,718	-	684,072,718
Malta	591,450	-	591,450
Other	366,995	-	366,995
Total	685,031,163	-	685,031,163

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

2. Risk Management and General Disclosures regarding Risk Weighted Amounts

2.1 GBA – Risk management approach of the Bank

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

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

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

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

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

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

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

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

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

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

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

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

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

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

II. Explanations on Risk Management (Continued)

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

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

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

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

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

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

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

The Enterprise Risk Management Policy aims to coordinate the Bank's risk management activities, establish the necessary standards and optimize performance and decision-making through the classification of risks and developing a structured approach for the Bank to address these risks.

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

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

Banking Account Interest Rate Risk (BHFOR) Policy sets the basic principles for the management of interest rate risk related to banking activities other than trading accounts.

The liquidity policy outlines the Bank's view and identifies the guidelines for incurring, retaining and managing liquidity risk.

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

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

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

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

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

d) Key elements and scope of risk measurement systems

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

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

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

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

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

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

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

Credit Risk section of the report consists of three main sub sections such as General Outlook to the Total Portfolio, Business Loans and Retail Loans, and include;

- Basic risk appetite parameters included in the Bank's Risk Appetite Statement document;
- Exposures by segments, monthly and annual changes, portfolio growth;
- Sector concentration and risk metrics;
- Delinquency amounts, product types and delinquencies by segments, new NPLs and recoveries from NPLs;
- Detailed watchlist analyses for business segments;
- Rating distributions, PD distributions, expected loss trend, collateral structure;
- New NPLs, vintage analyses, recoveries by segments and products;
- Restructured credits by segments;
- Derivative products exposures by segments, stress testing; and
- Credit risk information regarding subsidiaries.

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

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

II. Explanations on Risk Management (Continued)

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

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

Reports are prepared daily and indicatively include the following:

- Estimation of the VaR on aggregate basis and by type of risk (interest rate, FX, equity);
- Estimation of stress VaR on aggregate basis and by type of risk (interest rate, FX, equity);
- Sensitivity of the trading and AFS portfolio;
- Nominal values of bond portfolios;
- Breakdowns of the portfolio and utilization of the relevant limits;
- Utilization of limits on option Greeks; and
- Subsidiary VaR calculation.

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

Operational Risk segment reporting broadly covers the following:

- Operational risk loss events experienced in the Bank;
- Key risk indicators and risk metrics; and
- Action tracking.

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

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

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

In scenarios using stress testing, as a result of increase in non-performing loans due to significant deterioration in asset quality and a decrease in capital adequacy, The Bank's ability to meet capital-strengthening actions and cash outflows that may occur in case of a possible liquidity crisis were tested. In this context, when potential risks are assessed, it is believed that the Bank has sufficient capacity for actions that may be taken.

Market Risk Management defines the stress test approaches as below;

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

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

Within the scope of liquidity stress test to identify possible sources of liquidity weaknesses, scenarios that are specific to the bank, related to the market in general and taking both situations into account have been defined. Thus, the Bank's ability to meet its obligations during a funding crisis is tested. The Bank has had four different stress tests measuring how much it can meet its promises, without providing any new funds from the market or at very low levels of funds, cumulative cash outflows. For effective and sufficient liquidity risk management, the stress tests in question have been created based on crisis scenarios specific to the Bank, a general market crisis scenario, and a combined scenario in accordance with the "Guidance on Liquidity Risk Management".

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

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

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

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

2.2. GB1 – Overview of Risk Weighted Assets

		Risk Weighted Amount		Minimum Capital Requirement	
		31.12.2023	31.12.2022	31.12.2023	31.12.2022
1.	Credit Risk (excluding counterparty Credit Risk)	611,260,776	383,252,539	48,900,862	30,660,203
2.	Standardized approach	611,260,776	383,252,539	48,900,862	30,660,203
3.	Internal rating-based approach	-	-	-	-
4.	Counterparty credit risk	10,392,504	18,604,519	831,400	1,488,362
5.	Standardized approach for counterparty credit Risk	10,392,504	18,604,519	831,400	1,488,362
6.	Internal model method	-	-	-	-
7.	Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8.	Investments made in collective investment companies - look-through approach	-	-	-	-
9.	Investments made in collective investment companies - mandate-based approach	-	-	-	-
10.	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-	-
11.	Settlement risk	-	-	-	-
12.	Securitization positions in banking accounts	-	-	-	-
13.	IRB ratings-based approach	-	-	-	-
14.	IRB Supervisory Formula Approach	-	-	-	-
15.	SA/simplified supervisory formula approach	-	-	-	-
16.	Market risk	12,166,450	8,757,963	973,316	700,637
17.	Standardized approach	12,166,450	8,757,963	973,316	700,637
18.	Internal model approaches	-	-	-	-
19.	Operational Risk	40,148,209	18,872,372	3,211,857	1,509,790
20.	Basic Indicator Approach	40,148,209	18,872,372	3,211,857	1,509,790
21.	Standard Approach	-	-	-	-
22.	Advanced measurement approach	-	-	-	-
23.	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-	-
24.	Floor adjustment	-	-	-	-
25.	TOTAL(1+4+7+8+9+10+11+12+16+19+23+24)	673,967,939	429,487,393	53,917,435	34,358,992

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

II. Explanations on Risk Management (Continued)

3. Linkages between financial statements and risk amount

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

Current Period		Carrying values of items in accordance with TAS				
Assets	**Financial statements prepared as per TAS**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to the Securitization framework**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Cash and balances with the Central Bank	162,571,776	162,579,711	-	-	-	-
Trading Financial Assets(*)	5,741,087	-	5,731,425	-	2,289,167	-
Financial Assets at Fair Value Through Profit or Loss	2,361,969	-	-	-	1,716,023	-
Banks	16,791,144	16,813,703	-	-	-	-
Money Market Placements	5,736,434	5,435,500	301,081	-	-	-
Financial Assets Available-for-Sale (Net)	67,352,086	67,352,086	9,860,710	-	-	-
Loans and Receivables	571,043,924	589,566,688	-	-	-	59,395
Factoring Receivables	-	-	-	-	-	-
Held-to-maturity investments (Net)	102,067,867	102,093,865	30,062,937	-	-	-
Investment in Associates (Net)	53,722	53,722	-	-	-	-
Investment in Subsidiaries (Net)	9,917,876	8,191,144	-	-	-	1,726,732
Investment in Joint ventures (Net)	2,800	2,800	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging(*)	7,256,625	-	7,256,625	-	-	-
Property And Equipment (Net)	14,484,595	14,284,809	-	-	-	199,786
Intangible Assets (Net)	2,189,315	-	-	-	-	2,189,315
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	6,581,490	6,581,490	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	13,663,857	13,686,540	-	-	-	-
Cash and balances with the Central Bank	987,816,567	986,642,058	53,212,778	-	4,005,190	4,175,228
Liabilities						
Deposits	632,050,108	-	-	-	-	-
Derivative Financial Liabilities Held for Trading(**)	4,151,498	-	-	-	1,667,369	-
Funds Borrowed	104,823,642	-	-	-	-	-
Money Markets	28,835,615	-	28,835,615	-	-	-
Marketable Securities Issued	45,949,178	-	-	-	-	-
Funds	-	-	-	-	-	-
Miscellaneous Payables(***)	38,025,209	-	-	-	-	-
Other Liabilities(***)	9,508,708	-	-	-	-	-
Factoring Payables	-	-	-	-	-	-
Lease Payables	1,151,242	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging(**)	775,582	-	-	-	-	-
Provisions	11,836,884	-	-	-	-	-
Tax Liability	2,141,659	-	-	-	-	-
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Subordinated Loans	26,948,856	-	-	-	-	-
Shareholder's Equity	81,618,386	-	-	-	-	-
TOTAL LIABILITIES	987,816,567	-	28,835,615	-	1,667,369	-

(*) Financial assets held for trading and derivative financial assets for hedging purposes are included in the "Derivative Financial Assets" item in the financial statements.

(**) Financial liabilities held for trading and derivative financial liabilities for hedging purposes are included in the "Derivative Financial Liabilities" item in the financial statements.

(***) Miscellaneous payables and other liabilities are presented under "Other Liabilities" items in the financial statements.

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

II. Explanations on Risk Management (Continued)

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

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

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

(*) Financial assets held for trading and derivative financial assets for hedging purposes are included in the "Derivative Financial Assets" item in the financial statements.

(**) Financial liabilities held for trading and derivative financial liabilities for hedging purposes are included in the "Derivative Financial Liabilities" item in the financial statements.

(***) Miscellaneous payables and other liabilities are presented under "Other Liabilities" items in the financial statements.

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

II. Explanations on Risk Management (Continued)

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

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

Current period		Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
1.	Asset carrying value amount under scope of regulatory consolidation	1,043,860,026	986,642,058	-	53,212,778	4,005,190
2.	Liabilities carrying value amount under regulatory scope of consolidation	30,502,984	-	-	28,835,615	1,667,369
3.	Total net amount under regulatory scope of consolidation	1,013,357,042	986,642,058	-	24,377,163	2,337,821
4.	Off-Balance Sheet Amounts	777,638,424	76,874,478	-	-	-
5.	Differences due to different netting rules	9,828,629	-	-	-	9,828,629
6.	Repo transactions	608,004	-	-	608,004	-
7.	Potential credit risk amount calculated for the counterparty	3,689,064	-	-	3,689,064	-
8.	Differences due to credit risk reduction	(16,573,337)	(12,411,172)	-	(4,162,165)	-
9.	Average exchange rate effect(*)	(141,796,260)	(141,796,260)	-	-	-
	Risk Amounts	1,788,547,826	909,309,104	-	24,512,066	12,166,450

(*) It shows the average exchange rate effect used in credit risk calculation within the scope of the BRSA's Resolution dated 31 January 2023

Prior period		Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
1.	Asset carrying value amount under scope of regulatory consolidation	642,866,202	581,700,834	-	56,459,119	4,706,249
2.	Liabilities carrying value amount under regulatory scope of consolidation	25,434,251	-	-	21,928,860	3,505,391
3.	Total net amount under regulatory scope of consolidation	617,431,951	581,700,834	-	34,530,259	1,200,858
4.	Off-Balance Sheet Amounts	339,817,534	58,108,374	-	-	-
5.	Differences due to different netting rules	7,557,105	-	-	-	7,557,104
6.	Repo transactions	2,471,321	-	-	2,471,321	-
7.	Potential credit risk amount calculated for the counterparty	9,096,636	-	-	9,096,636	-
8.	Differences due to credit risk reduction	(25,163,085)	(10,125,788)	-	(15,037,297)	-
9.	Average exchange rate effect(*)	(69,728,898)	(69,728,898)	-	-	-
	Risk Amounts	951,211,463	559,954,522	-	31,060,919	8,757,963

(*) It shows the average exchange rate effect used in credit risk calculation within the scope of the BRSA's Resolution dated 21 December 2022.

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

a) None.

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

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

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

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

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

QNB Finansbank calculates its value at market risk with standard method in the framework of "Regulation on Measurement and Evaluation of Bank's Capital Adequacy". Accordingly, capital requirement is reached through multiplying of total of general market risk, commodity risk, settlement risk, exchange risk option risk to 12.5.

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

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

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

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

Definition of independent price approval processes

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

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

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

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

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

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

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

II. Explanations on Risk Management (Continued)

4. Credit Risk Disclosures

4.1. General Information on Credit Risk

4.1.1. CRA – General Qualitative Information on Credit Risk

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

The Bank deploys forward looking, risk sensitive measurement systems and tools, including appropriate information technology applications and management information systems, to account for expected and unexpected losses in both normal and stress market conditions, for all types of risks as appropriate. The conversion of business model to components in risk profile is digitized through aforementioned instruments.

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

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

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

Risk Appetite Statement Document comes out as the main risk management policy document in which the Bank defines its risks, determines the risk appetite and the risk management principles. Credit risk limits are reviewed annually, consistent to risk strategy.

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

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

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

Main responsibilities of Credit Risk Management Department are as follows:

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

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

Risk governance model includes three lines of defense consisting of:

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

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

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

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

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

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

II. Explanations on Risk Management (Continued)

4. Credit Risk Disclosures (Continued)

4.2. CR1 – Credit quality of assets

	Gross carrying values of as per TAS			
Current Period	Defaulted Exposures	Non-defaulted Exposures	Provision/ Allowances Impairments	Net Values
1. Loans	10,454,474	587,593,678	8,422,069	589,626,083
2. Debt Securities	-	169,445,951	-	169,445,951
3. Off-balance sheet Exposures	-	586,382,774	27,904	586,354,870
4. Total	10,454,474	1,343,422,403	8,449,973	1,345,426,904

	Gross carrying values of as per TAS			
Prior Period	Defaulted Exposures	Non-defaulted Exposures	Provision/ Allowances Impairments	Net Values
1. Loans	9,024,926	352,456,046	7,429,113	354,051,859
2. Debt Securities	-	102,094,281	-	102,094,281
3. Off-balance sheet Exposures	52,021	245,624,172	55,641	245,620,552
4. Total	9,076,947	700,174,499	7,484,754	701,766,692

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

	Current Period	Prior Period
1. Defaulted loans and debt securities at end of the previous reporting period	9,024,926	8,969,045
2. Loans and debt securities that have defaulted since the last reporting period	5,011,372	2,663,024
3. Returned to non-defaulted status	-	-
4. Amounts written off(*)	917,816	361,940
5. Other changes(**)	2,664,008	2,245,203
6. Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	10,454,474	9,024,926

(*) In prior period, there is TL 907,703 balance regarding sales of non-performing loans.
(**) Includes collections from credits in default.

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

a) The criteria taken into consideration by the Bank in determining the impairment are explained in footnote VIII of the third section.

b) There is no part of past due receivables which is not reviewed as "loans subject to provisioning".

c) The Bank's specific provision calculation is explained in footnote VIII of the third section.

d) In receivables of the customers having difficulties in payment of receivables to the Bank or expected to have possible difficulties in payments then receivables in aforementioned scope are identified as "restructured receivables".

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

Exposures provisioned against by major regions

Country	Current Period	Prior Period
Türkiye	585,238,969	350,600,485
European Union (EU) Countries	803	1,035
USA, Canada	2	28
OECD Countries(*)	2,236	432
Off-Shore Banking Regions	869,732	763,195
Other	1,481,936	1,090,871
Total(*)	587,593,678	352,456,046

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

Exposures provisioned against by major sectors

	Current Period	Prior Period
1. Agriculture	3,206,115	2,986,225
1.1. Farming and Raising Livestock	2,235,461	2,240,146
1.2. Forestry	36,489	42,472
1.3. Fishing	934,165	703,607
2. Manufacturing	111,625,809	76,599,281
2.1. Mining and Quarrying	963,553	659,976
2.2. Production	98,017,568	65,591,520
2.3. Electricity, Gas, Water	12,644,688	10,347,785
3. Construction	15,096,310	11,221,790
4. Services	195,069,797	140,237,070
4.1. Wholesale and retail trade	71,954,428	54,134,919
4.2. Hotel, food and beverage services	16,809,256	10,198,976
4.3. Transportation and telecommunication	46,529,727	33,428,456
4.4. Financial institutions	15,737,101	12,098,970
4.5. Real estate and leasing services	26,671,005	17,574,338
4.6. Self-employment services	4,064,145	3,133,492
4.7. Education services	931,756	789,278
4.8. Health and social services	12,372,379	8,878,641
5. Other	262,595,647	121,411,680
6. Total(*)	587,593,678	352,456,046

Breakdown of Loans according to remaining maturity

Current period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables(*)	-	194,793,166	91,222,484	181,143,106	88,307,276	32,127,497	587,593,529

Prior period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables(*)	-	74,018,497	49,088,923	118,050,268	79,548,732	22,654,964	343,361,384

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

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

II. Explanations on Risk Management (Continued)

4. Credit Risk Disclosures (Continued)

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

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

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

Current Period	Loans Subject to Provision	Provision	Written-off from Assets
Türkiye	10,437,391	8,405,257	917,816
European Union (EU) Countries	26	15	-
USA, Canada	-	-	-
OECD Countries(*)	-	-	-
Off-Shore Banking Regions	-	-	-
Other Countries	17,057	16,798	-
Total	10,454,474	8,422,070	917,816

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

Prior Period	Loans Subject to Provision	Provision	Written-off from Assets
Türkiye	9,008,552	7,412,814	361,940
European Union (EU) Countries	26	15	-
USA,Canada	-	-	-
OECD Countries(*)	-	-	-
Off-Shore Banking Regions	-	-	-
Other Countries	16,348	16,284	-
Total	9,024,926	7,429,113	361,940

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

Exposures provisioned against by major sectors and Loans written off

	Current Period			Prior Period		
	Loans subject to provision	Provision	Written-off from Assets	Loans subject to provision	Provision	Written-off from Assets
1. Agriculture	149,260	130,447	19,541	235,189	187,177	-
1.1. Farming and Raising Livestock	147,266	128,469	19,232	232,789	184,930	-
1.2. Forestry	104	104	-	104	102	-
1.3. Fishing	1,890	1,874	309	2,296	2,145	-
2. Industrial	1,901,346	1,628,688	51,068	1,579,081	1,412,314	-
2.1. Mining and Quarrying	24,341	20,123	231	18,608	13,345	-
2.2. Production	1,817,317	1,548,909	50,647	1,251,177	1,089,788	-
2.3. Electricity. Gas. Water	59,688	59,656	190	309,296	309,181	-
3. Construction	681,351	462,520	26,317	963,713	648,639	-
4. Services	2,793,202	2,243,542	227,358	3,096,630	2,483,603	327,946
4.1. Wholesale and Retail Trade	1,452,396	1,303,247	168,886	1,716,036	1,498,694	-
4.2. Hotel. Food and Beverage Services	145,729	125,409	22,959	260,506	198,280	-
4.3. Transportation and Communication	96,911	89,297	17,995	126,724	113,756	327,946
4.4. Financial Institutions	9,919	9,248	536	8,950	8,600	-
4.5. Real Estate and Renting Services	799,465	439,812	5,900	810,278	512,553	-
4.6. Self-Employment Services	232,558	225,536	6,221	101,121	88,490	-
4.7. Educational Services	26,928	24,901	1,436	36,817	30,432	-
4.8. Health and Social Services	29,296	26,092	3,425	36,198	32,798	-
5. Other	4,929,315	3,956,873	593,532	3,150,313	2,697,380	33,994
6. Total	10,454,474	8,422,070	917,816	9,024,926	7,429,113	361,940

g) Aging Analysis

Overdue Days	Current Period	Prior Period
0-30	582,034,490	350,803,728
31-60	4,080,208	1,139,778
61-90	1,478,980	512,540
90+	10,454,474	9,024,926
Total	598,048,152	361,480,972

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

II. Explanations on Risk Management (Continued)

5. Credit risk mitigation

5.1. CRM - Qualitative disclosure on credit risk mitigation techniques

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

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

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

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

Insurance policies of the collaterals should be obtained.

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

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

5.2. CR3 - Credit risk mitigation techniques – Overview

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	575,101,442	14,524,641	9,094,694	-	-	-	-
2. Debt securities	169,445,951	-	-	-	-	-	-
3. Total	744,547,393	14,524,641	9,094,694	-	-	-	-
4. Of which defaulted	1,924,351	80,149	20,088	-	-	-	-

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	339,778,153	14,273,706	7,994,306	-	-	-	-
2. Debt securities	102,094,281	-	-	-	-	-	-
3. Total	441,872,434	14,273,706	7,994,306	-	-	-	-
4. Of which defaulted	1,574,919	17,273	309	-	-	-	-

6. Credit risk when standard approach is used

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

a) **Ratings of Fitch and JCR Avrasya Derecelendirme A.Ş. credit rating agencies are used in credit risk standard approach calculations.**

b) **Ratings of Fitch credit rating agency are used to determine the risk weights of receivables from central governments or central banks, receivables from banks and intermediary institutions, which are subject to risk classes. The ratings of JCR Avrasya Değerlendirme A.Ş. are used in determining the risk weights for corporate receivables subject to risk categories.**

c) **Mark is assigned to a debtor by taking for all assets of the debtor into account.**

d) **CRA, which is not included in twinning table of the institution, is not used.**

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II. Explanations on Risk Management (Continued)

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

6.2. CR4 – Standard Approach – Credit risk exposure and credit risk mitigation (CRM) effects

Current Period		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Exposure Categories	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1.	Exposures to central governments or central banks	275,425,552	-	276,442,771	-	-	-
2.	Exposures to regional governments or local authorities	177,626	115	177,626	-	88,813	50%
3.	Exposures to public sector entities	663,115	292,560	663,115	62,192	725,307	100%
4.	Exposures to multilateral development banks	-	-	-	-	-	-
5.	Exposures to international organizations	-	-	-	-	-	-
6.	Exposures to institutions	24,282,778	5,969,144	24,278,776	3,470,039	10,327,335	37%
7.	Exposures to corporates	143,377,020	174,839,277	137,017,317	45,599,860	170,708,870	93%
8.	Retail exposures	224,098,701	533,016,298	220,432,133	12,446,638	183,972,551	79%
9.	Exposures secured by residential property	2,664,150	328,547	2,664,150	174,382	993,486	35%
10.	Exposures secured by commercial real estate	14,809,568	3,367,436	14,809,568	1,708,260	11,606,690	70%
11.	Past-due loans	1,820,351	-	1,800,361	-	1,012,204	56%
12.	Higher-risk categories by the Agency Board	122,179,318	221,174	122,117,665	137,500	195,674,096	160%
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	37,010,020	1,481,019	37,010,020	-	27,854,558	75%
17.	Investments in equities	8,296,731	-	8,296,731	-	8,296,731	100%
18.	Total	854,804,930	719,515,570	845,710,233	63,598,871	611,260,641	67%

Prior Period		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Exposure Categories	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1.	Exposures to central governments or central banks	158,304,772	-	159,642,405	-	-	-
2.	Exposures to regional governments or local authorities	238,887	115	238,887	-	119,444	50%
3.	Exposures to public sector entities	787,487	160,548	786,230	35,695	821,924	100%
4.	Exposures to multilateral development banks	-	-	-	-	-	-
5.	Exposures to international organizations	-	-	-	-	-	-
6.	Exposures to institutions	18,339,883	3,836,139	18,330,908	2,182,661	7,123,678	35%
7.	Exposures to corporates	124,727,956	100,699,305	119,225,124	39,719,492	158,944,613	100%
8.	Retail exposures	124,368,290	217,242,500	121,088,035	6,650,760	102,613,238	80%
9.	Exposures secured by residential property	1,760,178	173,017	1,760,178	54,521	635,145	35%
10.	Exposures secured by commercial real estate	10,762,656	1,562,221	10,762,656	774,714	8,285,863	72%
11.	Past-due loans	1,519,660	-	1,519,351	-	988,513	65%
12.	Higher-risk categories by the Agency Board	54,488,900	30,173	53,950,544	30,173	88,008,924	163%
13.	Exposures in the form of covered bonds	-	-	-	-	-	-
14.	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15.	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16.	Other assets	20,474,815	56,194	20,474,815	-	11,578,994	57%
17.	Investments in equities	3,959,964	-	3,959,964	-	3,959,964	100%
18.	Total	519,733,448	323,760,212	511,739,097	49,448,016	383,080,300	68%

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

II. Explanations on Risk Management (Continued)

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

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

Current Period

Exposure Categories/Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit Risk Exposure Amount
1. Exposures to central governments or central banks	276,442,771	-	-	-	-	-	-	-	-	276,442,771
2. Exposures to regional governments or local authorities	-	-	-	-	177,626	-	-	-	-	177,626
3. Exposures to public sector entities	-	-	-	-	-	-	725,307	-	-	725,307
4. Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5. Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6. Exposures to institutions	-	-	11,991,043	-	15,657,289	-	100,483	-	-	27,748,815
7. Exposures to corporates	-	-	8,530,534	-	10,167,756	-	163,918,887	-	-	182,617,177
8. Retail exposures	-	-	-	-	-	195,624,875	37,253,896	-	-	232,878,771
9. Exposures secured by residential property	-	-	-	2,838,532	-	-	-	-	-	2,838,532
10. Exposures secured by commercial real estate	-	-	-	-	9,822,275	-	6,695,553	-	-	16,517,828
11. Past-due loans	-	-	-	-	1,576,316	-	224,045	-	-	1,800,361
12. Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	100,411,928	21,843,237	122,255,165
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	-	-	-	-	-	-	8,296,731	-	-	8,296,731
17. Other Assets	9,155,344	-	148	-	-	-	27,854,528	-	-	37,010,020
18. Total	285,598,115	-	20,521,725	2,838,532	37,401,262	195,624,875	245,069,430	100,411,928	21,843,237	909,309,104

Prior Period

Exposure Categories/Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit Risk Exposure Amount
1. Exposures to central governments or central banks	159,642,405	-	-	-	-	-	-	-	-	159,642,405
2. Exposures to regional governments or local authorities	-	-	-	-	238,887	-	-	-	-	238,887
3. Exposures to public sector entities	-	-	-	-	-	-	821,925	-	-	821,925
4. Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5. Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6. Exposures to institutions	-	-	10,606,492	-	9,809,396	-	97,681	-	-	20,513,569
7. Exposures to corporates	-	-	-	-	-	-	158,944,616	-	-	158,944,616
8. Retail exposures	-	-	-	-	-	100,502,223	27,236,572	-	-	127,738,795
9. Exposures secured by residential property	-	-	-	1,814,699	-	-	-	-	-	1,814,699
10. Exposures secured by commercial real estate	-	-	-	-	6,503,016	-	5,034,354	-	-	11,537,370
11. Past-due loans	-	-	-	-	1,061,677	-	457,674	-	-	1,519,351
12. Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	41,083,646	12,897,071	53,980,717
13. Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14. Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15. Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16. Investments in equities	-	-	-	-	-	-	3,959,964	-	-	3,959,964
17. Other Assets	8,895,821	-	-	-	-	-	11,578,994	-	-	20,474,815
18. Total	168,538,226	-	10,606,492	1,814,699	17,612,976	100,502,223	208,131,780	41,083,646	12,897,071	561,187,113

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

II. Explanations on Risk Management (Continued)

7. Disclosures regarding counterparty credit risk

7.1. Qualitative disclosures regarding DCCR – CCR table

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

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

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

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

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

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

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

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

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

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

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

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

Current Period	Revaluation Cost	Potential credit risk exposure	EEPE	The alpha used to calculate the legal risk amount	Exposure after credit risk mitigation	Risk Weighted Amounts
1. Standard approach - CCR (for derivatives)	5,250,185	3,689,064	-	1,4	12,514,949	4,095,651
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)	-	-	-	-	11,997,117	4,397,153
5. Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6. Total	-	-	-	-	-	8,492,804

Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	The alpha used to calculate the legal risk amount	Exposure after credit risk mitigation	Risk Weighted Amounts
1. Standard approach - CCR (for derivatives)	6,149,267	9,096,636	-	1,4	21,344,262	9,963,376
2. Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3. The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-	-
4. Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	9,716,657	5,625,466
5. Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6. Total	-	-	-	-	-	15,588,842

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

	Exposure (After credit risk mitigation methods)		Risk Weighted Amounts	
	Current Period	Prior Period	Current Period	Prior Period
Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1. (i) Value at risk component (3*multiplier included)	-	-	-	-
2. (ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3. Total portfolio value with simplified approach CVA capital adequacy	12,514,949	21,344,262	1,899,700	3,187,872
4. Total amount of CVA capital adequacy	12,514,949	21,344,262	1,899,700	3,187,872

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

II. Explanations on Risk Management (Continued)

7. Disclosures regarding counterparty credit risk (Continued)

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

Current Period

Exposure Categories/Risk Weights	0%	10%	20%	50%	75%	100%	150%	Others	Total Credit Risk
1. Exposures from central governments or central banks	3,353,343	-	-	-	-	-	-	153,086	3,506,429
2. Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3. Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	6	-	-	6
4. Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5. Exposures from international organizations	-	-	-	-	-	-	-	-	-
6. Exposures from banks and brokerage houses	-	-	8,290,741	10,963,195	-	32,883	-	-	19,286,819
7. Exposures from corporates	-	-	416,315	122,973	-	1,150,855	-	-	1,690,143
8. Retail receivables	-	-	-	-	28,669	-	-	-	28,669
9. Mortgage receivables	-	-	-	-	-	-	-	-	-
10. Overdue receivables	-	-	-	-	-	-	-	-	-
11. High risk defined receivables	-	-	-	-	-	-	-	-	-
12. Mortgage backed securities	-	-	-	-	-	-	-	-	-
13. Securitization Positions	-	-	-	-	-	-	-	-	-
14. Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15. Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
16. Equity Investments	-	-	-	-	-	-	-	-	-
17. Other Receivables	-	-	-	-	-	-	-	-	-
18. Other Assets	-	-	-	-	-	-	-	-	-
19. Total	3,353,343	-	8,707,056	11,086,168	28,669	1,183,744	-	153,086	24,512,066

Prior Period

Exposure Categories/Risk Weights	0%	10%	20%	50%	75%	100%	150%	Others	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	-	-	6,462,595	18,168,968	-	900,503	-	-	25,532,066
7. Exposures from corporates	-	-	-	-	-	2,973,853	-	-	2,973,853
8. Retail receivables	-	-	-	-	1,782,094	-	-	-	1,782,094
9. Mortgage receivables	-	-	-	-	-	-	-	-	-
10. Overdue receivables	-	-	-	-	-	-	-	-	-
11. High risk defined receivables	-	-	-	-	-	-	-	-	-
12. Mortgage backed securities	-	-	-	-	-	-	-	-	-
13. Securitization Positions	-	-	-	-	-	-	-	-	-
14. Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15. Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
16. Equity Investments	-	-	-	-	-	-	-	-	-
17. Other Receivables	-	-	-	-	-	-	-	-	-
18. Other Assets	-	-	-	-	-	-	-	-	-
19. Total	751,881	-	6,462,595	18,168,968	1,782,094	3,874,858	-	20,523	31,060,919

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

II. Explanations on Risk Management (Continued)

7. Disclosures regarding counterparty credit risk (Continued)

7.5. CCR4 – Risk Class and Counterparty Credit Risk on the basis of Possibility of Default

Related table is not presented due to standard method is used for calculation of capital adequacy (31 December 2022 - None).

7.6. CCR5 – Composition of collateral for CCR exposure

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given			
Current Period	Segregated	Unsegregated	Segregated	Unsegregated	Collaterals Taken	Collaterals Given
Cash-Local Currency	-	47,999	-	737,134	24,811,951	-
Cash - Foreign Currency	-	8,003,192	-	3,025,514	1,873,538	-
Government bond-domestic	-	-	-	-	-	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	-	8,051,191	-	3,762,648	26,685,489	-

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given			
Prior Period	Segregated	Unsegregated	Segregated	Unsegregated	Collaterals Taken	Collaterals Given
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	-

7.7. CCR6 – Credit derivatives

Related table is not presented due to the Bank has no risk arrived from derivative credit received or sold. (31 December 2022 - None)

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

Related table is not presented due to usage of standard approach for the calculation of capital adequacy (31 December 2022 - None).

7.9. CCR8 – Exposures to central counterparties

		Current Period		Prior Period	
		Exposure at Default (Post-CRM)	RWA	Exposure at Default (Post-CRM)	RWA
1.	Exposure to Qualified Central Counterparties (QCCPs) Total	158,086	3,062	20,523	410
2.	Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which	-	-	-	-
3.	(i) OTC Derivatives	158,086	3,062	20,523	410
4.	(ii) Exchange-traded Derivatives	-	-	-	-
5.	(iii) Securities financing transactions	-	-	-	-
6.	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
7.	Segregated initial margin	-	-	-	-
8.	Non-segregated initial margin	-	-	-	-
9.	Pre-funded default fund contributions	-	-	-	-
10.	Unfunded default fund contributions	-	-	-	-
11.	Exposures to non-QCCPs (total)	-	-	-	-
12.	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
13.	(i) OTC Derivatives	-	-	-	-
14.	(ii) Exchange-traded Derivatives	-	-	-	-
15.	(iii) Securities financing transactions	-	-	-	-
16.	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
17.	Segregated initial margin	-	-	-	-
18.	Non-segregated initial margin	-	-	-	-
19.	Pre-funded default fund contributions	-	-	-	-
20.	Unfunded default fund contributions	-	-	-	-

8. Securitization exposures

The Bank has no securitization transactions. (31 December 2022 - None).

9. Disclosures regarding Market Risk

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

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

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

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

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

II. Explanations on Risk Management (Continued)

9. Disclosures regarding Market Risk (Continued)

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

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

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

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

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

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

9.2. MR1 – Standardized approach

		RWA(**)	
		Current Period	Prior Period
	Outright products(*)	11,314,176	7,828,713
1.	*Interest rate risk (general and specific)*	2,569,188	3,938,938
2.	*Equity risk (general and specific)*	549,325	272,925
3.	*Foreign exchange risk*	7,234,563	3,344,875
4.	*Commodity risk*	961,100	271,975
	Options	852,275	929,250
5.	*Simplified approach*	-	-
6.	*Delta-plus method*	852,275	929,250
7.	*Scenario approach*	-	-
8.	*Securitization*	-	-
9.	Total	12,166,451	8,757,963

(*) 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.

10. Explanations related to the operational risk

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2021, 2020, 2019 year-end gross income balances of the Bank, in accordance with Section 3 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio", published in the Official Gazette No. 28337 dated 28 June 2012, namely "The Calculation of the Amount Subject to Operational Risk. As of 31 December 2023, the total amount subject to operationel risk is TL 40,148,213 (31 December 2022 - TL 18,872,375).

Current Year Basic Indicator Method	2 PP Amount	1 PP Amount	CP Amount	Total/No. of Years of Positive Gross	Rate (%)	Total
Gross Income	9,301,396	12,088,532	42,847,206	21,412,378	15	3,211,857
Value at operational risk (Total*12.5)						40.148.213

Prior Year Basic Indicator Method	2 PP Amount	1 PP Amount	CP Amount	Total/No. of Years of Positive Gross	Rate (%)	Total
Gross Income	8,805,867	9,301,396	12,088,533	10,065,265	15	1,509,790
Value at operational risk (Total*12.5)						18,872,375

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

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

III. Explanations on Foreign Currency Exchange Rate Risk

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

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

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

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

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

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

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

US Dollar purchase rate at the date of the balance sheet	TL 29.4382
Euro purchase rate at the date of the balance sheet	TL 32.5739

Date	US Dollar	Euro
29 December 2023	29.4382	32.5739
28 December 2023	29.3973	32.6937
27 December 2023	29.3374	32.4186
26 December 2023	29.2647	32.2421
25 December 2023	29.2108	32.1766

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

The arithmetical average of the Bank's US Dollar and Euro purchase rates for December 2023 are TL 29.0520 and TL 31.7082 respectively.

5. Information on the foreign currency exchange rate risk

Current Period	EUR	USD	Other FC	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank[1]	31,260,479	63,384,771	8,141,064	102,786,314
Due From Banks[2]	6,593,420	8,886,002	1,263,082	16,742,504
Financial Assets at Fair Value through Profit/Loss[3]	1,156,713	2,153,024	-	3,309,737
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2,619	17,791,532	-	17,794,151
Loans and Receivables[4]	104,009,929	72,237,060	670,308	176,917,297
Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	2,264,075	27,524,181	-	29,788,256
Derivative Financial Assets Hedging Purposes	146,740	3,093,612	-	3,240,352
Tangible Assets	-	-	487	487
Intangible Assets	-	-	-	-
Other Assets[5]	142,927	144,642	4,457	292,026
Total Assets	**145,576,902**	**195,214,824**	**10,079,398**	**350,871,124**
Liabilities				
Bank Deposits	4,080,103	19,171,268	1,098,990	24,350,361
Foreign Currency Deposits[6]	55,546,603	124,452,987	39,897,921	219,897,511
Money Market Borrowings	-	27,736,364	-	27,736,364
Funds Provided from Other Financial Institutions	26,316,247	96,031,463	-	122,347,710
Securities Issues	3,784,841	40,491,371	6,809,372	51,085,584
Sundry Creditors	4,177,463	5,395,454	59,289	9,632,206
Derivative Fin. Liabilities for Hedging Purposes	33,489	636,891	-	670,380
Other Liabilities[7]	1,911,767	3,207,899	33,098	5,152,764
Total Liabilities	**95,850,513**	**317,123,697**	**47,898,670**	**460,872,880**
Net Balance Sheet Position	**49,726,389**	**(121,908,873)**	**(37,819,272)**	**(110,001,756)**
Net Off-Balance Sheet Position	**(49,583,914)**	**127,268,368**	**37,901,309**	**115,585,763**
Financial Derivative Assets	51,411,835	348,738,608	40,167,072	440,317,515
Financial Derivative Liabilities	100,995,749	221,470,240	2,265,763	324,731,752
Non-Cash Loans(8)	27,623,029	24,683,603	1,967,965	54,274,597
Prior Period				
Total Assets	111,844,219	117,106,125	6,847,243	235,797,587
Total Liabilities	66,887,180	183,055,000	32,629,358	282,571,538
Net Balance Sheet Position	**44,957,039**	**(65,948,875)**	**(25,782,115)**	**(46,773,951)**
Net Off-Balance Sheet Position	**(44,727,420)**	**68,298,664**	**26,048,445**	**49,619,689**
Financial Derivative Assets	32,484,296	225,660,154	28,403,576	286,548,026
Financial Derivative Liabilities	77,211,716	157,361,490	2,355,131	236,928,337
Non-Cash Loans	18,043,661	17,030,918	463,540	35,538,119

[1] Cash and Balances with TR Central Bank; Other FC include TL 7,765,222 (31 December 2022 - TL 5,494,682) precious metal deposit account.

[2] There are foreign bank guarantees amounting to TL 3,025,514 (31 December 2022 - TL 4,516,091).

[3] Does not include TL 788,259 (31 December 2022 - TL 369,444) of currency income accruals arising from derivative transactions.

[4] Includes TL 181,694 (31 December 2022 - TL 232,939) FC indexed loans..

[5] Does not include FC prepaid expenses amounting to TL 983,146 (31 December 2022 - TL 224,639) as per BRSA's Communique published in Official Gazette no 26085 on 19 February 2006.

[6] Other foreign currency includes TL 34,499,557 (31 December 2022 - TL 22,159,406) of precious metal deposit account.

[7] Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 237,761 (31 December 2022 - TL 151,702)

[8] Does not have an effect on Net Off-Balance Sheet Position.

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

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

6. Sensitivity to foreign exchange risk

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

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

	Change in Currency rate in %	Net Effect on Profit or Loss (After Tax)	Net Effect on Equity(*)	Net Effect on Profit or Loss (After Tax)	Net Effect on Equity(*)
		Current Period	Current Period	Current Period	Current Period
US Dollar	10% increase	(115,290)	(124,946)	(3,572)	(66,141)
	10% decrease	115,290	124,946	3,572	66,141
EURO	10% increase	5,614	12,869	(3,390)	5,423
	10% decrease	(5,614)	(12,869)	3,390	(5,423)

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

IV. Explanations on Interest Rate Risk

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

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

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

End of Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing(1)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank(2)	67,348,689	-	-	-	-	95,212,950	162,561,639
Due from Banks(3)	45,549	-	-	-	-	16,755,732	16,801,281
Financial Assets at Fair Value Through Profit/Loss(4)	43,340	519,531	44,809	346,732	92,073	10,230,737	11,277,222
Money Market Placements	5,736,581	-	-	-	-	(147)	5,736,434
Financial Assets at Fair Value Through Other Comprehensive Income(5)	16,070,800	18,622,711	4,847,209	6,858,295	19,209,390	5,826,140	71,434,545
Loans and Receivables	198,317,791	115,058,581	193,931,669	52,483,924	15,015,175	(3,763,216)	571,043,924
Inv. Securities Held to Maturity(6)	43,957,379	3,100,307	1,453,707	28,001,276	13,998,447	11,556,751	102,067,867
Other Assets	-	-	-	-	-	46,893,655	46,893,655
Total Assets	331,520,129	137,301,130	200,277,394	87,690,227	48,315,085	182,712,602	987,816,567
Liabilities							
Bank Deposits	9,311,620	12,040,967	2,880,962	-	-	1,350,352	25,583,901
Other Deposits	238,083,304	83,018,971	59,130,390	819,009	909	225,413,624	606,466,207
Money Market Borrowings	4,092,826	16,831,236	7,382,723	-	-	528,830	28,835,615
Sundry Creditors	9,632,206	-	-	-	-	28,393,003	38,025,209
Securities Issued	2,047,126	10,607,254	30,621,799	2,672,999	8,951,261	-	54,900,439
Funds Borrowed	29,259,047	40,036,581	34,305,319	2,196,620	15,455,056	1,568,614	122,821,237
Other Liabilities(7)	330	739	34,590	1,115,581	-	110,032,719	111,183,959
Total Liabilities	292,426,459	162,535,748	134,355,783	6,804,209	24,407,226	367,287,142	987,816,567
On Balance Sheet Long Position	39,093,670	-	65,921,611	80,886,018	23,907,859	-	209,809,158
On Balance Sheet Short Position	-	(25,234,618)	-	-	-	(184,574,540)	(209,809,158)
Off-Balance Sheet Long Position	19,575,774	18,111,839	9,687,177	-	-	-	47,374,790
Off-Balance Sheet Short Position	-	-	-	(38,551,879)	(4,755,214)	-	(43,307,093)
Total Position	58,669,444	(7,122,779)	75,608,788	42,334,139	19,152,645	(184,574,540)	4,067,697

(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 TL 18,072 expected loss provisions.

(3) Banks include balance of expected loss provisions amounting to TL 12,423.

(4) Financial Assets at Fair Value Through Profit/Loss include TL 8,915,253 derivative financial assets used for hedging purposes.

(5) Financial Assets at Fair Value Through Other Comprehensive Income include TL 4,082,459 derivative financial assets used for hedging purposes.

(6) Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 25,998.

(7) Other Liabilities includes Derivative Financial Assets amounting to TL 4,927,080.

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

IV. Explanations on Interest Rate Risk (Continued)

End of Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing[1]	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank[2]	36,498,079	-	-	-	-	58,029,097	94,527,176
Due from Banks[3]	2,870,720	-	-	-	-	7,791,698	10,662,418
Financial Assets at Fair Value Through Profit/Loss[4]	212,289	104,379	113,413	190,798	34,143	16,426,133	17,081,155
Money Market Placements	4,427,376	4,040,604	-	-	-	(5,082)	8,462,898
Financial Assets at Fair Value Through Other Comprehensive Income[5]	7,070,186	5,959,770	3,354,114	9,825,209	9,627,121	11,170,734	47,007,134
Loans and Receivables	78,137,369	68,051,425	133,041,642	55,907,099	8,182,938	1,636,725	344,957,198
Inv. Securities Held to Maturity[6]	28,418,409	647,443	2,276,143	15,932,112	7,588,431	7,080,729	61,943,267
Other Assets	-	-	-	-	-	17,113,930	17,113,930
Total Assets	157,634,428	78,803,621	138,785,312	81,855,218	25,432,633	119,243,964	601,755,176
Liabilities							
Bank Deposits	4,246,561	2,763,128	2,476,493	-	-	739,593	10,225,775
Other Deposits	146,145,168	95,663,898	12,667,551	589,295	504	128,991,842	384,058,258
Money Market Borrowings	10,932,878	7,644,329	3,209,343	-	-	142,310	21,928,860
Sundry Creditors	15,775,865	-	-	-	-	13,401,599	29,177,464
Securities Issued	4,578,601	8,111,372	2,960,503	12,135,273	-	153,957	27,939,706
Funds Borrowed	5,935,228	15,789,605	26,592,624	213,503	9,815,715	434,366	58,781,041
Other Liabilities[7]	379	1,113	17,767	726,060	-	68,898,753	69,644,072
Total Liabilities	187,614,680	129,973,445	47,924,281	13,664,131	9,816,219	212,762,420	601,755,176
On Balance Sheet Long Position	-	-	90,861,031	68,191,087	15,616,414	-	174,668,532
On Balance Sheet Short Position	(29,980,252)	(51,169,824)	-	-	-	(93,518,456)	(174,668,532)
Off-Balance Sheet Long Position	14,371,955	27,735,850	-	-	-	-	42,107,805
Off-Balance Sheet Short Position	-	-	(3,051,112)	(7,727,922)	(16,486,471)	-	(27,265,505)
Total Position	(15,608,297)	(23,433,974)	87,809,919	60,463,165	(870,057)	(93,518,456)	14,842,300

[1] Non-Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
[2] Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL 10,615 expected loss provisions.
[3] Banks include balance of expected loss provisions amounting to TL 5,879.
[4] Financial Assets at Fair Value Through Profit/Loss include TL 15,808,676 derivative financial assets used for hedging purposes.
[5] Financial Assets at Fair Value Through Other Comprehensive Income include TL 6,868,484 derivative financial assets used for hedging purposes.
[6] Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 20,038.
[7] Other Liabilities includes Derivative Financial Assets amounting to TL 6,396,238.

Average interest rates applied to monetary financial instruments

End of Current Period	EURO (%)	USD (%)	JPY (%)	TL (%)
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	-	-	-
Due from Banks	-	-	-	42.09
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	4.92	7.69	-	47.78
Money Market Placements	-	-	-	43.28
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2.77	6.17	-	43.95
Loans and Receivables	7.43	9.31	4.92	38.31
Financial Assets Measured at Amortized Cost	4.73	5.61	-	47.12
Liabilities				
Bank Deposits	5.21	7.14	-	40.94
Other Deposits	1.00	2.60	0.05	37.14
Money Market Borrowings	-	6.55	-	39.33
Sundry Creditors	4.00	5.23	-	-
Securities Issued	6.76	8.59	-	38.02
Funds Borrowed	5.68	8.20	-	36.64

End of Prior Period	EURO (%)	USD (%)	JPY (%)	TL (%)
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	-	-	-
Due from Banks	-	-	-	9.97
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	5.32	7.22	-	24.02
Money Market Placements	-	2.92	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2.87	5.42	-	31.34
Loans and Receivables	5.54	6.87	4.92	23.28
Financial Assets Measured at Amortized Cost	4.60	5.65	-	72.82
Liabilities				
Bank Deposits	3.79	5.65	-	25.86
Other Deposits	1.00	3.04	0.17	17.98
Money Market Borrowings	1.69	4.38	-	6.73
Sundry Creditors	1.52	-	-	-
Securities Issued	4.97	6.91	-	22.07
Funds Borrowed	4.14	7.36	-	18.81

Interest rate risk on banking book

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

In the calculation of the interest rate risk on banking book, income approach and the economic value approach are applied. The analysis of economic value, duration and gap analysis are calculated twice in a month, analysis of the standard economic value approach is supported by different scenarios.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) included in banking book are monitored daily. In this context, the risk level of this portfolio is managed considering the sensitivity of nominal interest rate and limits.

The interest rate risk on banking book is measured legally as per the "Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method" published in the Official Gazette No. 28034 dated 23 August 2011, and the legal limit as per this measurement is monitored and reported monthly to the Assets and Liability Committee, the Risk Committee and the Board of Directors.

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IV. Explanations on Interest Rate Risk (Continued)

In calculations within the framework of the mentioned regulation, behavioral maturity modeling is carried out for demand deposits with low sensitivity to interest rate changes and with a principal maturity longer than the contract maturity. In the studies defined as core deposit analysis, based on historical data, analyses are conducted regarding how much of demand deposits will remain within the Company Bank at which maturity. These analyses are taken into account in economic value, gap, and duration analyses. In addition, the sensitivity of the net interest income is monitored, the prepayment rates of loans are considered managing the interest rate risk.

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

Type of Currency	Shocks Applied (+/- x basis points)	Gains/Losses	Gains/Equity- Losses/Equity
1. TL	+500 bp	(3,610,547)	(3.22%)
	-400 bp	3,488,611	3.11%
2. EUR	+200 bp	1,664,987	1.48%
	-200 bp	(1,650,868)	(1.47%)
3. USD	+200 bp	(192,662)	(0.17%)
	-200 bp	329,844	0.29%
Total (of negative shocks)		2,167,587	1.93%
Total (of positive shocks)		(2,138,222)	(1.90%)

V. Explanations on Position Risk of Equity Securities

	Comparison		
Equity Securities (shares)	Carrying Value	Fair Value	Market Value
1. Investment in Shares- grade A	-	-	-
Quoted Securities	-	-	-
2. Investment in Shares- grade B	-	-	-
Quoted Securities	-	-	-
3. Investment in Shares- grade C	2,435,631	2,435,631	-
Quoted Securities	2,435,631	2,435,631	-
4. Investment in Shares- grade Other(*)	7,538,767	7,538,767	-

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

		Revaluation Surpluses		Unrealized Gains and Losses		
Portfolio	Gains/Losses in Current Period	Total	Amount under Core Capital	Total	Amount under Core Capital	Amount under Supplementary Capital
1. Private Equity Investments	-	-	-	-	-	-
2. Quoted Shares	234,091	-	-	-	-	-
3. Other Shares	-	-	-	-	-	-
4. Total	234,091	-	-	-	-	-

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

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

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

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

It is essential for the Bank to monitor its liquidity position and funding strategy consistently. The primary priority is for the liquidity risk faced by the Company Bank to be in line with the risk appetite arising from the risk capacity determined within the limits prescribed by regulations and aligned with the fundamental strategies of the Company Bank. It is essential for the Company Bank to maintain a sufficient level of readily marketable or repoable liquid assets at all times to address significant decreases in liquidity sources.

Funding management of the Bank is carried out in line with limits and internal warning systems within the framework of ALCO decisions. Funding and placement strategies are developed through evaluating the liquidity of the Bank. While developing this strategy, it is aimed to provide funding from long-term and stable sources as much as possible. Deposits, which constitute the main fund source of the Bank, are obtained from a large number of customers as a natural result of the stable core deposit base.

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

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

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

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

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

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

Cautious liquidity management against possible financial fluctuations in the market has been one of the main priorities of the Bank. The Bank manages LCR above the limit by keeping its high quality liquid assets at a sufficient level. The Bank has created four different stress test scenarios that measure how long it can meet the cumulative cash outflows without any new funds from the market or by providing very low levels of funds. In scenarios created by observing financial movements in the past and using statistical analysis, it has been observed that the Bank withstands stress over the minimum life expectancy of 30 days.

Liquidity Coverage Ratio

	Consideration Rate Unweighted Amounts(*)		Consideration Rate Weighted Amounts(*)	
Current Period - 31 December 2023	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS			226,219,677	95,729,238
1. High Quality Liquid Assets			226,219,677	95,729,238
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	419,011,022	143,776,709	37,990,758	14,377,671
3. Stable deposits	78,206,883	-	3,910,344	-
4. Less stable deposits	340,804,139	143,776,709	34,080,414	14,377,671
5. Unsecured Funding other than Retail and Small Business Customers Deposits	161,179,180	86,371,080	94,791,079	52,269,377
6. Operational deposits	5,281,616	1,287,965	1,320,404	321,991
7. Non-Operational Deposits	116,691,412	69,623,257	62,578,061	36,532,999
8. Other Unsecured Funding	39,206,152	15,459,858	30,892,614	15,414,387
9. Secured funding	-	-	66,424	66,424
10. Other Cash Outflows	63,490,022	17,356,565	63,490,022	17,356,565
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	63,490,022	17,356,565	63,490,022	17,356,565
12. Debts related to the structured financial products	-	-	-	-
13. Commitment related to debts to financial markets	-	-	-	-
14. Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	199,211,161	102,832,223	9,960,558	5,141,611
15. Other irrevocable or conditionally revocable commitments	544,839,514	52,553,552	34,471,261	5,124,754
16. TOTAL CASH OUTFLOWS	-	-	240,770,102	94,336,402
CASH INFLOWS				
17. Secured Lending Transactions	91,928	-	-	-
18. Unsecured Lending Transactions	79,622,273	28,632,129	48,505,258	20,831,837
19. Other Cash Inflows	62,003,251	50,627,245	62,003,251	50,627,245
20. TOTAL CASH INFLOWS	141,717,452	79,259,374	110,508,509	71,459,082
			Upper Limit Applied Values	
21. TOTAL HIGH QUALITY LIQUID ASSETS			226,219,677	95,729,238
22. TOTAL NET CASH OUTFLOWS			130,261,593	27,180,912
23. LIQUIDITY COVERAGE RATIO (%)			173.67	352.19

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

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

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

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of 2023 are explained in the table below. According to “Regulation on Liquidity Coverage Ratio Calculation” published in the Official Gazette numbered 28948, dated 21 March 2014.

	Maximum	Week	Minimum	Week	Average
TL+FC	197.15	29/12/2023	157.77	01/12/2023	174.34
FC	489.99	29/12/2023	279.13	27/10/2023	362.52

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

Funding sources of the Bank mainly consist of deposits which constitute 64% of total liabilities of the bank (31 December 2022 - 63%) and also include repo, syndication, securities issued and other instruments including subordinated debts.

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

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

The Bank effectively uses derivative transactions to manage interest and liquidity risk. Impact of derivative cash flows in terms of liquidity coverage ratio is limited. However, FX swaps used in short term foreign currency liquidity management cause liquidity coverage ratio to fluctuate due to changes in volume and 1-month maturity. In addition, possible cash outflow caused by margin call requirements of derivative transactions is taken into consideration in accordance with the respective regulations.

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

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

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

Presentation of assets and liabilities according to their remaining maturities

Current Period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 Years	5 Years and Over	Unallocated[1]	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank[2]	95,231,022	67,348,689	-	-	-	-	(18,072)	162,561,639
Due from Banks[3]	13,742,641	3,071,063	-	-	-	-	(12,423)	16,801,281
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)[4]	1,271,074	1,233,425	1,407,509	2,224,172	3,047,386	2,093,656	-	11,277,222
Money Markets Placements[5]	-	5,736,581	-	-	-	-	(147)	5,736,434
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)[6]	-	923,906	510,938	1,871,487	42,668,897	25,459,317	-	71,434,545
Loans and Receivables	-	194,793,166	91,222,484	181,143,106	88,307,276	32,127,497	(16,549,605)	571,043,924
Financial Assets Measured at Amortized Cost[7]	-	1,532,855	2,889,692	5,272,742	58,122,572	34,276,004	(25,998)	102,067,867
Other Assets	-	13,117,249	-	-	569,290	-	33,207,116	46,893,655
Total Assets	110,244,737	287,756,934	96,030,623	190,511,507	192,715,421	93,956,474	16,600,871	987,816,567
Liabilities								
Bank Deposits	1,126,701	9,390,256	12,161,208	2,905,736	-	-	-	25,583,901
Other Deposits	212,404,262	244,086,749	86,808,752	62,303,156	862,369	919	-	606,466,207
Funds Borrowed	-	5,325,125	12,997,648	89,515,683	12,454,171	2,528,610	-	122,821,237
Money Market Borrowings	-	4,297,038	15,366,643	3,708,831	5,463,103	-	-	28,835,615
Securities Issued	-	2,047,126	9,129,385	32,099,668	2,672,999	8,951,261	-	54,900,439
Miscellaneous Payables	-	38,025,209	-	-	-	-	-	38,025,209
Other Liabilities[8]	-	10,101,592	359,360	1,227,565	2,746,085	1,152,433	95,596,924	111,183,959
Total Liabilities	213,530,963	313,273,095	136,822,996	191,760,639	24,198,727	12,633,223	95,596,924	987,816,567
Liquidity Excess/(Gap)	(103,286,226)	(25,516,161)	(40,792,373)	(1,249,132)	168,516,694	81,323,251	(78,996,053)	-
Net Off-Balance Sheet Position[9]	-	(202,422)	(3,932,353)	2,261,081	2,189,002	-	-	315,308
Receivables from Financial Derivative Instruments	-	139,236,527	131,642,958	91,674,163	91,064,462	71,087,131	-	524,705,241
Liabilities from Derivatives	-	139,438,949	135,575,311	89,413,082	88,875,460	71,087,131	-	524,389,933
Non-cash Loans[10]	-	7,522,893	14,448,578	39,591,926	13,000,054	1,178,206	27,122,663	102,864,320

Presentation of assets and liabilities according to their remaining maturities (Continued)

Current Period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 Years	5 Years and Over	Unallocated[1]	Total
Prior period								
Total Assets	57,955,686	135,132,784	59,704,765	134,619,104	138,759,535	63,977,688	11,605,614	601,755,176
Total Liabilities	126,496,579	205,755,843	117,064,890	50,946,718	35,758,347	9,782,939	55,949,860	601,755,176
Liquidity Excess/(Gap)	(68,540,893)	(70,623,059)	(57,360,125)	83,672,386	103,001,188	54,194,749	(44,344,246)	-
Net Off-Balance Sheet Position[9]	-	1,451,298	6,050,828	4,699,451	2,600,912	37	-	14,802,526
Receivables from Derivative Instruments	-	138,454,055	74,488,201	40,445,173	62,708,472	58,949,274	-	375,045,175
Liabilities from Derivative Instruments	-	137,002,757	68,437,373	35,745,722	60,107,560	58,949,237	-	360,242,649
Non-cash Loans[10]	-	3,167,528	7,830,151	27,464,272	9,713,322	922,518	16,131,398	65,229,189

[1] The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified "Unallocated" column. Unallocated other liabilities include shareholders' equity amounting to TL 81,618,386 (31 December 2022 - TL 44,265,529), unallocated provisions amounting to TL 11,836,884 (31 December 2022 - TL 8,918,257) and current tax liabilities amounting to TL 2,141,659 (31 December 2022 - TL 2,766,075).

[2] Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank includes expected loss provisions the amount of TL 18,072 (31 December 2022 - TL 10,615).

[3] Banks include balance of expected loss provisions amounting to TL 12,423 (31 December 2022 - TL 5,879).

[4] Financial Assets at Fair Value Through Profit/Loss include TL 8,915,253 (31 December 2022 - TL 15,808,676) derivative financial assets used for hedging purposes.

[5] Receivables from Money Markets includes the balance of expected loss provisions amounting to TL 147 (31 December 2022 - TL 5,082).

[6] Financial Assets at Fair Value Through Other Comprehensive Income include TL 4,082,459 (31 December 2022 - TL 6,868,484) derivative financial assets used for hedging purposes.

[7] Financial assets measured at amortized cost include TL 25,998 (31 December 2022 - TL 20,038) of expected loss provisions.

[8] Other Liabilities include Derivative Financial Assets amounting to TL 4,927,080 (31 December 2022 - TL 6,396,238).

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

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

Analysis of financial liabilities by remaining contractual maturities

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

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total	Carrying Amount
Bank Deposits	1,126,701	9,416,723	12,288,330	3,022,266	-	-	25,854,020	25,583,901
Other Deposits	212,404,261	245,925,724	91,546,564	70,559,490	1,215,417	1,289	621,652,745	606,466,207
Payables to Money Market	-	4,349,975	15,546,320	4,494,736	6,784,102	-	31,175,133	28,835,615
Funds from other Financial Institutions	-	5,340,797	13,024,584	109,566,338	12,469,811	2,528,610	142,930,140	122,821,237
Securities Issued	-	2,066,266	10,068,507	34,198,495	6,622,434	13,578,370	66,534,072	54,900,439
Non-cash Loans[*]	27,122,663	7,522,893	14,448,578	39,591,926	13,000,054	1,178,206	102,864,320	102,864,320

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total	Carrying Amount
Bank Deposits	692,867	4,280,270	2,804,405	2,592,937	-	-	10,370,479	10,225,775
Other Deposits	125,803,712	148,205,691	98,853,408	13,711,700	714,345	651	387,289,507	384,058,258
Payables to Money Market	-	18,628,995	3,292,865	3,967,205	4,223,210	583,569	30,695,844	21,928,860
Funds from other Financial Institutions	-	2,037,282	6,195,755	27,452,400	16,128,701	7,454,202	59,268,340	58,781,041
Securities Issued	-	4,643,044	8,285,198	3,598,147	13,925,187	-	30,451,576	27,939,706
Non-cash Loans[*]	16,131,398	3,167,528	7,830,151	27,464,272	9,713,322	922,518	65,229,189	65,229,189

[*] Amounts related to letters of guarantee represent maturities based on contract and amounts per these maturities and the amounts have the nature to be withdrawn on demand optionally.

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

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

The table below shows the remaining maturities of derivative financial assets and liabilities:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Longer	Total
Forward Contracts Buy(**)	10,138,764	8,821,169	12,095,862	1,078,087	-	32,133,882
Forward Contracts Sell(**)	(10,165,416)	(8,520,114)	(10,906,251)	(820,724)	-	(30,412,505)
Swap Contracts Buy(*)	134,154,827	114,463,877	72,706,958	89,885,060	71,087,131	482,297,853
Swap Contracts Sell(*)	(134,316,757)	(118,959,440)	(71,508,096)	(87,984,437)	(71,087,131)	(483,855,861)
Futures Buy	-	7,147,722	757,596	101,317	-	8,006,635
Futures Sell	-	(6,843,480)	(652,380)	(70,298)	-	(7,566,158)
Options Buy	418,572	1,210,190	6,113,746	-	-	7,742,508
Options Sell	(443,509)	(1,252,278)	(5,168,827)	-	-	(6,864,614)
Other	-	-	1,177,528	-	-	1,177,528
Total	(213,519)	(3,932,354)	4,616,136	2,189,005	-	2,659,268

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Longer	Total
Forward Contracts Buy(**)	9,936,299	5,574,106	6,532,312	287,757	-	22,330,474
Forward Contracts Sell(**)	(10,930,615)	(5,645,193)	(6,015,957)	(289,825)	-	(22,881,590)
Swap Contracts Buy(*)	121,017,044	28,135,907	27,216,419	62,353,367	58,949,272	297,672,009
Swap Contracts Sell(*)	(119,691,704)	(22,963,629)	(21,959,487)	(59,002,523)	(58,949,238)	(282,566,581)
Futures Buy	-	2,577,934	-	-	-	2,577,934
Futures Sell	-	(2,610,296)	-	-	-	(2,610,296)
Options Buy	13,589,634	38,879,754	6,696,442	67,348	-	59,233,178
Options Sell	(13,526,882)	(38,153,086)	(6,461,515)	(67,348)	-	(58,208,831)
Other	-	-	1,308,762	747,864	-	2,056,626
Total	393,776	5,795,497	7,316,976	4,096,640	34	17,602,923

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

VII. Explanations on Leverage Ratio

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

The Bank's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 5.50% (31 December 2022 - 5.97%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

The table related to leverage ratio calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" published in Official Gazette dated 5 November 2013 and numbered 28812 is below:

	Book Value	
	Current Period(*)	Prior Period(*)
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit	928,220,222	564,542,488
(Assets deducted from capital stock)	3,754,081	988,572
Total risk amount related to Assets on Balance sheet	924,466,141	563,553,916
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	18,925,386	23,234,025
Potential credit risk amount of derivative financial instruments and credit derivatives	7,578,848	7,924,670
Total risk amount related to derivative financial instruments and credit derivatives	26,504,234	31,158,695
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral	3,189	49,485
Risk amount sourcing from transactions mediated	14,069	849,565
Total risk amount related to financial transactions having security or commodity Collateral	17,258	899,050
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	765,927,842	362,571,207
(Adjustment amount sourcing from multiplying to credit conversion rates)	172,080,333	94,599,387
Total risk amount related to off-balance sheet transactions	593,847,509	267,971,820
Capital and Total Risk		
Core Capital	84,913,732	51,567,778
Amount of total risk	1,544,835,142	863,583,481
Financial leverage ratio		
Financial leverage ratio	5.50%	5.97%

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

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

The fair value of the fixed rate loans is determined based on discounted cash flows using the current market interest rates. Book value of floating rate loans represent their fair value.

The fair value of financial assets measured at amortized cost; market prices or, where such price cannot be determined, interest is determined on the basis of quoted market prices for other securities subject to the same qualified amortization in terms of maturity and other similar conditions.

The estimated fair value of the demand deposit represents the amount payable at the time of demand. The fair value of floating rate placements and overnight deposits represents the book value. The estimated fair value of fixed rate deposits is calculated by finding the discounted cash flows using market interest rates applied to similar loans and other liabilities.

The estimated fair value of funds from banks, other financial institutions, is determined based on discounted cash flows using the current market interest rates.

In the table below; the fair values and the carrying values of some of the financial assets and liabilities are presented. Book value represents the total of cost of subject asset and liabilities and accrued interest.

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

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

Current Period	Book Value	Fair Value
Financial Assets	763,040,159	739,437,751
Money Market Placements	5,736,581	5,736,434
Due from Banks	16,813,703	16,801,281
Fair Value through Other Comprehensive Income (FVOCI)	67,352,086	67,352,086
Financial Assets Measured at Amortized Cost	102,093,865	93,270,077
Loans Granted	571,043,924	556,277,873
Financial Liabilities	876,632,608	877,059,021
Bank Deposits	25,583,901	25,589,018
Other Deposits	606,466,207	606,997,080
Funds from Other Financial Institutions	122,821,237	122,821,237
Payables to Money Market	28,835,615	28,835,615
Securities Issued	54,900,439	54,790,862
Other Debts	38,025,209	38,025,209

Prior Period	Book Value	Fair Value
Financial Assets	466,195,430	468,396,431
Money Market Placements	8,467,980	8,462,898
Due from Banks	10,668,297	10,662,418
Fair Value through Other Comprehensive Income (FVOCI)	40,138,650	40,138,650
Financial Assets Measured at Amortized Cost	61,963,305	71,112,732
Loans Granted	344,957,198	338,019,733
Financial Liabilities	532,111,104	534,016,116
Bank Deposits	10,225,775	10,228,398
Other Deposits	384,058,258	384,171,295
Funds from Other Financial Institutions	58,781,041	60,570,393
Payables to Money Market	21,928,860	21,928,860
Securities Issued	27,939,706	27,939,706
Other Debts	29,177,464	29,177,464

In accordance with “TFRS 13, Fair Value Measurement” accounts represented at fair value in the face of financial statements are required to be leveled according to the observability of the data used for the calculation of fair value.

The classification of fair value calculation is as follows.

a) **Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (market value);**

b) **Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);**

c) **Level 3: Inputs that are not observable for the asset and liability (Fair value calculations which are not observable).**

In the table below, the fair value classification of the financial instruments that are recorded at fair value at the financial statements is presented:

Current Period	Level 1	Level 2	Level 3(*)	Total
Financial Assets	65,910,636	16,416,587	384,544	82,711,767
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	1,652,392	325,033	384,544	2,361,969
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)(*)	64,257,528	3,094,558	-	67,352,086
Derivative Financial Assets	716	12,996,996	-	12,997,712
Financial Liabilities	327	4,926,753	-	4,927,080
Derivative Financial Liabilities	327	4,926,753	-	4,927,080

(*) Real estates that the Bank accounts for at fair value under tangible fixed assets are classified as level 3.

Prior Period	Level 1	Level 2	Level 3(*)	Total
Financial Assets	35,937,556	28,001,410	141,649	64,080,615
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)(*)	965,244	165,586	141,649	1,272,479
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)(**)	34,972,312	5,158,664	-	40,130,976
Derivative Financial Assets	-	22,677,160	-	22,677,160
Financial Liabilities	30,387	6,365,851	-	6,396,238
Derivative Financial Liabilities	30,387	6,365,851	-	6,396,238

Confirmation for fair value of financial assets under Level 3 is as below:

	Current Period	Prior Period
Opening Balance	141,649	242,355
Change in total gain/loss	241,069	99,896
Accounted in the statement of profit or loss and other comprehensive income	241,069	99,896
Accounted in other comprehensive income	-	-
Purchases and Transfers	1,826	9,068
Disposals	-	(209,670)
Matured Loans	-	-
Sales from Level 3	-	-
Closing Balance	384,544	141,649

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

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

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to Assets

1. a) Explanations and Disclosures Related to Assets

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	2,150,944	9,412,639	1,621,492	6,809,684
T.R. Central Bank	56,835,380	92,810,848	7,929,515	74,677,290
Other	807,073	562,827	168,850	3,330,960
Total	59,793,397	102,786,314	9,719,857	84,817,934

b) Balances with the Central Bank of Türkiye

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	41,053,357	34,030,574	7,929,515	34,202,891
Restricted Demand Deposits	8,487,000	-	-	-
Restricted Time Deposits	7,295,023	58,780,274	-	40,474,399
Total	56,835,380	92,810,848	7,929,515	74,677,290

As of 31 December 2023 amount of TL 18,072 (31 December 2022 - TL 10,615) provision provided for the account T.R. Central Bank.

As of 31 December 2023, our bank has been appointed to CBRT depending on the maturity structure, the required reserve rates for TL liabilities vary between 0% and 8% for TL deposits and other liabilities according to their maturities. For exchange rate/price protection support, rates vary between 10% and 30% depending on the maturity structure. The reserve rates for foreign currency liabilities vary between 5% and 30% for deposit and other foreign currency liabilities according to their maturities. Gold deposit liabilities vary between 22% and 26% for gold liabilities according to their maturities.

2. Further information on financial assets at fair value through profit/loss

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral/ Blocked	-	-	-	-
Subject to repurchase agreements	-	-	-	-
Total	-	-	-	-

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	409,551	109,239	457,631	-
Swap Transactions	2,333,453	2,812,555	4,694,578	2,272,253
Futures Transactions	-	-	-	514
Options	716	75,573	-	758,724
Total	2,743,720	2,997,367	5,152,209	3,031,491

3. a) Information on banks accounts

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	47,396	805,465	2,874,204	133,353
Foreign	-	15,960,842	-	7,660,740
Foreign Head Offices and Branches	-	-	-	-
Total	47,396	16,766,307	2,874,204	7,794,093

As of 31 December 2023 amount of TL 12,423 provision provided for the Bank account (31 December 2022 - TL 5,879).

b) Information on foreign bank accounts

	Unrestricted Amount		Restricted Amount(**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	4,048,154	1,479,052	-	132,836
USA and Canada	7,649,932	892,625	-	-
OECD Countries	866,040	644,395	3,025,514	4,383,255
Off-shore Banking Regions	-	-	-	-
Other	371,202	128,577	-	-
Total	12,935,328	3,144,649	3,025,514	4,516,091

(*) Includes OECD countries other than the EU countries, USA and Canada.
(**) Includes the guarantees in foreign banks for the borrowings from foreign markets.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

4. Information on Receivables from Reverse Repurchase Agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Transactions	301,081	-	3,613,560	-
T.R. Central Bank	-	-	-	-
Banks	301,081	-	3,613,560	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organization	-	-	-	-
Natural Persons	-	-	-	-
Foreign Transactions	-	-	-	427,044
Central Banks	-	-	-	-
Banks	-	-	-	427,044
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Natural Persons	-	-	-	-
Total	301,081	-	3,613,560	427,044

5. Information on Financial Assets Measured at Fair Value through Other Comprehensive Income

a) Information on financial assets measured at fair value through other comprehensive income that are subject to repurchase agreements and given as collateral/blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral/Blocked	18,555,820	-	12,462,239	-
Subject to repurchase agreements	5,472	9,855,238	9,095	10,279,690
Total	18,561,292	9,855,238	12,471,334	10,279,690

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

	Current Period	Prior Period
Debt securities	69,952,152	41,939,468
Quoted on a stock exchange(*)	69,952,152	41,939,468
Unquoted on a stock exchange	-	-
Share certificates	107	7,781
Quoted on a stock exchange	-	-
Unquoted on a stock exchange	107	7,781
Impairment provision(-)(**)	(2,600,173)	(1,808,599)
Total	67,352,086	40,138,650

(*) The Eurobond Portfolio amounting to TL 6,218,276 (31 December 2022 - TL 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 31 December 2023 amount of TL 9,387 (31 December 2022 - TL 5,094) provision provided for financial assets measured at fair value through other comprehensive income account.

6. Information related to loans

a) Information on all types of loans and advances given to shareholders and employees of the Bank

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	2,316,570	-	116,854
Corporate Shareholders	-	2,316,570	-	116,854
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees(*)	629,167	-	333,147	-
Total	629,167	2,316,570	333,147	116,854

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

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

b.1) Financial assets measured at amortized cost

		Loans Under Close Monitoring		
			Restructured Loans and Receivables	
Cash Loans	Standard Loans and Other Receivables	Loans and Receivables Not Subject to restructuring	Loans and Receivables with Revised Contract Terms	Refinance
Non-specialized Loans	524,138,702	42,377,257	89,640	20,988,079
Enterprise Loans	32,789,275	64,067	-	-
Export Loans	45,388,265	610,700	-	-
Import Loans	11,775	-	-	-
Loans Given to Financial Sector	7,902,025	207	-	-
Retail Loans	101,504,226	8,603,870	33,302	3,915,221
Credit Cards	149,791,659	16,264,845	-	3,873,135
Other	186,751,477	16,833,568	56,338	13,199,723
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	524,138,702	42,377,257	89,640	20,988,079

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

6. Information related to loans (Continued)

	Standard Loans	Loans Under Close Monitoring
Current Period		
Provision for 12 Month Expected Credit Losses	7,703,126	-
Significant Increase in Credit Risk	-	10,879,033
Prior Period		
Provision for 12 Month Expected Credit Losses	3,485,429	-
Significant Increase in Credit Risk	-	5,609,232

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

		Loans Under Close Monitoring	
Cash Loans	Standard Loans	Loans Not Subject to Restructuring	Loans with Restructured Loans
Short-term Loans	312,369,848	16,264,845	3,873,135
Medium and Long-term Loans	211,768,854	26,112,412	17,204,584
Total	524,138,702	42,377,257	21,077,719

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

	Short Term	Medium and Long Term	Total
Consumer Loans - TL	15,842,487	80,796,680	96,639,167
Housing Loans	2,307	3,420,231	3,422,538
Automobile Loans	801	31,730	32,531
Personal Need Loans	15,839,379	77,344,719	93,184,098
Other	-	-	-
Consumer Loans - FC Indexed	-	165,019	165,019
Housing Loans	-	383	383
Automobile Loans	-	-	-
Personal Need Loans	-	164,636	164,636
Other	-	-	-
Consumer Loans - FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Individual Credit Cards - TL	140,810,165	3,934,310	144,744,475
Installment	46,702,023	2,263,984	48,966,007
Non-Installment	94,108,142	1,670,326	95,778,468
Individual Credit Cards - FC	256,640	519	257,159
Installment	-	-	-
Non-Installment	256,640	519	257,159

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

	Short Term	Medium and Long Term	Total
Personnel Loans - TL	57,828	220,692	278,520
Housing Loans	-	22	22
Automobile Loans	-	-	-
Personal Need Loans	57,828	220,670	278,498
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 - TL	335,771	5,842	341,613
Installment	126,256	2,197	128,453
Non-Installment	209,515	3,645	213,160
Personnel Credit Cards - FC	1,268	3	1,271
Installment	-	-	-
Non-Installment	1,268	3	1,271
Overdraft Accounts - TL (Natural Persons)	16,228,062	745,851	16,973,913
Overdraft Accounts - FC (Natural Persons)	-	-	-
Total	173,532,221	85,868,916	259,401,137

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

	Short Term	Medium and Long Term	Total
Commercial Loans with Installment Facility - TL	1,137,755	36,689,873	37,827,628
Real Estate Loans	812	240,484	241,296
Automobile Loans	20,834	1,678,397	1,699,231
Personal Need Loans	1,116,109	34,770,992	35,887,101
Other	-	-	-
Commercial Loans with Installment Facility - FC Indexed	-	179,293	179,293
Real Estate Loans	-	825	825
Automobile Loans	-	-	-
Personal Need Loans	-	178,468	178,468
Other	-	-	-
Commercial Loans with Installment Facility - FC	-	-	-
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Corporate Credit Cards - TL	24,166,512	397,891	24,564,403
Installment	5,276,764	102,250	5,379,014
Non-Installment	18,889,748	295,641	19,185,389
Corporate Credit Cards - FC	20,678	40	20,718
Installment	-	-	-
Non-Installment	20,678	40	20,718
Overdraft Accounts - TL (Legal Entities)	2,185,382	23,010	2,208,392
Overdraft Accounts - FC (Legal Entities)	-	-	-
Total	27,510,327	37,290,107	64,800,434

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

6. Information related to loans (Continued)

f) Allocation of loans to customers(*)

	Current Period	Prior Period
Public	4,463,025	4,285,525
Private	583,130,653	348,170,521
Total	587,593,678	352,456,046

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

g) Allocation of domestic and foreign loans(*)

	Current Period	Prior Period
Domestic Loans	585,238,968	350,600,485
Foreign Loans	2,354,710	1,855,561
Total	587,593,678	352,456,046

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

h) Loans granted to subsidiaries and associates

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	4,948,468	5,341,116
Indirect Loans Granted to Subsidiaries and Associates	-	-
Total	4,948,468	5,341,116

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

	Current Period	Prior Period
Provisions		
Loans and Receivables with Limited Collectability	1,734,902	631,345
Doubtful Loans and Other Receivables	988,400	455,337
Uncollectible Loans and Receivables	5,698,767	6,342,431
Total	8,422,069	7,429,113

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period			
Gross Amounts Before the Provisions	148	3,532	336,984
Restructured Loans	148	3,532	336,984
Prior Period			
Gross Amounts Before the Provisions	46	9,865	393,631
Restructured Loans	46	9,865	393,631

j.2) Movement of total non-performing loans

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
Prior Period End Balance	874,620	636,382	7,513,924
Additions (+)	4,623,745	189,894	197,733
Transfers from Other Categories of Non-Performing Loans (+)	-	2,666,460	1,744,880
Transfers to Other Categories of Non-Performing Loans (-)	2,666,460	1,744,880	-
Collections (-)	505,109	383,594	1,775,305
Write-offs (-)	-	-	10,113
Debt Sales (-)(*)	-	-	907,703
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	309,295
Credit Cards	-	-	350,789
Others	-	-	247,619
Current Period End Balance	2,326,796	1,364,262	6,763,416
Provision (-)	1,734,902	988,400	5,698,767
Net Balances on Balance Sheet	591,894	375,862	1,064,649

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

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

None (31 December 2022 - None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

6. Information related to loans (Continued)

j.4) Breakdown of non-performing loans according to their gross and net values

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period (Net)	591,894	375,862	1,064,649
Loans to Natural Persons and Legal Entities (Gross)	2,326,796	1,364,262	6,486,482
Provision (-)	1,734,902	988,400	5,421,833
Loans to Natural Persons and Legal Entities (Net)	591,894	375,862	1,064,649
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	276,934
Provision (-)	-	-	276,934
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	243,275	181,045	1,171,493
Loans to Natural Persons and Legal Entities (Gross)	874,620	636,382	7,322,937
Specific provision (-)	631,345	455,337	6,151,444
Loans to Natural Persons and Legal Entities (Net)	243,275	181,045	1,171,493
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	190,987
Specific provision (-)	-	-	190,987
Other Loans and Receivables (Net)	-	-	-

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period (Net)			
Interest Accruals and Valuation Differences	179,655	122,137	1,167,499
Provision (-)	85,245	64,254	800,396
Prior Period (Net)			
Interest Accruals and Valuation Differences	120,510	56,583	1,257,336
Provision (-)	86,990	40,486	1,060,843

k) Liquidation policies for uncollectible loans and other receivables

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

l) Explanations on write-off policy

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

7. Information on Financial Assets Measured at Amortized Cost

a) Information on financial assets measured at amortized cost subject to repurchase agreements and provided as collateral/blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral/Blocked	19,956,890	149,001	7,436,978	-
Subject to repurchase agreements	4,753,009	25,309,928	234,667	19.644.899
Total	24,709,899	25,458,929	7,671,645	19.644.899

b) Information on government debt securities measured at amortized cost

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bond	72,305,609	29,088,903	41,598,971	19,504,773
Treasury Bill	-	-	-	-
Other Debt Securities	-	580,406	-	367,824
Total	72,305,609	29,669,309	41,598,971	19,872,597

c) Information on investment securities measured at amortized cost

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt Securities	72,305,609	29,788,256	41,598,971	20.364.334
Publicly-traded	72,305,609	29,788,256	41,598,971	20.364.334
Non-publicly traded	-	-	-	-
Provision for losses (-)	-	-	-	-
Total	72,305,609	29,788,256	41,598,971	20.364.334

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

7. Information on Financial Assets Measured at Amortized Cost (Continued)

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

	Current Period	Prior Period
Value at the beginning of the period	61,963,305	29,856,976
Exchange differences on monetary assets	11,129,111	6,288,072
Acquisitions during the year	33,404,616	12,898,683
Disposals through sales and redemptions	(23,033,396)	(10,005,623)
Provision for losses (-)	-	-
Valuation effect	18,630,229	22,925,197
The sum of end of the period	102,093,865	61,963,305

As of 31 December 2023, a provision amounting to TL 25,998 (31 December 2022 - TL 20,038) is provided for the financial assets measured at amortized cost.

8. Investments in associates (Net)

8.1. Investments in associates

a) Information on the unconsolidated subsidiaries

	Title	Address (City/ Country)	Bank's Share-If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1.	Bankalararası Kart Merkezi (BKM)(*)	Istanbul/Türkiye	4.52	4.52
2.	JCR Avrasya Derecelendirme A.Ş.(**)	Istanbul/Türkiye	2.86	2.86
3.	İhracatı Geliştirme A.Ş. (İGE)(**)	Istanbul/Türkiye	0.44	0.44
4.	Kredi Garanti Fonu A.Ş. (KGF)(**)	İstanbul/Türkiye	1.49	1.49

	Total Assets	Shareholder's Equity	Total Fixed Assets(***)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	3,880,800	3,344,720	196,203	512,853	-	2,659,647	207,418	-
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.	1,814,872	1,093,002	30,886	263,543	-	326,628	211,158	-

(*) Current period information is based on 30 September 2023 financials. Prior period profit and loss amounts are based on 30 September 2022 financials.
(**) Current period information is based on 31 December 2022 financials. Prior period profit and loss amounts are based on 31 December 2021 financials.
(***) Total fixed assets consist of tangible and intangible assets.

b) Information on the consolidated subsidiaries

None (31 December 2022 - None).

8.2. Movements of investments in associates

	Current Period	Prior Period
Balance at the Beginning of Period	45,477	14,026
Movements During the Period	8,245	31,451
Purchases	-	-
Bonus Shares Received(*)	571	31,451
Dividends From Current Year Profit	-	-
Sales	-	-
Reclassifications	7,674	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at the End of the Period	53,722	45,477
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

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

8.3. Sectoral information on investments and associates, and the related carrying amounts

	Current Period	Prior Period
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	53,722	45,477
Total	53,722	45,477

8.4. Quoted Associates

None (31 December 2022 - None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

9. Investments in subsidiaries (Net)

a) Information on the unconsolidated subsidiaries

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

	Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	179,506	6,199	57,491	-	-	11,362	7,406	-
2.	289,544	201,735	30,432	24,461	-	63,360	26,364	-

b) Information on the subsidiaries

b.1) Information on the subsidiaries

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

Information on subsidiaries in the order presented in the table above

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value(*)
1.	4,847,995	2,121,440	75,506	1,228,934	25,387	933,347	464,752	-
2.	24,816,292	2,450,331	43,691	3,204,082	7,739	824,381	401,552	2,435,631
3.	704,702	550,428	5,255	4,263	-	250,241	59,332	-
4.	16,012,885	1,477,891	28,317	4,265,884	-	926,785	295,365	-
5.	859,958	1,478	-	-	-	742	516	-
6.	5,522,719	1,583,499	101,660	345,804	123,412	966,314	431,591	-

b.2) Movement of subsidiaries

	Current Period	Prior Period
Balance at the beginning of the period	3,490,203	2,129,798
Movements during the period	6,299,627	1,360,405
Purchases(*)	981,000	-
Bonus Shares Received	885,002	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Revaluation Increase(**)	4,433,625	1,360,405
Impairment Provision	-	-
Balance at the End of the Period	9,789,830	3,490,203
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

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

(**) Includes equity method accounting differences.

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

	Current Period	Prior Period
Factoring Companies	1,477,891	551,597
Leasing Companies	2,435,631	1,622,787
Finance Companies	3,310,198	-
Other Subsidiaries	2,566,110	1,315,819
Total	9,789,830	3,490,203

b.4) Consolidated subsidiaries quoted on stock exchange

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	2,435,631	1,622,787
Quoted on International Stock Exchanges	-	-
Total	2,435,631	1,622,787

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

The Bank does not have any significant subsidiaries.

10. Information on joint ventures

	Title	Address (City/ Country)	Bank's Share-If different, Voting Rights (%)	Bank's Risk Group Share (%)
1.	Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.(*)	Istanbul/Türkiye	33.33	33.33

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	372,227	165,267	177,040	-	-	9,680	56,460	-

(*) Current period information is presented as of 30 November 2023, and prior period profit and loss amounts are presented based on the financial statements prepared as of 30 November 2022.

11. Information on lease receivables (Net)

None (31 December 2022 - None).

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I. Explanations and Disclosures Related to Assets (Continued)

12. Information on the hedging derivative financial assets

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge(*)	2,889,729	284,437	7,407,026	217,950
Cash Flow Hedge(**)	1,126,544	2,955,915	4,830,851	2,037,633
Foreign Net Investment Hedges	-	-	-	-
Total	4,016,273	3,240,352	12,237,877	2,255,583

(*) Derivative financial instruments for fair value hedging consist of swaps. As of 31 December 2023, TL 2,889,729 (31 December 2022 - TL 7,407,026) from loans, TL 284,437 (31 December 2022 - TL 217,950) 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 tangible assets

	Land and Buildings	Fixed Assets from Finance Lease	Vehicles	Other Tangible Fixed Assets	Total
Prior Year End					
Cost	3,611,555	286,11	326,514	3,301,862	7,526,041
Accumulated Depreciation (-)	722,519	252,612	56,791	1,764,652	2,796,574
Net Book Value	2,889,036	33,498	269,723	1,537,210	4,729,467
Current Year End					
Cost at the Beginning of the Period	3,611,555	286,11	326,514	3,301,862	7,526,041
Additions(*)	1,041,021	-	100,549	2,504,413	3,645,983
Disposals (-)	134,393	22,778	10,002	888,518	1,055,691
Impairment (-)/(increase)	-	-	-	-	-
Current Period Cost	7,914,871	-	-	-	7,914,871
Accumulated Depreciation at the Beginning of the Period	12,433,054	263,332	417,061	4,917,757	18,031,204
Disposals (-)	722,519	252,612	56,791	1,764,652	2,796,574
Depreciation Amount	19,834	10,779	3,098	23,822	57,533
Current Period Accumulated Depreciation (-)	334,866	2,935	63,166	406,601	807,568
Net Book Value-end of the Period	1,037,551	244,768	116,859	2,147,431	3,546,609
	11,395,503	18,564	300,202	2,770,326	14,484,595

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

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

There is no provision for impairment in the current period as a result of changes in the fair values of real estates determined by licensed real estate valuation companies (31 December 2022 - None).

b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially effecting the overall financial statements, and the reason and conditions for this

None (31 December 2022 - None).

c) c) Pledges, mortgages and other restrictions (if any) on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets

None (31 December 2022 - None).

14. Explanations on intangible assets

	Intangible Rights	Goodwill	Total
Prior Period End			
Cost	2,486,943	-	2,486,943
Accumulated Amortization (-)	1,458,394	-	1,458,394
Net Book Value	1,028,549	-	1,028,549
Current Year End			
Cost at the Beginning of the Period	2,486,943	-	2,486,943
Additions	1,571,372	-	1,571,372
Disposals(-)	-	-	-
Impairment (-)/(increase)	-	-	-
Current Period Cost	-	-	-
Accumulated Amortization at the Beginning of the Period	4,058,315	-	4,058,315
Disposals (-)	1.458.394	-	1.458.394
Amortization Charge (-)	2.955	-	2.955
Current Period Accumulated Amortization (-)	413.561	-	413.561
Net Book Value-End of the Period	1.869.000	-	1.869.000
	2.189.315	-	2.189.315

a) Disclosures for book value, description and remaining life to be amortized for a specific intangible fixed asset that is material to the financial statements

None (31 December 2022 - None).

b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition

None (31 December 2022 - None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

14. Explanations on intangible assets (Continued)

c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition

None (31 December 2022 - None).

d) The book value of intangible fixed assets that are pledged or restricted for use

None (31 December 2022 - None).

e) Amount of purchase commitments for intangible fixed assets

None (31 December 2022 - None).

f) Information on revalued intangible assets according to their types

None (31 December 2022 - None).

g) Amount of total research and development expenses recorded in the statement of profit or loss and other comprehensive income within the period if any

Amount of research expenses recorded in the statement of profit or loss and other comprehensive income within the current period TL 38,717 (31 December 2022 - TL 41,354).

h) Positive or negative consolidation goodwill on entity basis

None (31 December 2022 - None).

i) Information on goodwill

None (31 December 2022 - None).

j) Movements on goodwill in the current period

None (31 December 2022 - None).

15. Information on assets held for sale and discontinued operations

None (31 December 2022 - None).

16. Information on Tax Asset

As of 31 December 2023, the Bank has TL 6,581,490 deferred tax asset calculated under the related regulations.

Deferred tax assets and liabilities are reflected to the financial statements by netting off according to TAS 12. As of 31 December 2023, the Bank has deferred tax assets amounting to TL 10,944,479 and deferred tax liabilities amounting to TL 4,362,989 which arise between the carrying amount of the assets and liabilities in the balance sheet and the tax bases determined in accordance with tax legislation and calculated over the amounts to be taken into account in the calculation of financial profit/the tax liability is netted and recorded in the records.

Deferred tax is offset against deferred tax assets or liabilities, if the differences between the carrying amount and the fair value of the related assets are related to the equity account group. The deferred tax liability amounting to TL 1,420,311 has been netted under equity (31 December 2022 - TL 1,441,135 deferred tax liabilities).

	Accumulated Temporary Differences		Deferred Tax Assets / (Liabilities)	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Provision for Employee Rights	2,780,360	2,461,958	834,108	615,489
Difference Between the Book Value of Financial Assets and Tax Base	4,869	6,007,056	1,461	1,501,764
Other(*)	33,696,367	11,882,471	10,108,910	2,970,618
Deferred Tax Assets			10,944,479	5,087,871
Differences Between Carrying Value and Tax Value of Tangible Fixed Assets	(278)	(742,422)	(83)	(185,605)
Differences Between Carrying Value and Tax Basis of Financial Assets	(12,030,273)	(17,347,120)	(3,609,082)	(4,336,781)
Other	(2,512,745)	(844,634)	(753,824)	(211,158)
Deferred Tax Liabilities			(4,362,989)	(4,733,544)
Deferred Tax Assets/(Liabilities) - Net			6,581,490	354,327

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

	Current Period 01.01-31.12.2023	Prior Period 01.01-31.12.2022
Deferred Tax as of 1 January Asset/Liability - Net	354,327	133,892
Deferred Tax (Loss)/Gain	4,806,852	1,661,570
Deferred Tax that is Realized Under Shareholder's Equity	1,420,311	(1,441,135)
Deferred Tax Asset/Liability - Net	6,581,490	354,327

17. Information on assets held for sale and discontinued operations

None (31 December 2022 - None).

18. Information on other assets

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

As of 31 December 2023, provisions for other assets amount to TL 22,683 (31 December 2022 - TL 13,215).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

19. Accrued interest and income

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Instruments	6,759,993	6,237,719	17,390,086	5,287,074
Loans	12,295,976	5,197,443	6,448,570	1,969,786
Financial Assets measured at amortized cost	2,599,234	(853,858)	6,046,279	(1,750,115)
Financial Assets at Fair Value Through Other Comprehensive Income	11,085,004	497,745	6,876,724	224,043
Central Bank of Türkiye	81,415	-	-	-
Financial Assets at Fair Value Through Profit or Loss	25,252	19,156	10,624	3,697
Banks	46,630	-	23,280	-
Other Accruals	47,112	41,261	38,319	18,593
Total	32,940,616	11,139,466	36,833,882	5,753,078

II. Explanations and Disclosures Related to Liabilities

1. Information on maturity structure of deposits

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits(*)	27,893,499	-	49,344,669	49,231,023	99,526,973	40,555,786	9,060,383	1,347	275,613,680
Foreign Currency	129,578,727	-	16,837,949	33,318,758	3,728,411	782,658	1,144,870	6,581	185,397,954
Residents in Türkiye.	120,792,505	-	15,983,055	32,277,959	3,539,093	699,345	649,763	6,581	173,948,301
Residents Abroad	8,786,222	-	854,894	1,040,799	189,318	83,313	495,107	-	11,449,653
Public Sector Deposits	1,154,447	-	2,515	88,335	-	-	-	-	1,245,297
Commercial Deposits	19,742,589	-	31,161,782	12,920,808	19,922,891	13,940,276	9,771,674	-	107,460,020
Other Ins. Deposits	302,301	-	233,749	765,619	823,513	115,000	9,517	-	2,249,699
Precious Metal Deposits	33,732,699	-	117,147	58,862	148,831	-	442,018	-	34,499,557
Bank Deposits	1,126,701	-	9,101,219	12,450,245	1,467,378	1,438,358	-	-	25,583,901
T.R Central Bank.	-	-	-	-	-	-	-	-	-
Domestic Banks	48,433	-	923,841	-	-	-		-	972,274
Foreign Banks	1,078,268	-	8,177,378	12,450,245	1,467,378	1,438,358	-	-	24,611,627
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	213,530,963	-	106,799,030	108,833,650	125,617,997	56,832,078	20,428,462	7,928	632,050,108

(*) As of 31 December 2023, the balance of savings deposits includes the amount of TL 5,280,517 Treasury Currency Protected Deposits and TL 134,917,500 CBRT Currency Protected Deposits.

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits(*)	17,850,909	-	28,462,849	30,209,586	76,800,432	2,528,154	2,095,541	1,273	157,948,744
Foreign Currency	71,193,484	-	13,817,078	22,158,132	14,478,140	2,823,557	2,297,663	4,903	126,772,957
Residents in Türkiye.	66,386,181	-	13,346,753	21,291,812	13,872,696	2,277,577	1,395,762	4,903	118,575,684
Residents Abroad	4,807,303	-	470,325	866,320	605,444	545,980	901,901	-	8,197,273
Public Sector Deposits	578,667	-	44,150	1,347	-	51	-	-	624,215
Commercial Deposits	14,618,809	-	20,438,661	14,995,790	15,036,159	5,678,716	3,316,340	-	74,084,475
Other Ins. Deposits	141,156	-	359,956	1,380,266	347,147	239,893	43	-	2,468,461
Precious Metal Deposits	21,420,687	-	-	22,269	14,806	25,226	676,418	-	22,159,406
Bank Deposits	692,867	-	3,762,398	3,163,722	810,537	1,796,251	-	-	10,225,775
T.R Central Bank.	-	-	-	-	-	-	-	-	-
Domestic Banks	10,889	-	433,921	-	-	-	-	-	444,810
Foreign Banks	678,633	-	3,328,477	3,163,722	810,537	1,796,251	-	-	9,777,620
Participation Banks	3,345	-	-	-	-	-	-	-	3,345
Other	-	-	-	-	-	-	-	-	-
Total	126,496,579	-	66,885,092	71,931,112	107,487,221	13,091,848	8,386,005	6,176	394,284,033

(*) As of 31 December 2022, the balance of savings deposits includes the amount of TL 15,313,257 Treasury Currency Protected Deposits and TL 84,134,369 CBRT Currency Protected Deposits.

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

	Covered by Deposit Insurance Fund		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	106,246,382	55,175,424	280,322,314	179,950,471
Foreign Currency Savings Deposits	54,536,106	29,307,602	165,361,405	119,624,761
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	160,782,488	84,483,026	445,683,719	299,575,232

(*) 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 27 August 2022 and numbered 31936, all deposits and participation funds in credit institutions, other than those belonging to official institutions, credit institutions and financial institutions, started to be insured. In this context, commercial deposits covered by insurance amount to TL 17,545,869 (31 December 2022 - TL 9,717,740) is included in the footnote.

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

1.3. Savings deposits that are not covered under the guarantee of deposit insurance fund

	Current Period	Prior Period
Deposits and accounts in branches abroad	14,370	9,181
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairperson and members of the Board of Directors and their close family members	924,939	515,786
Deposits obtained through illegal acts defined in the 282nd Article of the 5237 numbered Turkish Criminal Code dated 26 September 2004	-	-
Saving deposits in banks established in Türkiye exclusively for off-shore banking activities	-	-
Total	939,309	524,967

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II. Explanations and Disclosures Related to Liabilities (Continued)

2. Information on trading derivative financial liabilities

Negative differences table for derivative financial liabilities held for trading

	Current Period(*)		Prior Period	
	TL	FC	TL	FC
Forwards transactions	286,280	110,655	421,525	-
Swaps transactions	1,044,552	2,419,434	2,556,751	2,100,139
Futures transactions	-	-	-	-
Options	327	290,250	30,387	483,367
Other	-	-	-	-
Total	1,331,159	2,820,339	3,008,663	2,583,506

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

3. Information on funds borrowed

a) Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Bank and Institutions	473,527	459,973	361,183	493,523
Foreign Bank, Institutions and Funds	-	103,890,142	-	40,798,611
Total	473,527	104,350,115	361,183	41,292,134

b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	473,527	24,879,230	361,183	15,378,977
Medium and Long-Term	-	79,470,885	-	25,913,157
Total	473,527	104,350,115	361,183	41,292,134

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

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

As of 31 December 2023 the Bank's liabilities comprise; 64% deposits (31 December 2022 - 66%), 11% funds borrowed (31 December 2022 - 7%), 6% issued bonds (31 December 2022 - 5%) and 3% money market debts (31 December 2022 - 4%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	111,969	-	16,101	-
Financial institutions and organizations	100,346	-	116	-
Other institutions and organizations	6,243	-	8,772	-
Natural persons	5,380	-	7,213	-
From foreign transactions	189,980	27,736,364	178,955	21,733,804
Financial institutions and organizations	183,633	27,736,364	169,856	13,970,191
Other institutions and organizations	5,446	-	9,099	181,991
Natural persons	901	-	-	7,581,622
Total	301,949	27,736,364	195,056	21,733,804

5. Information on securities issued (Net)

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	3,814,855	13,001,776	4,655,384	5,911,335
Bills	-	29,132,547	-	17,372,987
Total	3,814,855	42,134,323	4,655,384	23,284,322

The Bank has USD 4 Billion bond issuance program (Global Medium Term Note Program) and USD 1 Billion green and/or sustainable debt instrument issuance limit.

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

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

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

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

7.1. Changes in agreements and further commitments arising

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

7.2. Explanations on financial lease liabilities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	43,397	35,660	23,018	19,258
Between 1 - 4 years	1,359,947	1,115,582	865,856	726,060
More than 4 years	-	-	-	-
Total	1,403,344	1,151,242	888,874	745,318

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Disclosures Related to Liabilities (Continued)

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

7.3. Information and footnotes on operational lease

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

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

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

8. Information on liabilities arising from hedging purpose derivatives

	Current Period (***)		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge(*)	-	301,174	-	358,681
Cash Flow Hedge(**)	105,202	369,206	-	445,388
Net Investment Hedge	-	-	-	-
Total	105,202	670,380	-	804,069

(*) Derivative financial instruments for fair value hedge purposes consist of swaps. As of 31 December 2023, TL 154,155 from securities (31 December 2022 - TL 136,028), TL 147,019 (31 December 2022 - TL 222,653) of marketable securities issued represents the fair value of the derivative financial instruments used in the fair value hedging transaction.

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

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

9. Information on provisions

9.1. Provision for currency exchange gain/loss on foreign currency indexed loans

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

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

	Current Period	Prior Period
Stage 1	1,859,894	544,980
Stage 2	50,405	24,102
Stage 3	27,904	55,641
Total	1,938,203	624,723

9.3. Information on employee termination benefits

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

As of 31 December 2023 the Bank presented the provision for severance pay of TL 919,522 (31 December 2022 - TL 1,145,986) under the “Reserves for Employee Benefits” item in its financial statements.

As of 31 December 2023, the Bank has shown a total vacation liability of TL 214,882 (31 December 2022 - TL 137,977) under the “Reserves for Employee Benefits” in its financial statements.

As of 31 December 2023 TL 1,645,956 (31 December 2022 - TL 1,177,995) provision for salaries, bonuses and premiums to be paid to the personnel has been presented under the “Reserve for Employee Benefits” in its financial statements.

9.3.1. Movement of employee termination benefits

	Current Period 01.01-31.12.2023	Prior Period 01.01-31.12.2022
As of 1 January	1,145,986	469,457
Service Cost	119,078	54,738
Interest Cost	109,071	84,527
Settlement / curtailment / termination loss	32,118	22,816
Actuarial Difference	(53,860)	578,606
Paid during the period	(432,871)	(64,158)
Total	919,522	1,145,986

9.4. Information on other provisions

Except for those stated in footnote 9.3 above, other provisions amounting to TL 318,321 (31 December 2022 - TL 431,576) includes provisions for lawsuits and tax lawsuits against the Bank. The Bank has benefited from the relevant articles of the Law No. 7326 regarding various ongoing tax lawsuits.

As of 31 December 2023, in the consolidated financial statements, within the other provisions, there is a total of TL 6,800,000 of free provision, of which TL 5,400,000 was expensed in the previous year, and TL 1,400,000 was expensed in the current period by the Bank management, outside the requirements of the Banking Regulation and Supervision Agency (BDDK) Accounting and Financial Reporting Regulations.

10. Explanations on taxation

10.1. Informations on current taxes

10.1.1. Informations on current tax liability

The Bank has a tax liability of TL 2,141,659 as of 31 December 2023 (31 December 2022 - 2,766,075). As of 31 December 2023, the Bank’s prepaid tax is amounting to TL 26,773 (31 December 2022 - TL 3,730).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Disclosures Related to Liabilities (Continued)

10. Explanations on taxation (Continued)

10.1. Informations on current taxes (Continued)

10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	2,141,659	2,766,075
Banking and Insurance Transaction Tax (BITT)	1,344,873	371,255
Taxation on Securities Income	285,284	97,627
Taxation on Real Estates Income	7,561	4,333
Other	237,171	151,973
Total	4,016,548	3,391,263

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

10.1.3. Information on premiums

	Current Period	Prior Period
Social Security Premiums - Employee Share	103,907	48,021
Social Security Premiums - Employer Share	127,617	55,190
Unemployment Insurance - Employee Share	6,772	3,375
Unemployment Insurance - Employer Share	13,547	6,752
Total	251,843	113,338

11. Information on payables related to assets held for sale

None (31 December 2022 - None).

12. Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
To be included in the calculation of additional capital	-	15,468,985	-	9,826,193
Subordinated Loans	-	15,468,985	-	9,826,193
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	-	11,479,871	-	7,301,531
Subordinated loans	-	2,528,610	-	7,301,531
Subordinated debt instruments	-	8,951,261	-	-
Total	-	26,948,856	-	17,127,724

13. Information on shareholder’s equity

13.1. Paid-in capital

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

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

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

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

None (31 December 2022 - None).

13.4. Information on share capital increases from revaluation funds

None (31 December 2022 - None).

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

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

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

None (31 December 2022 - None).

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

None (31 December 2022 - None).

14. Common stock issue premiums

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

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Disclosures Related to Liabilities (Continued)

15. Securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Entities under Common Control	-	-	-	-
Valuation Difference	-	-	-	-
Foreign Exchange Rate Difference	-	-	-	-
Securities Measured at Fair Value Through Other Comprehensive Income (FVOCI)	(383,350)	(1,110,440)	3,697,815	(1,846,032)
Valuation Difference	(383,350)	(1,110,440)	3,697,815	(1,846,032)
Foreign Exchange Rate Difference	-	-	-	-
Total	(383,350)	(1,110,440)	3,697,815	(1,846,032)

16. Accrued interest and expenses

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Liabilities	1,436,361	3,490,719	3,008,663	3,387,575
Deposits	12,924,866	310,841	2,984,346	250,152
Funds Borrowed	19,730	1,548,650	17,494	416,789
Money Market Borrowings	16,905	509,179	2,767	139,542
Securities Issued	-	9,582,323	-	400,290
Other Accruals	1,143,176	1,234,481	1,273,478	368,615
Total	15,541,038	16,676,193	7,286,748	4,962,963

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

1. Information related to off-balance sheet contingencies

1.1. Type and amount of irrevocable commitments

	Current Period	Current Period
Credit Cards Limit Commitments	376,605,042	111,928,372
Commitment For Use Guaranteed Credit Allocation	93,560,986	47,345,675
Forward, Asset Purchase Commitments	10,962,370	14,849,695
Other Irrevocable Commitments	6,177,238	17,048,935
Payment Commitments for Cheques	6,684,472	3,895,823
Commitments for Promotions Related with Credit Cards and Bankingivities Prom. Uyg. Taah	211,656	109,533
Tax and Fund Liabilities due to Export Commitments	279,060	118,666
Total	494,480,824	195,296,699

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

A provision of TL 1,938,203 (31 December 2022 - TL 624,723) has been made for non-compensated and non-cash loans or expected loan losses on off-balance sheet loans.

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

	Current Period	Prior Period
Bank Loans	13,059,090	13,724,618
Letters of Credit	11,561,897	5,848,676
Total	24,620,987	19,573,294

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

	Current Period	Prior Period
Final Letters of Guarantee	27,300,457	17,059,240
Advance Letters of Guarantee	16,887,172	7,239,998
Provisional Letters of Guarantee	1,165,597	1,327,806
Letters of Guarantee Given to Customs Offices	1,349,881	1,073,138
Other Letters of Guarantee	31,540,226	18,955,713
Total	78,243,333	45,655,895

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	13,691,699	7,519,250
Less Than or Equal to One Year with Original Maturity	428,986	578,172
More Than One Year with Original Maturity	13,262,713	6,941,078
Other Non-Cash Loans	89,172,621	57,709,939
Total	102,864,320	65,229,189

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

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	244,389	0.50	-	-	165,630	0.56	596	0.00
Farming and Raising Livestock	167,207	0.34	-	-	79,656	0.27	596	0.00
Forestry	20,553	0.04	-	-	45,255	0.15	-	-
Fishing	56,629	0.12	-	-	40,719	0.14	-	-
Manufacturing	16,773,181	34.52	27,294,734	50.29	10,058,694	33.88	18,219,721	51.27
Mining and Quarrying	266,113	0.55	40,035	0.07	161,862	0.55	33,296	0.09
Production	15,420,248	31.74	26,788,571	49.36	9,498,871	31.99	17,910,743	50.40
Electricity, gas and water	1,086,820	2.24	466,128	0.86	397,961	1.34	275,682	0.78
Construction	9,320,457	19.18	10,709,626	19.73	6,222,108	20.96	6,167,027	17.35
Services	21,976,820	45.23	15,376,420	28.33	12,797,899	43.10	10,669,011	30.02
Wholesale and Retail Trade	14,842,936	30.55	6,380,976	11.76	8,726,222	29.39	4,304,979	12.11
Hotel, Food and Beverage Services	1,157,226	2.38	270,042	0.50	609,706	2.05	1,135,063	3.19
Transportation&Communication	873,419	1.80	1,208,576	2.23	713,008	2.40	842,222	2.37
Financial Institutions	3,294,322	6.78	5,791,946	10.67	1,614,311	5.44	3,808,729	10.72
Real Estate and Renting Services	12,538	0.03	6,515	0.01	89,435	0.30	20,669	0.06
Self Employment Services	1,177,719	2.42	915,500	1.69	583,415	1.96	417,290	1.17
Educational Services	35,652	0.07	-	-	31,168	0.10	-	-
Health and Social Services	583,008	1.20	802,865	1.48	430,634	1.45	140,059	0.39
Other	274,876	0.57	893,817	1.65	446,739	1.50	481,764	1.36
Total	48,589,723	100.00	54,274,597	100.00	29,691,070	100.00	35,538,119	100.00

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	I. Group		II. Group	
Current Period(*)	**TL**	**FC**	**TL**	**FC**
Letters of Guarantee	43,681,468	32,969,321	408,231	1,156,409
Bills of Exchange and Acceptances	4,385,051	8,441,758	39,500	192,781
Letters of Credit	47,569	11,513,217	-	1,111
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-Cash Loans	48,114,088	52,924,296	447,731	1,350,301

(*) The amount of TL 27,904 excluded for non-cash loans and ECL provision of non-cash loans which are under off-balance accounts and not indemnified and unliquidated but provisioned.

	I. Group		II. Group	
Prior Period(*)	**TL**	**FC**	**TL**	**FC**
Letters of Guarantee	25,201,036	19,889,615	367,838	141,765
Bills of Exchange and Acceptances	3,970,331	9,694,144	58,000	2,143
Letters of Credit	38,039	5,809,183	185	1,269
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-Cash Loans	29,209,406	35,392,942	426,023	145,177

(*) The amount of TL 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.

5. Information on derivative financial instruments

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	536,290,471	440,112,742
Forward transactions(*)	62,546,387	45,212,064
Swap transactions	443,564,169	275,840,461
Futures transactions	15,572,793	1,618,208
Option transactions	14,607,122	117,442,009
Interest Related Derivative Transactions (II)	318,167,378	159,791,156
Forward rate transactions	-	-
Interest rate swap transactions	318,167,378	156,221,134
Interest option transactions	-	-
Futures interest transactions	-	3,570,022
Security option transactions	-	-
Other trading derivative transactions (III)	1,177,528	2,056,626
A. Total Trading Derivative Transactions (I+II+III)	855,635,377	601,960,524
Types of hedging transactions		
Fair value hedges	34,413,172	41,217,628
Cash flow hedges	170,008,995	106,959,367
Net investment hedges	-	-
B. Total Hedging Related Derivatives	204,422,167	148,176,995
Total Derivative Transactions (A+Bff)	1,060,057,544	750,137,519

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

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

Current Period	Forward Buy(**)	Forward Sell(**)	Swap Buy(*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
TL	20,596,335	1,922,483	53,595,957	197,555,847	7,212,979	340,337	8,006,635	-	-
USD	6,647,440	21,756,859	342,025,333	190,929,421	520,376	5,008,813	-	6,947,062	1,177,528
Euro	4,263,478	6,310,130	47,136,120	94,146,959	9,153	1,515,464	-	-	-
Other	626,629	423,033	39,540,443	1,223,634	-	-	-	619,096	-
Total	32,133,882	30,412,505	482,297,853	483,855,861	7,742,508	6,864,614	8,006,635	7,566,158	1,177,528

(*) This column also includes hedging purpose derivatives.

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

Prior Period	Forward Buy(**)	Forward Sell(**)	Swap Buy(*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
TL	13,715,428	846,945	30,998,215	95,111,438	45,910,391	12,799,328	-	825,285	-
USD	3,300,933	17,975,259	211,928,771	114,947,182	11,634,673	36,843,573	2,577,934	1,785,011	2,056,626
Euro	4,944,415	2,287,495	26,712,416	72,128,001	1,684,385	7,378,288	-	-	-
Other	369,698	1,771,891	28,032,607	379,960	3,729	1,187,642	-	-	-
Total	22,330,474	22,881,590	297,672,009	282,566,581	59,233,178	58,208,831	2,577,934	2,610,296	2,056,626

(*) This column also includes hedging purpose derivatives

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information on derivative financial instruments (Continued)

5.1. Fair value hedge accounting

a) Loans

The Bank applies fair value hedge accounting within the framework of TAS 39 by performing swap transactions in order to protect itself against changes that may occur in the fair value of a certain part of its long term fixed interest loans resulting from changes in market interest rates. On 31 December 2023, the TL installment loans amounting to TL 725,780 (31 December 2022 - TL 2,113,014) were subject to hedge accounting by swaps with a nominal amount of TL 1,102,305 (31 December 2022 - TL 4,808,155). On 31 December 2023, the net market valuation difference gain of TL 7,342 arising from TL 92,934 gain from the aforementioned loans (31 December 2022 - TL 196,115 gain) and TL 85,593 loss from swaps (31 December 2022 - TL 301,175 loss), is shown under “Gains/Losses From Derivative Transactions" account in the financial statements.

According to TAS 39, fair value hedge accounting definitions, some of the fair value hedge accounting applications ceased. The fair value differences of the hedged loans are amortized through statement of profit or loss and other comprehensive income until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TL 247,211 (31 December 2022 - TL 67,268 gain) related to the loans that are ineffective for hedge accounting under “Gain/(Loss) From Financial Derivatives Transactions” as gain during the current period.

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

The Bank applies fair value hedge accounting through swaps in order to hedge long term fixed coupon foreign currency eurobonds in its portfolio against interest rate fluctuations. As of the balance sheet date, eurobonds with a nominal value of USD 212,671 Million (31 December 2022 - USD 259,315 Million and EUR 44 Million) were subject to hedge accounting by interest swaps of the same nominal value. On 31 December 2023, net market valuation difference loss of TL 2,775 arising from, TL 17,532 loss from aforementioned eurobonds (31 December 2022 - TL 844,795 loss) and TL 14,757 gain from swaps (31 December 2022 - TL 839,160 gain), is shown under “Gains/Losses From Derivative Transactions" account in the financial statements.

The Bank does not have a TL denominated government bond portfolio subject to fair value hedge accounting in the current period (31 December 2022 - None).

c) Marketable Securities Issued

The Bank applies fair value hedge accounting using interest rate swaps in order to hedge against changes in interest rate with regard to fixed rated, FC denominated securities issued. As of the balance sheet date, bonds with a nominal value of USD 300 Million (31 December 2022 - USD 330 Million) are subject to hedge accounting with the same nominal amount of swaps. As of 31 December 2023, a net market valuation difference loss of TL 5,102 consisting of TL 44,707 loss from the aforementioned securities (31 December 2022 - TL 417,088 gain) and TL 39,605 gain from swaps (31 December 2022 - TL 414,503 loss), is shown under “Gains/Losses From Derivative Transactions" account in the financial statements.

5.2. Cash flow hedge accounting

a) Floating Rate Loans

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

In this context; as of the balance sheet date, swaps with a nominal amount of USD 525 Million (31 December 2022 - USD 525 Million) regarding the floating rate TL 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 TL 166,065 (31 December 2022 - TL 572,313 loss) has been accounted for under equity in the current period. The loss amounting to TL 531 related to the ineffective portion is associated with the profit or loss statement (31 December 2022 - TL 4 loss).

On the other hand; as of the balance sheet date, swaps with a nominal amount of TL 5,724 Million (31 December 2022 - TL 5,472 Million) regarding the floating rate TL 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 TL 395,810 (31 December 2022 - TL 330,708 gain) has been accounted for under equity in the current period. The loss of the ineffective portion amounting to TL 55 is associated with the statement of profit or loss (31 December 2022 - TL 75 gain).

b) Deposit

The Bank applies cash flow hedge accounting using interest rate swaps in order to hedge itself from the interest rate changes of deposits that have an average maturity until 3 months, the Bank implements cash flow hedge accounting with interest rate swaps. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity “Hedging Funds”, whereas the ineffective portions are accounted for at statement of profit or loss and other comprehensive income as defined in TAS 39. As of the balance sheet date, swaps amounting to TL 1,405,000 are subject to hedge accounting as hedging instruments (31 December 2022 - TL 50,000). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TL 24,571 are accounted for under equity during the current period (31 December 2022 - TL 2,192 loss). There is no ineffective portion is accounted with the statement of profit or loss and other comprehensive income (31 December 2022 - None).

As of the balance sheet date, swaps with a nominal amount of USD 1,771 Million (31 December 2022 - USD 1,621 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 136 Million (31 December 2022 - EUR 114 Million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value loss before taxes amounting to TL 347,876 (31 December 2022 - TL 2,123,518 gain) are accounted for under equity during the current period. The gain amounting to TL 15,970 (31 December 2022 - TL 13,216 gain) related to the ineffective portion is associated with the statement of profit or loss and other comprehensive income.

c) Floating Rate Liabilities

The Bank applies cash flow hedge accounting through interest rate swaps in order to protect its subordinated loans with floating rate payments from changes in interest rates. In this context; bank applies effectiveness tests for hedge accounting at each balance sheet date, the effective parts are accounted for in the “Hedging Funds” account item under equity in the financial statements as defined in TAS 39, and the amount related to the ineffective part is associated with the profit or loss statement. As of the balance sheet date, swaps with a nominal amount of USD 217 Million (31 December 2022 - USD 423 Million) are subject to hedge accounting as hedging instruments. As a result of the aforementioned hedge accounting, the fair value loss before tax amounting to TL 249,573 (31 December 2022 - TL 423,008 gain) has been accounted for under equity in the current period. The gain amounting to TL 3,790 (31 December 2022 - TL 8 gain) related to the ineffective portion is associated with the profit or loss statement.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information on derivative financial instruments (Continued)

5.2. Cash flow hedge accounting (Continued)

On the other hand, accounting application is terminated when cash flow hedge accounting is not effectively maintained as defined in TAS 39. According to this; The valuation effects classified under equity due to hedge accounting are reflected in the statement of profit or loss and other comprehensive income throughout the life of the item subject to hedge accounting. Due to hedge accounting practices terminated in the current year, a loss amounting to TL 57,575 (31 December 2022 - TL 39,964 loss) was transferred from the "Gain/losses from derivative transactions" to the statement of profit or loss and other comprehensive income.

In this context, in the current period, the Bank has transferred loss of TL 11,672 (31 December 2022 - TL 12,357 loss) from equity to the profit or loss statement related to terminated hedge accounting practices.

The measurements as of 31 December 2023, hedge of cash flow transactions stated above are determined as effective.

6. Credit derivatives and risk exposures on credit derivatives

As of 31 December 2023, the Bank has no commitments "Credit Linked Notes" (As of 31 December 2022 - None).

As of 31 December 2023, "Other Derivative Financial Assets" with nominal amount of USD 40,000,000 (31 December 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 40,000,000.

7. Information on contingent liabilities and assets

The Bank has recorded a provision of TL 74,155 (31 December 2022 - TL 280,929) for the lawsuits filed against the Bank with a high probability of occurrence, in accordance with Principle of Prudence. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

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

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

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

MOODY's January 2024		FITCH September 2023	
Long-Term Deposit Rating (FC)	B2	Long -Term Issuer Default Rating (FC)	B- (Stable)
Long-Term Deposit Rating (TL)	B1	Short-Term Issuer Default Rating (FC)	B
Short-Term Deposit Rating (FC)	NP	Long-Term Issuer Default Rating (TL)	B (Stable)
Short-Term Deposit Rating (TL)	NP	Short-Term Issuer Default Rating (TL)	B
Main Credit Evaluation	b3	Long-Term National Appearance	AA(tur) (Stable)
Adjusted Main Credit Evaluation	b1	Support	b-
Appearance	Positive	Financial Capacity Rating	b-
Long-Term Foreign Currency Denominated Debt Rating (FC)	B2		

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

1. **a) Information on interest income received from loans**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Loans	39,414,394	4,768,549	18,054,403	1,625,933
Medium and Long-Term Loans	29,933,893	8,764,370	16,185,212	4,445,863
Non-Performing Loans	788,510	-	636,433	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total(*)	70,136,797	13,532,919	34,876,048	6,071,796

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

b) Information on interest income from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank(*)	156,988	-	-	-
Domestic Banks	210,422	196	12,634	276
Foreign Banks	3,377	526,443	1,170	282,581
Foreign Headquarters and Branches	-	-	-	-
Total	370,787	526,639	13,804	282,857

(*) The interest income on Required Reserve amounting TL 412,862 is not included into interest income on Banks (31 December 2022 - TL 130,135).

c) Information on interest income from securities portfolio

	Current Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	367,979	21,758
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	9,348,061	818,286
Financial Assets Measured at Amortized Cost	23,174,698	1,501,968
Total	32,890,738	2,342,012

	Prior Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	72,996	7,521
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	4,941,239	708,897
Financial Assets Measured at Amortized Cost	15,751,314	1,095,653
Total	20,765,549	1,812,071

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

9. Information on the Bank's rating by international rating institutions (Continued)

c) Information on interest income from securities portfolio (Continued)

As stated in Section Three disclosure VII. 2, the Bank has inflation indexed (CPI) government bonds in its Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) and Financial Assets Measured at Amortized Cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Republic of Türkiye Ministry of Treasury and Finance, reference index used for the actual payments is determined based on the inflation rates of two months before. As of 31 December 2023, an annual rate of 61.36% has been taken into account for the estimated inflation rate used in the valuation of these securities.

d) Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	1,071,991	498,138

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	80,878	7,556,234	80,147	2,823,103
T.R. Central Bank	-	-	-	-
Domestic Banks	69,616	41,072	76,333	20,442
Foreign Banks	11,262	7,515,162	3,814	2,802,661
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	80,878	7,556,234	80,147	2,823,103

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

b) Information on interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	128,317	32,752

c) Information on interest expense paid to securities issued

As of 31 December 2023 interest paid to securities issued is TL 2,888,108 (31 December 2022 - TL 2,314,161).

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

		Time Deposits						
Account	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accumulated Deposit Account	Total
Turkish Lira								
Bank Deposits	-	184,688	-	-	-	-	-	184,688
Saving Deposits	-	9,550,494	10,322,264	27,878,029	2,971,069	727,044	-	51,448,900
Public Sector Deposits	-	3,791	2,203	-	4	-	-	5,998
Commercial Deposits	-	5,810,244	4,930,800	5,124,923	1,732,531	1,228,998	-	18,827,496
Other Deposits	-	74,575	399,088	191,527	24,412	661	-	690,263
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	-	15,623,792	15,654,355	33,194,479	4,728,016	1,956,703	-	71,157,345
Foreign Currency								
Deposits	-	49,350	331,249	406,852	23,861	48,034	-	859,346
Bank Deposits	1,172	529,553	787,597	96,597	91,847	-	-	1,506,766
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	2,489	-	-	-	-	-	2,489
Total	1,172	581,392	1,118,846	503,449	115,708	48,034	-	2,368,601
Grand Total	1,172	16,205,184	16,773,201	33,697,928	4,843,724	2,004,737	-	73,525,946

		Time Deposits						
Account	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accumulated Deposit Account	Total
Turkish Lira								
Bank Deposits	-	52,247	16,800	-	-	-	-	69,047
Saving Deposits	-	2,763,114	2,489,527	5,654,397	299,312	212,358	-	11,418,708
Public Sector Deposits	-	3,760	1,412	30	98	-	-	5,300
Commercial Deposits	-	1,673,231	1,048,983	800,913	1,291,954	240,053	-	5,055,134
Other Deposits	-	22,835	115,670	9,156	17,015	7	-	164,683
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	-	4,515,187	3,672,392	6,464,496	1,608,379	452,418	-	16,712,872
Foreign Currency								
Deposits	-	189,253	943,422	496,604	53,189	55,374	-	1,737,842
Bank Deposits	118	134,170	90,790	23,429	60,999	-	-	309,506
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	11,939	-	-	-	-	-	11,939
Total	118	335,362	1,034,212	520,033	114,188	55,374	-	2,059,287
Grand Total	118	4,850,549	4,706,604	6,984,529	1,722,567	507,792	-	18,772,159

e) Information on interest expense on repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expense on Repurchase Agreements(*)	1,362,803	1,206,816	1,901,143	404,695

(*) Includes "Interest on Money Market Transactions

f) Information on lease expenses

	Current Period	Prior Period
Leasing Expenses	138,951	100,886

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

g) Information on interest expense on factoring payables

None (31 December 2022 - None).

3. Information on dividend income

	Current Period	Prior Period
Financial Derivative Assets at Fair Value through Profit/Loss (FVTPL)	10,513	1,674
From Financial Assets at Fair Value through Other Comprehensive Income	-	-
Other	714	13,274
Total	11,227	14,948

4. Information on trading gain/loss

	Current Period	Prior Period
Trading Gain	54,776,052	29,164,875
Gains on Capital Market Transactions	3,586,987	2,162,920
From Derivative Financial Instruments	25,194,991	12,738,881
Foreign Exchange Gains	25,994,074	14,263,074
Trading Loss (-)	42,760,476	28,648,491
Losses on Capital Market Transactions	1,452,423	685,150
From Derivative Financial Instruments	34,535,702	19,858,844
Foreign Exchange Losses	6,772,351	8,104,497
Net Trading Gain/Loss	12,015,576	516,384

5. Information on other operating income

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

6. Provision for losses and other provision expenses

	Current Period	Prior Period
Expected Credit Loss	11,993,445	4,914,571
12 month expected credit loss (Stage 1)	4,242,190	1,418,103
Significant increase in credit risk (Stage 2)	5,272,355	2,097,585
Non-performing loans (Stage 3)	2,478,900	1,398,883
Marketable Securities Impairment Expense	4,292	2,279
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	4,292	2,279
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other(*)	2,851,339	5,933,517
Total	14,849,076	10,850,367

(*) Includes free provision expense for possible risks amounting to TL 1,400,000 (31 December 2022 - TL 5,400,000) allocated in the current period.

7. Information on other operating expenses

	Current Period	Prior Period
Reserve for Employee Termination Benefits(*)	274,802	97,922
Depreciation Expenses of Fixed Assets	807,568	583,765
Amortization Expenses of Intangible Assets	413,561	232,239
Other Operating Expenses	5,759,481	4,179,764
Leasing Expenses Related to TFRS 16 Exemptions	*6,364*	*2,731*
Maintenance Expenses	*1,063,281*	*1,254,736*
Advertisement Expenses	*565,268*	*324,683*
Other Expenses	*4,124,568*	*2,597,614*
Loss on Sales of Assets	84	61
Other	2,663,856	1,196,780
Total	9,919,352	6,290,531

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

8. Fees for Services Obtained from an Independent Auditor/Independent Audit Firm

	Current Period(*)(**)	Prior Period(*)(**)
Indepent audit fee for reporting period	12,663	6,168
Fees for tax advisory services	-	-
Fee for other assurance services	6,055	649
Fees for services other than indepent auditing	-	-
TOTAL	18,718	6,817

(*) Consolidated amount reported.
(**) VAT excluded.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

For the period ended 31 December 2023 net interest income in income items amounting to TL 34,548,857 (31 December 2022 - TL 37,396,258), net fees and commission income amounting to TL 18,317,334 (31 December 2022 - TL 6,128,001) and other operating income amounting to TL 2,376,629 (31 December 2022 - TL 309,762) constitute an important part of the income.

10. Explanations on tax provision for continued and discontinued operations

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

As of 31 December 2023, the Bank has recorded tax charge TL 9,367,050 (31 December 2022 - TL 8,720,618) and a deferred tax loss of TL 3,301,966 (31 December 2022 - TL 1,697,992) and a deferred tax income of TL 8,108,818 (31 December 2022 - TL 3,359,562) from its continuing operations.

10.2. Explanations on operating profit/loss after taxes

None (31 December 2022 - None).

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

Net profit of the Bank from continued operations is TL 33,172,442 (31 December 2022 - TL 17,223,766)

12. Explanations on net income/loss for the period

12.1. If disclosure of the nature, amount and recurrence rate of income and expense items arising from ordinary banking transactions is necessary for an understanding of the Bank's performance during the period, the nature and amount of these items

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

None (31 December 2022 - None).

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

None (31 December 2022 - None).

12.4 There are no changes in the nature and amount of accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods.

13. Information on the components of other items in the statement of profit or loss and other comprehensive income exceeding 10% of the total, or items that comprise at least 20% of the statement of profit or loss and other comprehensive income

Fees and commissions from credit cards, transfers and insurance intermediaries are recorded in the "Others" line under "Fees and Commissions Received" account, while fees and commissions given to credit cards are recorded in the "Others" line under "Fees and Commissions Paid" account by the Bank.

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

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

Net decrease of TL 3,345,573 (31 December 2022 - TL 3,073,971 net increase) after tax effect resulting from valuation of at financial assets measured at fair value through other comprehensive income is included in "accumulated other comprehensive income or loss reclassified through profit or loss" account under shareholders' equity.

2. Explanations on foreign exchange differences

None.

3. Explanations on dividend

3.1. Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements

There is no dividend notified before the promulgation of financial statements. It was decided to distribute the year 2022 profit as stated below at the Ordinary General Assembly held on 30 March 2023.

2022 profit distribution table

Current Year Profit	17,223,766
A - I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	28,298
B - The First Dividend for Shareholders	-
C - Profit from Disposal of Associates	-
D - II. Legal Reserves	-
E - Gains on Real estate Sales Fund	-
F - Extraordinary Reserves	17,195,468

3.2. Dividends per share proposed subsequent to the balance sheet date

No decision is taken concerning the profit distribution by the General Assembly as of the balance sheet date.

3.3. Transfers to legal reserves

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

4. Information on issuance of share certificates

4.1. The rights, priorities and restrictions regarding the share capital including distribution of income and repayment of the capital

None (31 December 2022 - None).

5. Information on the other capital increase items in the statement of changes in shareholders' equity

There was no capital increase in 2023. None (31 December 2022 - None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. Explanations And Disclosures Related Statement of Cash Flows

“Other items” amounting to TL 53,804,007 (31 December 2022- TL 12,419,100) in “Operating profit before changes in operating assets and liabilities” consist of fees and commissions paid amounting to TL 5,180,275 (31 December 2022 – TL 2,162,783), net trading income amounting to TL 62,302,817 (31 December 2022 - TL 21,247,184 net trading income/loss) and other operating expenses amounting to TL 3,318,534 (31 December 2022 - TL 6,665,301).

The “Other” item in the “change in other assets subject to banking activity” amounting to TL 8,045,574 (31 December 2022 - TL 4,951,535) includes colleterals amounting to TL 511,687 (31 December 2023 - TL 1,641,520) and other assets amounting to TL 7,533,887 (31 December 2022 - TL 3,310,015).

“Other” item in the “Change in other liabilities of the field of banking” amounting to TL 16,348,171 (31 December 2022 - TL 15,766,776) includes debts to money markets amounting to TL 6,522,980 (31 December 2022 - TL 3,828,930), other liabilities amounting to TL 13,731,903 (31 December 2022 - TL 8,592,268) and other capital reserves amounting to TL 3,906,711 (31 December 2022 - TL 3,345,578).

The effect of change in foreign exchange rate on cash and cash equivalents is the sum of the foreign exchange differences arising from the conversion of the average balances of cash and cash equivalents in foreign currency to TL at the beginning of the period and at the end of the period. As of 31 December 2023, TL 2,214,140 (31 December 2022 - TL 1,454,238).

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

	Prior Period 31 December 2022
Cash	11,930,986
Cash in TL	1,621,492
Cash in Foreign Currencies	6,809,684
Other	3,499,810
Cash Equivalents	60,850,432
Balances with the T.R. Central Bank	42,132,406
Banks	10,272,810
Money Market Placements	8,467,980
Less: Accruals	(22,764)
Cash and Cash Equivalents	72,781,418

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

	Current Period 31 December 2023
Cash	12,933,483
Cash in TL	2,150,944
Cash in Foreign Currencies	9,412,639
Other	1,369,900
Cash Equivalents	105,446,282
Balances with the T.R. Central Bank	83,652,347
Banks	16,185,399
Money Market Placements	5,736,581
Less: Accruals	(128,045)
Cash and Cash Equivalents	118,379,765

3. Restricted cash and cash equivalents due to legal requirements or other reasons

A portion of foreign bank accounts amounting to TL 628,304 (31 December 2022 - TL 396,003) includes blocked cash for foreign money and capital market transactions and for borrowings from foreign markets.

4. Additional information

4.1. Restrictions on the Bank’s potential borrowings that can be used for ordinary operations or capital commitment

None (31 December 2022 - None).

4.2. The sum of cash flows that show the increases in banking activity capacity, apart from the cash flows needed to maintain current banking activity capacity

None (31 December 2022 - None).

VII. Explanations and Disclosures Related to the Bank’s Risk Group

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

1.1. As of 31 December 2023, the Bank’s risk group has deposits amounting to TL 10,144,705 (31 December 2022 - TL 2,093,536), cash loans amounting to TL 4,953,937 (31 December 2022 - TL 5,345,218) and non-cash loans amounting to TL 2,790,533 (31 December 2022 - TL 153,692).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Current Period

Bank's Risk Group(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Natural Persons in Risk Group(**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	5,341,116	35,489	-	116,854	4,102	1,349
Balance at the End of the Period	4,948,468	385,274	-	2,316,570	5,469	88,689
Interest and Commission Income	1,071,991	43,627	-	2,242	3,800	-

Prior Period

Bank's Risk Group(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Natural Persons in Risk Group(**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	2,202,964	25,118	-	55,271	1,773	4,888
Balance at the End of the Period	5,341,116	35,489	-	116,854	4,102	1,349
Interest and Commission Income	329,538	65	-	1,705	646	-

(*) As described in the Article 49 of Banking Law No 5411.
(**) Includes the loans given to the Bank's indirect subsidiaries.
(***) Prior Period Balance Represents 31 December 2022 balance.

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

Bank's Risk Group(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Natural Persons in Risk Group(**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposit						
Balance at the Beginning of the Period	1,520,911	1,046,640	-	-	572,625	525,760
Balance at the End of the Period	1,322,572	1,520,911	-	-	8,822,133	572,625
Interest on deposits(***)	128,317	32,752	-	-	232,930	22,015

(*) As described in the Article 49 of Banking Law No 5411.
(**) Includes the loans given to the Bank's indirect subsidiaries.
(***) Prior Period Balance Represents 31 December 2022 balance.

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

Bank's Risk Group(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Natural Persons in Risk Group(**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes						
Beginning of the Period	747,471	1,473,687	-	-	-	-
End of the Period	2,088,948	747,471	-	-	-	-
Total Income/Loss(***)	(92,433)	(175,927)	-	-	48	384
Transactions for Hedging Purposes						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss(***)	-	-	-	-	-	-

(*) As described in the Article 49 of Banking Law No 5411.
(**) Includes the loans given to the Bank's indirect subsidiaries.
(***) Prior Period Balance Represents 31 December 2022 balance.

1.4. Information on benefits provided to top management

As of 31 December 2023, the total amount of remuneration and bonuses paid to top management of the Bank is TL 434,580 (31 December 2022 - TL 263,296).

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

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

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

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

As of 31 December 2023, cash loans of the risk group represented 0.8% of the Bank's total cash loans (31 December 2022 - 1.5%), the deposits represented 1.6% of the Bank's total deposits (31 December 2022 - 0.5%) and derivative transactions represented 0.2% of the Bank's total derivative transactions (31 December 2022 - 0.1%).

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

The Bank enters into finance lease agreements with QNB Finans Finansal Kiralama A.Ş. As of 31 December 2023, the Bank has net finance lease payables to QNB Finans Finansal Kiralama A.Ş. amounting to TL 4,305 (31 December 2022 - TL 8,406) relating with finance lease agreements.

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

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ

Notes to Unconsolidated Financial Statements for The Year Ended 31 December 2023

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

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VIII. Explanations on the Bank's Domestic, Foreign and Off-Shore Banking Branches and Foreign Representatives

1. Information relating to the bank's domestic and foreign branch and representatives

	Number	Employees	Country	Total Assets	Capital
Domestic Branch	435	11,748			
Foreign Representation	-	-	-		
Foreign Branch	1	8	1-Bahrain	114,431,512	-
Off-shore Banking and Region Branches	-	-	-	-	-

SECTION SIX

OTHER EXPLANATIONS

I. Other Explanations Related to the Bank's Operations

1. Disclosure related to subsequent events and transactions that have not been finalized yet, and their impact on the financial statements

The issuances of the Bank after the balance sheet date are as follows.

Issue Date	Currency	Nominal Amount (Full TL)	Maturity
01/16/2024	USD	25,800,000	91
01/19/2024	EUR	10,000,000	91

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

2. Information on the effects of significant changes in foreign exchange rates after balance sheet date on the items denominated in foreign currency and financial statements and the Group's operations abroad that would affect decision making process of users and foreign operations of the Bank

There are no significant fluctuations in the currency exchange rates after the balance sheet date that would affect the analysis and decision making process of the readers of the financial statements.

3. Other matters

With the decision numbered 10825 on 11 January 2024; BRSA determined the transition date for banks, financial leasing, factoring, financing, savings financing and asset management companies to TAS 29 application as 1 January 2025.

SECTION SEVEN

INDEPENDENT AUDITOR'S REPORT

I. Explanations on the Independent Auditor's Report

The unconsolidated financial statements for the period ended 31 December 2023 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The auditor's report dated 29 January 2024 is presented preceding the unconsolidated financial statements.

II. Explanations and Notes Prepared by Independent Auditors

None (31 December 2022 - None).

. . . .

QNB Finansbank – 2023 Integrated Annual Report

INDEPENDENT AUDITOR'S REPORT

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of QNB Finansbank A.Ş.

A. Audit of the Consolidated Financial Statements

1. Qualified Opinion

We have audited the accompanying consolidated financial statements of QNB Finansbank A.Ş. ("the Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the statement of consolidated balance sheet as at 31 December 2023, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, except for the effect of the matter on the consolidated financial statements described in the Basis for Qualified Opinion paragraph below, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

2. Basis for Qualified Opinion

As explained in Section Five Part II 9.5 of Explanations and Notes to the Consolidated Financial Statements; the accompanying consolidated financial statements as at 31 December 2023 include a free provision amounting to TL 6,800,000 thousand which consist of TL 5,400,000 thousand provided in prior year and TL 1,400,000 thousand recognized in the current period by the Group management which is not within the requirements of BRSA Accounting and Financial Reporting Legislation.

Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (Including Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the consolidated financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our qualified opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion Section we have determined the matters described below to be key audit matters to be communicated in our report.

Key Audit Matters	How the key audit matter was addressed in the audit
Impairment of loans and receivables determined within the framework of TFRS 9 The Group has total expected credit losses for loans and receivables amounting to TL 27,842,541 thousand in respect to total loans and receivables amounting to TL 630,588,707 thousand which represent a significant portion of the Group's total assets in its consolidated financial statements as at 31 December 2023. Explanations and notes regarding the provision for impairment of loans are represented in Notes VIII of Section Three, II.1 of Section Four, II.4 of Section Four and 1.6 of Section Five of the accompanying consolidated financial statements as at 31 December 2023. The Group recognizes provisions for impairment in accordance with "TFRS 9 Financial Instruments" requirements in line with the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 with number 29750. TFRS 9 is a complex accounting standard which requires considerable judgement and interpretation. These judgements and interpretations are key in the development of the financial models built to measure the expected credit losses on loans recorded at amortized cost. In addition, the operation of the models requires large data inputs that are generated through more than one system and the accuracy and completeness of the data are key in the determination of expected credit losses on loans. Impairment allowances are calculated on a collective basis for portfolios of loans of a similar nature and on individual basis for significant loans taking into account Management's best estimate at the balance sheet date and historical losses incurred. Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macroeconomic expectations, current conditions, historical loss experiences; the significance of the loan balances; the appropriateness of classification of loans as per their credit risk (staging) in accordance with applicable regulation and the importance of determination of the associated impairment allowances. Timely and correctly identification of loss event and the level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit	With respect to stage classification of loans and receivables calculation of expected credit losses in accordance with TFRS 9, we have assessed policy, procedure and management principles of the Group within the scope of our audit. We tested the design and the operating effectiveness of relevant controls implemented in accordance with these principles. We checked appropriateness of matters considered in methodology applied by the Group with respect to TFRS 9 for calculation of the provision amount through stage classification of loans and receivables. For forward looking assumptions by the Group's management in its expected credit losses calculations, we held discussions with management, evaluated the assumptions using publicly available information. Regarding expected credit losses methodology; we have assessed and tested appropriateness of model segmentation, lifetime probability of default model, exposure at default model, loss given default model, and approaches in relation to projection of macroeconomic expectations with our financial risk experts. We have assessed expert judgment utilized in interpretation of supportable forward looking expectations (including macroeconomic factors). Our procedures also included the following: • Together with our financial risk experts, we evaluated and tested reasonableness of the changes in the expected credit loss allowance methodology and the performance of the impairment models used. • For a sample of exposures, we checked the accuracy of determining Exposure at Default, including the consideration of prepayments and repayments in the cash flows and the resultant arithmetical calculations. • We checked the calculation of the Loss Given Default (LGD) used by the Group in the expected credit losses calculations, and tested collaterals, recovery and costs in addition to arithmetical calculations. • For a selected sample, we checked expected credit losses determined based on individual assessment per Group's policy by means of supporting data, and evaluated appropriateness via communications with management. • We checked key data sources for data used in expected credit losses calculations. We tested reliability and completeness of the data used in expected credit losses calculations with our information systems specialists. • We checked accuracy of expected credit losses calculations. • To assess appropriateness of the Group's determination of staging for credit risk, identification of impairment and timely and appropriate provisioning for impairment we have performed loan review procedures based on a selected sample. • We have reviewed disclosures made within the TFRS 9 framework in the consolidated financial statements of the Group with respect to loans and receivables related impairment provisions.

INDEPENDENT AUDITOR'S REPORT (Continued)

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

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

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

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

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

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

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with “Regulation on Independent Audit of Banks” published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Bank's bookkeeping activities concerning the period from 1 January to 31 December 2023 period are not in compliance with the TCC and provisions of the Bank's articles of association related to financial reporting.

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

Additional Paragraph for Convenience Translation

BRSA Accounting and Financial Reporting Legislation explained in detail in Section Three differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board including the application of IAS 29 - Financial Reporting in Hyperinflationary Economies as of 31 December 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
Independent Auditor
Istanbul, 29 January 2024

QNB Finansbank – 2023 Integrated Annual Report

QNB FİNANSBANK A.Ş.
THE CONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş. FOR THE YEAR ENDED 31 DECEMBER 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 year ended 31 December 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
- Other Explanations
- Independent Auditor's Report

Within the context of this financial report for the year ended, 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 accompanying consolidated financial statements and related disclosures and footnotes for the year ended 31 December 2023, are prepared and independently audited in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying consolidated financial statements are presented in thousands of Turkish Lira (TL).

Mehmet Ömer Arif Aras
Chairperson of the Board of Directors

Saleh Nofal
Member of the Board of Directors and Chairperson 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 Chairperson of the Audit Committee

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

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

Adnan Menderes Yayla
Executive Vice PresidentResponsible 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 : Mehmet Demirci / Financial Reporting Manager
Phone Number : (0 212) 319 69 22
Facsimile Number : (0 212) 318 55 78

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QNB Finansbank – 2023 Integrated Annual Report

QNB FİNANSBANK ANONİM ŞİRKETİ

Notes To Consolıdated Fınancıal Statements For The Year Ended 31 December 2023

(Amounts expressed in Thousands of Turkish Lira (TL) 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

It was established in Istanbul on 26 October 1987 under the title of QNB Finansbank Anonim Şirketi ("Parent Bank" or "Bank") in accordance with the provisions of the Banking Law and the Turkish Commercial Code published in the Turkish Trade Registry Gazette No. 1857 dated 25 September 1987. The Bank's shares have been listed on the Borsa Istanbul ("BIST") since 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 21 December 2015. On 7 April 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 4 May 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 12 May 2016 and share transfer of the Bank has been completed on 15 June 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 20 October 2016 and the company name started to be used with the registration of the Genel Assembly Resolution dated 24 November 2016 on 30 November 2016. According to the decision dated 17 January 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 19 January 2018.

With the amendment to the articles of association of Cigna Sağlık Hayat ve Emeklilik A.Ş. (Cigna Finans Emeklilik) made at the Extraordinary General Assembly dated 30 May 2023, the brand name was changed to QNB Sigorta and the commercial name was changed to QNB Sağlık Hayat Sigorta ve Emeklilik A.Ş. (QNB Sigorta).

99.88% of shares of Parent Bank are controlled by Qatar National Bank as of 31 December 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.

III. Information about the Chairperson 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	Date of Appointment
Dr. Ömer A. Aras	Chairperson	16 April 2010	PhD
Yousef Mahmoud H. N. Al-Neama	Deputy Chairperson and Executive Member	28 May 2019	Masters
Saleh Nofal	Board Member and Chairperson of the Audit Committee	30 March 2023	Graduate
Ramzi T. A. Mari	Board Member and Audit Committee Member	16 June 2016	Masters
Dr. Fatma Abdulla S.S. Al-Suwaidi	Board Member	16 June 2016	PhD
Dr. Durmuş Ali Kuzu	Board Member and Audit Committee Member	25 August 2016	PhD
Osman Ömür Tan	Board Member and General Manager	1 January 2022	Masters
Temel Güzeloğlu	Board Member	16 April 2010	Masters
Yeşim Güra	Board Member	30 March 2023	Masters
Adel Ali M. A. Al-Malki	Board Member	28 May 2019	Graduate
Noor Mohd J. A. Al-Naimi	Board Member and Audit Committee Member	22 June 2017	Masters
Adnan Menderes Yayla	Executive Vice President	20 May 2008	Masters
Köksal Çoban	Executive Vice President	19 August 2008	Masters
Dr. Mehmet Kürşad Demirkol	Executive Vice President	8 October 2010	PhD
Enis Kurtoğlu	Executive Vice President	14 May 2015	Masters
Murat Koraş	Executive Vice President	14 May 2015	Masters
Engin Turhan	Executive Vice President	14 June 2016	Masters
Cumhur Türkmen	Executive Vice President	11 June 2018	Masters
Cenk Akıncılar	Executive Vice President	21 January 2019	Graduate
Burçin Dündar Tüzün	Executive Vice President	1 December 2019	Masters
Zeynep Kulalar	Executive Vice President	1 December 2019	Graduate
Derya Düner	Executive Vice President	1 January 2020	Graduate
Ali Yılmaz	Executive Vice President	1 January 2020	Masters
İsmail Işık	Executive Vice President	18 January 2023	Masters
Ahmet Erzengin	Head of the Department of Internal Control and Compliance	12 September 2012	Graduate
Ersin Emir	Head of Internal Audit	18 February 2011	Masters
Zeynep Aydın Demirkıran	Chief Risk Officer	16 September 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 31 December 2023, the Parent Bank operates through 434 domestics (31 December 2022 - 434), 1 foreign (31 December 2022 - 1) and 1 Atatürk Airport Free Trade Zone (31 December 2022 - 1) branches. As of 31 December 2023, the Group has 14,247 (31 December 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 Finansbank – 2023 Integrated Annual Report

QNB FİNANSBANK ANONİM ŞİRKETİ

Notes To Consolıdated Fınancıal Statements For The Year Ended 31 December 2023

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

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

I. CONSOLIDATED BALANCE SHEET – ASSETS

			Current Period 31.12.2023			Prior Period 31.12.2022		
		Section 5 Part I	TL	FC	TOTAL	TL	FC	TOTAL
I.	FINANCIAL ASSETS (NET)		126,260,193	147,835,098	274,095,291	68,912,958	109,703,251	178,616,209
1.1.	Cash and Cash Equivalents		66,393,776	119,704,210	186,097,986	20,873,217	93,254,542	114,127,759
1.1.1.	Cash and Balances with The Central Bank	(1)	59,793,397	102,786,314	162,579,711	9,719,857	84,817,934	94,537,791
1.1.2.	Banks	(3)	871,084	16,941,768	17,812,852	3,127,925	8,015,778	11,143,703
1.1.3.	Receivables From Money Market	(4)	5,736,581	-	5,736,581	8,040,936	427,044	8,467,980
1.1.4.	Expected Credit Losses (-)		7,286	23,872	31,158	15,501	6,214	21,715
1.2.	Financial Assets Measured at Fair Value through Profit/Loss	(2)	3,496,344	2,209,581	5,705,925	1,069,093	549,922	1,619,015
1.2.1.	Public Sector Debt Securities		602,903	488,760	1,091,663	436,626	239,920	676,546
1.2.2.	Equity Securities		882,879	236,058	1,118,937	535,326	-	535,326
1.2.3.	Other Financial Assets		2,010,562	1,484,763	3,495,325	97,141	310,002	407,143
1.3.	Financial Assets Measured at Fair Value through Other Comprehensive Income	(5)	49,607,968	19,702,462	69,310,430	29,672,154	10,585,327	40,257,481
1.3.1.	Public Sector Debt Securities		49,606,449	19,702,462	69,308,911	29,662,961	10,468,015	40,130,976
1.3.2.	Equity Securities		1,519	-	1,519	9,193	117,312	126,505
1.3.3.	Other Financial Assets		-	-	-	-	-	-
1.4.	Derivative Financial Assets	(12)	6,762,105	6,218,845	12,980,950	17,298,494	5,313,460	22,611,954
1.4.1.	Derivative Financial Assets at Fair Value Through Profit/Loss		5,635,561	3,252,643	8,888,204	12,467,643	3,275,585	15,743,228
1.4.2.	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		1,126,544	2,966,202	4,092,746	4,830,851	2,037,875	6,868,726
II.	FINANCIAL ASSETS MEASURED AT AMORTIZED COST(NET)		485,195,255	219,696,665	704,891,920	289,882,206	135,165,998	425,048,204
2.1.	Loans	(6)	411,239,230	181,860,454	593,099,684	247,116,343	109,023,513	356,139,856
2.2.	Lease Receivables	(11)	7,306,863	14,686,814	21,993,677	4,588,489	10,018,732	14,607,221
2.3.	Factoring Receivables	(7)	14,641,315	854,031	15,495,346	9,129,082	464,403	9,593,485
2.4.	Other Financial Assets Measured at Amortized Cost	(8)	72,383,513	29,788,256	102,171,769	41,598,971	20,364,334	61,963,305
2.4.1.	Government Debt Securities		72,383,513	29,669,309	102,052,822	41,598,971	19,872,597	61,471,568
2.4.2.	Other Financial Assets		-	118,947	118,947	-	491,737	491,737
2.5.	Expected Credit Losses (-)		20,375,666	7,492,890	27,868,556	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		187,930	-	187,930	462,086	-	462,086
4.1.	Investment in Associates (Net)	(9)	57,084	-	57,084	45,477	-	45,477
4.1.1.	Equity Method Associates		-	-	-	-	-	-
4.1.2.	Unconsolidated		57,084	-	57,084	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)		14,610,114	487	14,610,601	4,790,853	94	4,790,947
VI.	INTANGIBLE ASSETS (NET)		4,023,849	-	4,023,849	1,054,534	-	1,054,534
6.1.	Goodwill		-	-	-	-	-	-
6.2.	Others		4,023,849	-	4,023,849	1,054,534	-	1,054,534
VII.	INVESTMENT PROPERTIES (NET)	(13)	-	-	-	-	-	-
VIII.	CURRENT TAX ASSET		-	-	-	101,935	-	101,935
IX.	DEFERRED TAX ASSET	(14)	6,789,895	-	6,789,895	563,762	-	563,762
X.	OTHER ASSETS (NET)	(16)	16,617,993	2,204,700	18,822,693	9,502,136	1,004,001	10,506,137
	TOTAL ASSETS		653,685,229	369,736,950	1,023,422,179	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

Notes To Consolıdated Fınancıal Statements For The Year Ended 31 December 2023

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

I. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

			Current Period 31.12.2023			Prior Period 31.12.2022		
		Section 5 Part II	TL	FC	TOTAL	TL	FC	TOTAL
I.	DEPOSITS	(1)	387,358,035	243,369,501	630,727,536	234,983,599	157,779,523	392,763,122
II.	FUNDS BORROWED	(3)	9,413,677	118,451,486	127,865,163	6,196,254	49,021,103	55,217,357
III.	MONEY MARKET BORROWINGS	(4)	3,361,983	27,736,364	31,098,347	1,344,833	21,733,804	23,078,637
IV.	SECURITIES ISSUED (NET)	(5)	9,902,636	42,134,323	52,036,959	8,732,587	23,284,322	32,016,909
4.1.	Bills		9,045,755	13,001,776	22,047,531	8,418,087	5,911,335	14,329,422
4.2.	Asset Backed Securities		856,881	-	856,881	314,500	-	314,500
4.3.	Bonds		-	29,132,547	29,132,547	-	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) DERIVATIVE FINANCIAL LIABILITIES		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES		1,436,361	3,559,368	4,995,729	3,008,663	3,706,325	6,714,988
7.1.	Derivative Financial Liabilities at Fair Value Through Profit & Loss (Net)	(2)	1,331,159	3,176,022	4,507,181	3,008,663	3,260,937	6,269,600
7.2.	Derivative Financial Liabilities at Fair Value	(8)	105,202	383,346	488,548	-	445,388	445,388
VIII.	FACTORING PAYABLES		-	-	-	-	-	-
IX.	LEASE PAYABLES (NET)	(7)	1,172,058	1,213	1,173,271	741,286	336	741,622
X.	PROVISIONS	(9)	13,995,703	1,354,985	15,350,688	8,803,052	293,969	9,097,021
10.1.	Restructuring Provisions		-	-	-	-	-	-
10.2.	Reserve for Employee Benefits		3,080,549	31,702	3,112,251	2,578,626	18,146	2,596,772
10.3.	Insurance Technical Provisions (Net)		1,925,795	1,166,900	3,092,695	-	-	-
10.4.	Other Provisions		8,989,359	156,383	9,145,742	6,224,426	275,823	6,500,249
XI.	CURRENT TAX LIABILITY	(10)	2,493,475	-	2,493,475	2,843,483	-	2,843,483
XII.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIII.	LIABILITIES FOR ASSETS HELD FOR SALEAND ASSETS OF DISCONTINUED PERATIONS (NET)	(11)	-	-	-	-	-	-
13.1.	Held for Sale		-	-	-	-	-	-
13.2.	Discontinued Operations		-	-	-	-	-	-
XIV.	SUBORDINATED DEBT INSTRUMENTS	(12)	-	26,948,856	26,948,856	-	17,127,724	17,127,724
14.1.	Subordinated Loans		-	17,997,595	17,997,595	-	17,127,724	17,127,724
14.2.	Other Debt Instruments		-	8,951,261	8,951,261	-	-	-
XV.	OTHER LIABILITIES		36,199,837	12,897,838	49,097,675	19,815,961	17,450,858	37,266,819
XVI.	SHAREHOLDERS' EQUITY		81,664,501	(30,021)	81,634,480	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		7,329,944	-	7,329,944	(672,157)	-	(672,157)
16.4.	Other Comprehensive Income/Expense Items to be Reclassified to Profit or Loss		(409,275)	(30,021)	(439,296)	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		861,957	-	861,957	771,685	-	771,685
16.5.2.	Status Reserves		-	-	-	-	-	-
16.5.3.	Extraordinary Reserves		37,341,411	-	37,341,411	20,207,884	-	20,207,884
16.5.4.	Other Profit Reserves		-	-	-	-	-	-
16.6.	Profit/Loss		33,172,965	-	33,172,965	17,223,799	-	17,223,799
16.6.1.	Prior Periods' Profit/Loss		-	-	-	-	-	-
16.6.2.	Current Period's Net Profit/Loss		33,172,965	-	33,172,965	17,223,799	-	17,223,799
16.7.	Minority Interest		16,785	-	16,785	11,816	-	11,816
	TOTAL LIABILITIES		546,998,266	476,423,913	1,023,422,179	331,417,793	289,726,021	621,143,814

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

QNB Finansbank – 2023 Integrated Annual Report

QNB FİNANSBANK ANONİM ŞİRKETİ

Consolidated Statement of Off-Balance Sheet Commitments and Contingencies for The Year Ended 31 December 2023

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

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

			Current Period 31.12.2023			Prior Period 31.12.2022		
		Section 5 Part III	TL	FC	TOTAL	TL	FC	TOTAL
A.	OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		907,487,303	922,457,024	1,829,944,327	480,095,115	600,797,641	1,080,892,756
I.	GUARANTEES	(1),(2),(3),(4)	48,549,117	53,929,929	102,479,046	29,655,581	35,538,119	65,193,700
1.1.	Letters of guarantee		44,076,997	33,824,955	77,901,952	25,589,026	20,031,380	45,620,406
1.1.1.	Guarantees subject to State Tender Law		1,053,713	296,168	1,349,881	884,755	188,383	1,073,138
1.1.2.	Guarantees given for foreign trade operations		19,387,203	33,528,787	52,915,990	12,326,430	19,842,997	32,169,427
1.1.3.	Other letters of guarantee		23,636,081	-	23,636,081	12,377,841	-	12,377,841
1.2.	Bank loans		4,424,551	8,634,539	13,059,090	4,028,331	9,696,287	13,724,618
1.2.1.	Import letter of acceptance		4,424,551	8,634,539	13,059,090	4,028,331	9,696,287	13,724,618
1.2.2.	Other bank acceptances		-	-	-	-	-	-
1.3.	Letters of credit		47,569	11,470,435	11,518,004	38,224	5,810,452	5,848,676
1.3.1.	Documentary letters of credit		47,569	10,614,747	10,662,316	38,224	5,228,027	5,266,251
1.3.2.	Other letters of credit		-	855,688	855,688	-	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		572,434,073	104,846,594	677,280,667	252,607,322	24,746,561	277,353,883
2.1.	Irrevocable commitments	(1)	485,304,663	9,176,161	494,480,824	172,054,958	23,241,741	195,296,699
2.1.1.	Forward asset purchase commitments		2,941,702	8,020,668	10,962,370	4,018,129	10,831,566	14,849,695
2.1.2.	Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4.	Loan granting commitments		93,558,042	2,944	93,560,986	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		6,684,472	-	6,684,472	3,895,823	-	3,895,823
2.1.8.	Tax and fund liabilities from export commitments		279,060	-	279,060	118,666	-	118,666
2.1.9.	Commitments for credit card expenditure limits		376,605,042	-	376,605,042	111,928,372	-	111,928,372
2.1.10.	Commitments for promotions related with credit cards and banking activities		211,656	-	211,656	109,533	-	109,533
2.1.11.	Receivables from short sale commitments		-	-	-	-	-	-
2.1.12.	Payables for short sale commitments		-	-	-	-	-	-
2.1.13.	Other irrevocable commitments		5,024,689	1,152,549	6,177,238	4,640,630	12,408,305	17,048,935
2.2.	Revocable commitments		87,129,410	95,670,433	182,799,843	80,552,364	1,504,820	82,057,184
2.2.1.	Revocable loan granting commitments		86,230,900	94,129,552	180,360,452	79,347,287	-	79,347,287
2.2.2.	Other revocable commitments		898,510	1,540,881	2,439,391	1,205,077	1,504,820	2,709,897
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(5), (6)	286,504,113	763,680,501	1,050,184,614	197,832,212	540,512,961	738,345,173
3.1.	Derivative financial instruments for hedging purposes		19,679,677	185,692,642	205,372,319	22,065,418	128,742,067	150,807,485
3.1.1.	Fair value hedge		851,802	33,306,240	34,158,042	6,235,235	36,659,431	42,894,666
3.1.2.	Cash flow hedge		18,827,875	152,386,402	171,214,277	15,830,183	92,082,636	107,912,819

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 Year Ended 31 December 2023
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

			Current Period 31.12.2023			Prior Period 31.12.2022		
		Section 5 Part III	TL	FC	TOTAL	TL	FC	TOTAL
3.1.3.	Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2.	Held for trading transactions		266,824,436	577,987,859	844,812,295	175,766,794	411,770,894	587,537,688
3.2.1.	Forward foreign currency buy/sell transactions		19,577,116	32,006,901	51,584,017	10,544,244	19,818,125	30,362,369
3.2.1.1.	Forward foreign currency transactions-buy		18,911,051	7,747,196	26,658,247	10,071,714	5,490,339	15,562,053
3.2.1.2.	Forward foreign currency transactions-sell		666,065	24,259,705	24,925,770	472,530	14,327,786	14,800,316
3.2.2.	Swap transactions related to foreign currency and interest rates		231,687,369	530,183,466	761,870,835	105,687,546	326,800,908	432,488,454
3.2.2.1.	Foreign currency swap-buy		136,463	218,997,022	219,133,485	6,624,797	132,828,947	139,453,744
3.2.2.2.	Foreign currency swap-sell		138,769,508	85,800,464	224,569,972	60,927,351	75,886,225	136,813,576
3.2.2.3.	Interest rate swaps-buy		46,390,699	112,692,990	159,083,689	19,067,699	59,042,868	78,110,567
3.2.2.4.	Interest rate swaps-sell		46,390,699	112,692,990	159,083,689	19,067,699	59,042,868	78,110,567
3.2.3.	Foreign currency, interest rate and securities options		7,553,316	7,053,806	14,607,122	58,709,719	58,732,290	117,442,009
3.2.3.1.	Foreign currency options-buy		7,212,979	529,529	7,742,508	45,910,391	13,322,787	59,233,178
3.2.3.2.	Foreign currency options-sell		340,337	6,524,277	6,864,614	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		8,006,635	7,566,158	15,572,793	825,285	792,923	1,618,208
3.2.4.1.	Foreign currency futures-buy		8,006,635	-	8,006,635	-	792,923	792,923
3.2.4.2.	Foreign currency futures-sell		-	7,566,158	7,566,158	825,285	-	825,285
3.2.5.	Interest rate futures		-	-	-	-	3,570,022	3,570,022
3.2.5.1.	Interest rate futures-buy		-	-	-	-	1,785,011	1,785,011
3.2.5.2.	Interest rate futures-sell		-	-	-	-	1,785,011	1,785,011
3.2.6.	Other		-	1,177,528	1,177,528	-	2,056,626	2,056,626
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		3,889,890,357	1,194,005,216	5,083,895,573	2,121,542,054	716,989,813	2,838,531,867
IV.	ITEMS HELD IN CUSTODY		1,339,805,556	53,080,213	1,392,885,769	400,872,053	33,839,097	434,711,150
4.1.	Assets under management		55,638,253	28,756	55,667,009	15,019,765	7,963	15,027,728
4.2.	Investment securities held in custody		1,085,838,490	35,898,115	1,121,736,605	237,790,076	12,787,625	250,577,701
4.3.	Checks received for collection		43,596,663	2,702,396	46,299,059	32,048,284	2,269,091	34,317,375
4.4.	Commercial notes received for collection		5,448,086	2,194,245	7,642,331	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		149,284,064	12,256,701	161,540,765	112,299,654	17,303,949	129,603,603
4.8.	Custodians		-	-	-	-	-	-
V.	PLEDGED ITEMS		1,431,923,260	636,309,351	2,068,232,611	994,474,840	388,564,158	1,383,038,998
5.1.	Marketable securities		6,113,180	31,504,275	37,617,455	5,758,007	25,835,961	31,593,968
5.2.	Guarantee notes		951,802	431,079	1,382,881	754,876	505,077	1,259,953
5.3.	Commodity		1,167,097	-	1,167,097	1,005,497	-	1,005,497
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		348,159,077	298,122,947	646,282,024	223,359,270	180,431,706	403,790,976
5.6.	Other pledged items		1,075,532,104	306,251,050	1,381,783,154	763,597,190	181,791,414	945,388,604
5.7.	Pledged items-depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		1,118,161,541	504,615,652	1,622,777,193	726,195,161	294,586,558	1,020,781,719
	TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)		4,797,377,660	2,116,462,240	6,913,839,900	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

Consolıdated Statement Of Profıt Or Loss For The Year Ended 31 December 2023

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

III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	INCOME AND EXPENSE ITEMS	Section 5 Part IV	Current Period 01.01 - 31.12.2023	Prior Period 01.01 - 31.12.2022
I.	INTEREST INCOME	(1)	129,595,059	66,995,815
1.1.	Interest income on loans		82,597,724	40,449,705
1.2.	Interest income on reserve deposits		412,862	130,135
1.3.	Interest income on banks		1,187,700	302,850
1.4.	Interest income on money market transactions		1,125,411	168,060
1.5.	Interest income on securities portfolio		35,379,661	22,584,528
1.5.1.	Financial assets measured at FVTPL		413,236	87,425
1.5.2.	Financial assets measured at FVOCI		10,289,759	5,650,136
1.5.3.	Financial assets measured at amortized cost		24,676,666	16,846,967
1.6.	Financial lease income		3,167,055	1,451,341
1.7.	Other interest income		5,724,646	1,909,196
II.	INTEREST EXPENSE (-)	(2)	91,269,609	28,428,661
2.1.	Interest on deposits		73,397,628	18,739,409
2.2.	Interest on funds borrowed		10,073,122	3,927,500
2.3.	Interest on money market transactions		3,259,979	2,545,739
2.4.	Interest on securities issued		3,879,530	2,763,449
2.5.	Interests on leases		145,924	100,667
2.6.	Other interest expenses		513,426	351,897
III.	NET INTEREST INCOME/EXPENSE (I - II)		38,325,450	38,567,154
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		20,306,295	6,688,561
4.1.	Fees and commissions received		28,439,748	9,049,873
4.1.1.	Non-cash loans		890,141	429,217
4.1.2.	Others		27,549,607	8,620,656
4.2.	Fees and commissions paid (-)		8,133,453	2,361,312
4.2.1.	Non-cash loans		17,224	6,048
4.2.2.	Others		8,116,229	2,355,264
V.	DIVIDEND INCOME	(3)	13,067	16,976
VI.	TRADING GAINS LOSSES (NET)	(4)	13,715,986	1,071,694
6.1.	Trading gains/losses on securities		2,762,239	1,563,149
6.2.	Gains/losses from derivative transactions		(9,215,435)	(6,835,151)
6.3.	Foreign exchange gains/losses		20,169,182	6,343,696
VII.	OTHER OPERATING INCOME	(5)	2,418,546	333,926
VIII.	TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII)		74,779,344	46,678,311
IX.	EXPECTED CREDIT LOSSES (-)	(6)	12,124,627	5,096,254
X.	OTHER PROVISION LOSSES (-)		2,853,258	5,939,858
XI.	PERSONNEL EXPENSES (-)		9,924,076	4,799,775
XII.	OTHER OPERATING EXPENSES (-)	(7)	10,633,531	6,407,621
XIII.	NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		39,243,852	24,434,803
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XV.	GAINS/LOSSES FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	219,325
XVI.	GAINS/LOSSES ON NET MONETARY POSITION		-	-
XVII.	OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)	(8)	39,243,852	24,654,128
XVIII.	PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)	(9)	6,065,918	7,427,908
18.1.	Current tax charge		10,895,200	9,086,568
18.2.	Deferred tax charge (+)		3,287,001	1,712,063
18.3.	Deferred tax credit (-)		(8,116,283)	(3,370,723)
XIX.	NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)	(10)	33,177,934	17,226,220
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1.	Income from assets held for sale		-	-
20.2.	Income from sale of associates, subsidiaries and joint-ventures		-	-
20.3.	Others		-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1.	Expenses on assets held for sale		-	-
21.2.	Expenses on sale of associates, subsidiaries and joint-ventures		-	-
21.3.	Others		-	-
XXII.	PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX+XXI)		-	-
XXIII.	PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)		-	-
23.1.	Current tax charge		-	-
23.2.	Deferred tax charge (+)		-	-
23.3.	Deferred tax credit (-)		-	-
XXIV.	NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXII±XXIII)		-	-
XXV.	NET PROFIT/LOSS (XIX+XXIV)	(11)	33,177,934	17,226,220
25.1.	Group's profit/loss		33,172,965	17,223,799
25.2.	Minority interest		4,969	2,421
	Earnings Per Share		0.9902	0.5141

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

QNB FİNANSBANK ANONİM ŞİRKETİ

Consolıdated Statement Of Profıt Or Loss and Other Comprehensıve Income For The Year Ended 31 December 2023

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

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

		Current Period 01.01 - 31.12.2023	Prior Period 01.01 - 31.12.2022
I.	CURRENT PERIOD PROFIT/LOSS	33,177,934	17,226,220
II.	OTHER COMPREHENSIVE INCOME	4,180,414	4,897,703
2.1.	Other Income/Expense Items Not Reclassified Through Profit or Loss	8,002,101	(448,214)
2.1.1.	Revaluation Surplus on Tangible Assets	7,914,871	-
2.1.2.	Revaluation Surplus on Intangible Assets	-	-
2.1.3.	Defined Benefit Plans' Actuarial Gains/Losses	57,545	(607,631)
2.1.4.	Other Income/Expense Items not Reclassified to Profit or Loss	571	1,030
2.1.5.	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	29,114	158,387
2.2.	Other Income/Expense Items Reclassified to Profit or Loss	(3,821,687)	5,345,917
2.2.1.	Translation Differences	-	-
2.2.2.	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(4,376,615)	4,532,943
2.2.3.	Gains/losses from Cash Flow Hedges	(791,648)	2,407,949
2.2.4.	Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5.	Other Income/Expense Items Reclassified to Profit or Loss	-	-
2.2.6.	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	1,346,576	(1,594,975)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	37,358,348	22,123,923

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

QNB FİNANSBANK ANONİM ŞİRKETİ

Consolıdated Statement Of Changes In Shareholders' Equıty For The Year Ended 31 December 2023

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

								Other Comprehensive Income/ Expense Items not to be Reclassified to Profit or Loss		Other Comprehensive Income/Expense Items to be Reclassified to Profit or Loss								
		Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others[*]	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others[**]	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Shareholders' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity
	Prior Period - 01.01 – 3.12.2022																	
I.	Balances at Beginning of Period		3,350,000	714	-	-	-	(223,943)	-	-	(1,583,528)	(379,998)	17,072,922	3,906,647	-	22,142,814	9,395	22,152,209
II.	Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1.	Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Balances at Beginning of Period (I+II)		3,350,000	714	-	-	-	(223,943)	-	-	(1,583,528)	(379,998)	17,072,922	3,906,647	-	22,142,814	9,395	22,152,209
IV.	Total Comprehensive Income		-	-	-	-	-	(449,245)	1,031	-	3,435,311	1,910,606	-	-	17,223,799	22,121,502	2,421	22,123,923
V.	Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Others Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	3,906,647	(3,906,647)	-	-	-	-
11.1.	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2.	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	3,906,647	(3,906,647)	-	-	-	-
11.3.	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV+......+X+XI)		**3,350,000**	**714**	**-**	**-**	**-**	**(673,188)**	**1,031**	**-**	**1,851,783**	**1,530,608**	**20,979,569**	**-**	**17,223,799**	**44,264,316**	**11,816**	**44,276,132**

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

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

QNB Finansbank – 2023 Integrated Annual Report

QNB FİNANSBANK ANONİM ŞİRKETİ

Consolıdated Statement Of Changes In Shareholders' Equity For The Year Ended 31 December 2023

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

							Other Comprehensive Income/ Expense Items not to be Reclassified to Profit or Loss			Other Comprehensive Income/Expense Items to be Reclassified to Profit or Loss								
		Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others(*)	Translation Differences	Income/Expenses from Valuation and/ or Reclassification of Financial Assets Measured at FVOCI	Others(**)	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Shareholders' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity
	Current Period - 01.01. - 31.12.2023																	
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		-	-	-	-	7,914,871	86,659	571	-	(3,345,573)	(476,114)	-	-	33,172,965	37,353,379	4,969	37,358,348
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**	**-**	**-**	**7,914,871**	**(586,529)**	**1,602**	**-**	**(1,493,790)**	**1,054,494**	**38,203,368**	**-**	**33,172,965**	**81,617,695**	**16,785**	**81,634,480**

(*) 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 Finansbank – 2023 Integrated Annual Report

QNB FİNANSBANK ANONİM ŞİRKETİ

Consolıdated Statement Of Cash Flows For The Year Ended 31 December 2023

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

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

		Current Period 01.01 - 30.12.2023	Prior Period 01.01 - 30.12.2022
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1.	Operating profit before changes in operating assets and liabilities	88,834,180	8,863,813
1.1.1.	Interest received	96,884,943	30,170,928
1.1.2.	Interest paid	(74,402,437)	(33,741,600)
1.1.3.	Dividend received	13,067	16,976
1.1.4.	Fees and commissions received	28,493,648	9,140,802
1.1.5.	Other income	1,099,024	333,926
1.1.6.	Collections from previously written off loans	3,288,012	2,406,693
1.1.7.	Payments to personnel and service suppliers	(9,172,529)	(4,174,934)
1.1.8.	Taxes paid	(8,994,979)	(7,808,223)
1.1.9.	Other	51,625,431	12,519,245
1.2.	Changes in operating assets and liabilities	(41,086,288)	18,953,389
1.2.1.	Net (increase) decrease in financial assets measured at fair value through profit/loss	(4,006,872)	(120,067)
1.2.2.	Net (increase) decrease in due from banks	(25,963,427)	(2,298,195)
1.2.3.	Net (increase) decrease in loans	(164,005,702)	(116,410,268)
1.2.4.	Net (increase) decrease in other assets	(9,626,574)	(6,554,484)
1.2.5.	Net increase (decrease) in bank deposits	8,129,678	(1,890,347)
1.2.6.	Net increase (decrease) in other deposits	143,152,545	124,147,142
1.2.7.	Net increase (decrease) in financial liabilities at fair value through profit or loss	-	-
1.2.8.	Net increase (decrease) in funds borrowed	(9,708,579)	4,103,424
1.2.9.	Net increase (decrease) in matured payables	-	-
1.2.10.	Net increase (decrease) in other liabilities	20,942,643	17,976,184
I.	Net cash provided from banking operations	47,747,892	27,817,202

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

		Current Period 01.01 - 30.12.2023	Prior Period 01.01 - 30.12.2022
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash provided from / (used in) investing activities	(38,052,825)	(7,242,850)
2.1.	Cash paid for purchase of entities under common control, associates and subsidiaries	-	-
2.2.	Cash obtained from sale of entities under common control, associates and subsidiaries	-	-
2.3.	Fixed assets purchases	(7,248,221)	(2,913,314)
2.4.	Fixed assets sales	1,089,617	591,661
2.5.	Cash paid for purchase of financial assets measured at fair value through other comprehensive income	(51,097,248)	(27,968,380)
2.6.	Cash obtained from sale of financial assets measured at fair value through other comprehensive income	29,630,115	25,940,243
2.7.	Cash paid for purchase of Financial Assets Measured at Amortized Cost	(33,460,484)	(12,898,683)
2.8.	Cash obtained from sale of Financial Assets Measured at Amortized Cost	23,033,396	10,005,623
2.9.	Other	-	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash provided from / (used in) financing activities	34,195,717	3,428,289
3.1.	Cash obtained from funds borrowed and securities issued	97,257,338	24,367,162
3.2.	Cash used for repayment of funds borrowed and securities issued	(62,458,213)	(21,092,362)
3.3.	Issued equity instruments	-	-
3.4.	Dividends paid	-	-
3.5.	Payments for finance leases	(603,408)	-
3.6.	Other	-	153,489
IV.	Effect of foreign currency translation differences on cash and cash equivalents	2,231,281	1,454,238
V.	Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)	46,122,065	25,456,879
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)**	**119,377,778**	**73,255,713**

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

QNB Finansbank – 2023 Integrated Annual Report

QNB FİNANSBANK ANONİM ŞİRKETİ

Consolıdated Statement Of Profıt Approprıatıon For The Year Ended 31 December 2023

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

VII. CONSOLIDATED STATEMENT OF PROFIT APPROPRIATION(*)

		Current Period 31.12.2023(**)	Prior Period 31.12.2022
I.	DISTRIBUTION OF CURRENT YEAR INCOME		
1.1.	CURRENT YEAR INCOME	37,732,640	24,282,814
1.2.	TAXES AND DUTIES PAYABLE	4,560,198	7,059,048
1.2.1.	Corporate Tax (Income Tax)	9,367,050	8,720,618
1.2.2.	Income Withholding Tax	-	-
1.2.3.	Other Taxes And Duties	(4,806,852)	(1,661,570)
A.	NET INCOME FOR THE YEAR (1.1.-1.2.)	33,172,442	17,223,766
1.3.	PRIOR YEAR LOSSES (-)	-	-
1.4.	FIRST LEGAL RESERVES (-)	-	-
1.5.	OTHER STATUTORY RESERVES (-)	-	-
B.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1,3+1,4+1,5)]	33,172,442	17,223,766
1.6.	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1.	To Owners of Ordinary Shares	-	-
1.6.2.	To Owners of Privileged Shares	-	-
1.6.3.	To Owners of Preferred Shares	-	-
1.6.4.	To Profit Sharing Bonds	-	-
1.6.5.	To Holders of Profit And (Loss) Sharing Certificates	-	-
1.7.	DIVIDENDS TO PERSONNEL (-)	-	-
1.8.	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9.	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1.	To Owners of Ordinary Shares	-	-
1.9.2.	To Owners of Privileged Shares	-	-
1.9.3.	To Oweners of Preferred Shares	-	-
1.9.4.	To Profit Sharing Bonds	-	-
1.9.5.	To Holders of Profit And (Loss) Sharing Certificates	-	-
1.10.	SECOND LEGAL RESERVES (-)	-	-
1.11.	STATUTORY RESERVES (-)	-	-
1.12.	EXTRAORDINARY RESERVES	-	17,194,697
1.13.	OTHER RESERVES	-	-
1.14.	SPECIAL FUNDS	-	29,069
II.	DISTRIBUTION OF RESERVES		
2.1.	APPROPRIATED RESERVES	-	-
2.2.	SECOND LEGAL RESERVES (-)	-	-
2.3.	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1.	To Owners of Ordinary Shares	-	-
2.3.2.	To Owners of Privileged Shares	-	-
2.3.3.	To Owners of Preferred Shares	-	-
2.3.4.	To Profit Sharing Bonds	-	-
2.3.5.	To Holders of Profit And (Loss) Sharing Certificates	-	-
2.4.	DIVIDENDS TO PERSONNEL (-)	-	-
2.5.	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III.	EARNINGS PER SHARE		
3.1.	TO OWNERS OF ORDINARY SHARES	0.9902	0.5141
3.2.	TO OWNERS OF ORDINARY SHARES (%)	99.02%	51.41%
3.3.	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4.	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	DIVIDEND PER SHARE		
4.1.	TO OWNERS OF ORDINARY SHARES	-	-
4.2.	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3.	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4.	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) Profit Appropriation Statement has been prepared according to unconsolidated financial statements of the Parent Bank.
(**) Decision regarding the profit distribution for the 2023 will be taken at the General Meeting.

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

QNB FİNANSBANK ANONİM ŞİRKETİ

Notes To Consolidated Financial Statements For The Year Ended 31 December 2023

(Amounts expressed in Thousands of Turkish Lira (TL) 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 published in the Official Gazette no. 26333 dated 1 November 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 Turkish Financial Reporting Standards ("TFRS") published by the Public Oversight Accounting ("POA") 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 28 June 2012, and amendments to this Communiqué dated 1 February 2019 which include Turkish Accounting Standard principles.

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

Explanation for convenience translation to English

BRSA Accounting and Financial Reporting Legislation, as described in the preceding paragraphs, differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board including the application of IAS 29 - Financial Reporting in Hyperinflationary Economies as of 31 December 2023 and the differences between accounting principles have not been quantified in the accompanying consolidated financial statements. 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 Bank in accordance with IFRS.

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"). The accounting policies and valuation principles related with current period are explained in Notes II to XXVI below.

Consolidated financial statements are prepared based on historical cost except for financial assets and liabilities valued at their fair value and whose fair value difference is reflected in profit or loss, financial assets at fair value through other comprehensive income, real estate and subsidiaries accounted for using the equity method.

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

2.1. Changes in Accounting policies and disclosures

Within the scope of the Benchmark Interest Rate Reform process, which continues on a global basis, the Parent Bank has loan, securities, borrowing and derivative transactions. The necessary infrastructure developments for each product have been completed and started to be used in our bank. EURIBOR is not subject to reform and continues to be used. The reform-related transformation of transactions indexed to USD LIBOR rates has been completed as of 31 December 2023.

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Notes To Consolidated Financial Statements For The Year Ended 31 December 2023

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ACCOUNTING POLICIES (Continued)

I. Basis of Presentation (Continued)

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

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. In the announcement dated 23 November 2023, issued by the Public Oversight, Accounting and Auditing Standards Authority, flexibility has been granted to competent institutions or organizations authorized to regulate and supervise in their respective fields to determine different transition dates for the application of inflation accounting for the financial statements of companies subject to independent audit. In this context, according to the decision numbered 10744 dated 12 December 2023, by the Banking Regulation and Supervision Agency (“BRSA”), it has been decided that the financial statements of banks, financial leasing, factoring, financing, savings financing, and asset management companies as of 31 December 2023, will not be subject to inflation adjustment required under IAS 29. Accordingly, inflation adjustment has not been applied in the preparation of the consolidated financial statements as of 31 December 2023, in accordance with IAS 29.

TFRS 17 Insurance Contracts Standard was published in the Official Gazette dated 16 February 2019 and No. 30688 by the Public Oversight Accounting and Auditing Standards Authority and is valid for annual reporting periods beginning on or after 1 January 2024. This standard replaces TFRS 4, which currently allows for a wide variety of applications. Based on this, the Parent Bank has not applied the relevant standard in its consolidated financial statements for QNB Sigorta company, which is its subsidiary.

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 TL 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 TL 981,000,000 (in full TL). In this context, a Share Purchase Agreement was signed with Cigna Nederland Gamma BV on 21 October 2022. The said share transfer transaction was realized with the General Assembly held on 21 December 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 13 January 2023, and as of this date, the acquisition has been completed.

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 31 December 2022, became a “Subsidiary” as of the reporting date and accounted for using the equity method in the accompanying unconsolidated financial statements.

As explained in detail above, 51% of the Parent Bank's subsidiary QNB Sigorta shares were purchased on 21 December 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 reliably determine the fair value, distribution of the purchase price and the amount of goodwill that may arise have been completed and the necessary adjustment records have been made as of the date of purchase.

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%)	1,267,280
	2,248,280
Fair value of net assets controlled (100%)	2,586,285
Gain from bargaining purchase	**338,005**
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%)	1,267,280
Value increase in shares owned before the acquisition	**981,517**
Gross profit resulting from the change of control	1,319,522
Tax Effect	(99,312)
Net profit resulting from the change of control	**1,220,211**

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	**4,323,739**
Cash and Cash Equivalents	1,124,051
Agency Contract	2,113,426
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	**2,586,285**
Carrying value of QNB Sigorta shares held by the Bank before the acquisition (49%)	(285,763)
Net profit as a result of control transfer	(1,319,522)
Purchase price of additional QNB Sigorta shares (51%)	981,000

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ACCOUNTING POLICIES (Continued)

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

1. Strategy for the use of financial instruments

The major funding sources of the 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 TL 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 TL liquidity using long term swap transactions (fixed TL interest rate and floating FX interest rate). Thus, the Parent Bank generates TL 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 31 December 2023 are translated to TL by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities except for non-monetary items are converted into TL 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 31 December 2023, derivative financial transactions loss amounting to TL 9,215,435 (31 December 2022 - TL 6,835,151 derivative financial transactions loss) and net foreign exchange gain amounting to TL 20,169,182 - (31 December 2022 - TL 6,343,696 net foreign exchange gain), excluding net interest expense amounting to TL 4,477,259 (31 December 2022 - TL 4,731,113 net interest expense) arising from derivative transactions, the net profit on foreign currency transactions is TL 15,431,006 (31 December 2022 - TL 4,239,658 net profit on foreign currency transactions).

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 8 November 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 (%)	
					31 December 2023	31 December 2022
1.	QNB Finans Yatırım Menkul Değerler A.Ş. (QNB Finansinvest)	Full Consolidation	Türkiye	Securities Intermediary Services	100.00	100.00
2.	QNB Finans Portföy Yönetimi A.Ş. (QNB Finansportföy)	Full Consolidation	Türkiye	Portfolio Management	100.00	100.00
3.	QNB Finans Finansal Kiralama A.Ş. (QNB Finansleasing)	Full Consolidation	Türkiye	Financial Leasing	99.40	99.40
4.	QNB Finans Faktoring A.Ş. (QNB Finansfaktoring)	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 31 December 2023.

1. Subsidiaries

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

Control is regarded as when the Parent Bank has the power over an investment made in a legal entity, is exposed to variable returns due to its relationship with the invested legal entity, has the ability to use its power over the invested business, and can influence the amount of returns it will obtain.

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ACCOUNTING POLICIES (Continued)

III. Information on Subsidiaries and Entities Under Common Control (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 and entities under common control that are consolidated in the accompanying financial statements.

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

IV. Explanations on Futures and Options Contracts and Derivative Products

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 TL 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 TL liquidity with long term swap transactions (fixed TL interest rate and floating FC interest rate). Therefore, the Parent Bank not only funds its long term fixed interest rate loans with TL but also hedges itself against interest rate risk.

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

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

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

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

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

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

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

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

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 TL 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 TL 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 TL 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 TL securities issued.

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

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ACCOUNTING POLICIES (Continued)

IV. Explanations on Futures and Options Contracts and Derivative Products (Coninued)

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 30 September 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 31 December 2023, fair value exchange difference adjustment amounting to TL 1,114,764 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 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 the effective interest method is applied, fees, transaction costs, and other premiums or discounts included in the calculation of the effective interest rate are amortized 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.

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. A financial asset or financial liability, excluding assets assessed under TFRS 15, is initially measured at its fair value when first recognized in the financial statements. In the initial measurement of financial assets and liabilities, excluding those for which fair value changes are reflected in profit or loss, transaction costs directly attributable to the acquisition or issuance are either added to or deducted from their fair value.

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, a financial asset is classified 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.

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ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Instruments (Continued)

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.

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

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

Other business models

Financial assets are measured at fair value through profit or loss 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.

In accordance with the Uniform Chart of Accounts (UCoA) explanations, the positive difference between the acquisition cost and the discounted value of a financial asset is recorded under "Interest Income" If the fair value of the asset exceeds the discounted value, the positive difference is recorded in the "Capital Market Transactions Profits" account. Conversely, if the fair value is lower than the discounted value, the negative difference between the discounted value and the fair value is recorded in the "Capital Market Transactions Losses" account. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

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.

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. At the end of the year, the actual inflation rate is used.

Some portion of the Eurobond portfolio which has been recognized as financial assets at FV through OCI are designated as fair value hedged items, hedged against interest rate fluctuations, starting from March and April 2009, hedged against interest rate fluctuations. Those securities are disclosed under financial assets at FV through OCI in order to be in line with balance sheet presentation. The fair value differences of Eurobond and TL government bond hedged items are accounted for under "Capital Market Transactions Profit/ Loss" 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 TL 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.

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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 22 June 2016 in connection with “Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans” effective from 1 January 2018. At each reporting date, the Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the changes in the default risk of financial instrument is considered.

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 31 December 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.

Calculation of expected credit losses

The Group 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, three scenarios (internal mild negative, internal negative, 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. PD models used in the retail portfolio include the behavioral data of the customer and the product in the bank and the demographic information of the customer. 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. Except for corporate loans for which LGD is assigned individually or as prescribed by the Basel Committee, the Parent Bank bases its LGD estimates on models for corporate portfolios and on past experiences for housing loans and unsecured loans.

Exposure at default (“EAD”)

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

Consideration of the macroeconomic factors

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

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

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ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses (Continued)

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 updates the macroeconomic variables used in expected credit loss calculations twice a year and applies them to its models. In addition, The Parent Bank revised its macroeconomic expectations and weights in the calculation of expected credit losses on 31 December 2023. Due to the nature of the model effects, events that cause changes and their effects occur at different times. For this reason, the Parent 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 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, current accounts payable 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 with a probability of default above the absolute threshold value are evaluated in Stage 2, regardless of the relative change.

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.

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 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 TL 10,113 (31 December 2022 - TL 361,940) and the effect on the NPL ratio of the Parent Bank is 0.00% (31 December 2022 - 0.10%). While the NPL ratio is 1.85% (31 December 2022 - 2.66%) with the current period non-performing loan figures, the calculated rate including the loans written off during the year is 1.85% (31 December 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.

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

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 is derecognized. 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.

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ACCOUNTING POLICIES (Continued)

X. Derecognition of Financial Instruments (Continued)

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, the date of removal from nonperforming loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring/refinancing shall be paid.

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

- Recovery in debt service;
- At least 1 year should pass over the date of restructuring;
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring/refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring/refinancing;
- The delayed payments having been collected, reasons for classifying as doubtful receivables eliminated, (in accordance with the conditions stated above) and being no delays as of the day of reclassification, in principal and/or interest payments, with no doubts about the timely settlement of future payments.

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 Parent 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 TL 39,923,647 (31 December 2022 - TL 30,168,346).

As of 31 December 2023, the Parent Bank has no securities that are subject to lending transactions (31 December 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 31 December 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.

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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 by The Group. 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

Initial records of tangible fixed assets are made based on their cost, which is calculated by adding the acquisition amount and other direct expenses necessary to make the asset usable. Tangible assets are valued at their remaining amounts after deducting accumulated depreciation and accumulated value decreases, if any, from their cost in the period following their recording.

As of 31 December 2023, the Parent Bank started to account for its properties, under the tangible assets with their revalued amounts instead of their cost values in accordance with "TAS 16 Plant and Equipment". The revaluation difference arising from the valuations made by the appraisal firms authorized by Capital Markets Board ("CMB") and BRSA is accounted in Investment Properties Revaluation Differences line under the Shareholders' Equity.

As of each reporting date, the Parent Bank evaluates whether there is any indication that its assets may be impaired; If such an indication exists, the recoverable amount of the relevant asset is estimated within the framework of TAS 36 - Impairment of Assets standard and allocates a provision for impairment if the recoverable amount is below the book value of the relevant asset.

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).

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 Parent Bank depreciates special expenses on real estate acquired through operating leases before December 2009 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 10 January 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.

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%.

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 balance sheet based financial leases. For lessors, the accounting stays almost the same. The Group has started to apply TFRS 16 standard starting from 1 January 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 incentives received from all lease payments made on or before the date the lease actually begins; 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.

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ACCOUNTING POLICIES (Continued)

XV. Explanations on Leasing Transactions (Continued)

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 unpaid 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.

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, right of use assets classified under tangible assets as of 31 December 2023 amounted to TL 1,351,093 (31 December 2022 - TL 763,013), lease liability amounted to TL 1,193,405 (31 December 2022 - TL 755,012), financing expense amounted to TL 104,365 (31 December 2022 - TL 98,182) and depreciation expense amounted to TL 323,714 (31 December 2022 - TL 260,707).

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.

XIX. Explanations on Insurance Technical Provisions

Insurance companies are subject to TFRS 4 "Insurance Contracts". The TFRS 4 "Insurance Contracts" standard stipulates that all contracts issued by insurance companies must be classified as either insurance contracts or investment contracts. Contracts carrying a significant insurance risk are classified as insurance contracts. Insurance risk is defined as risks transferred by the policyholder (insured) to the insurer, excluding financial risks. Contracts that do not carry a significant insurance risk are classified as investment contracts.

Investment contracts are accounted for under TFRS 9 "Financial Instruments." In the consolidated financial statements, insurance technical provisions consist of unearned premium reserves, unexpired risks reserve, outstanding claims provision and life insurance mathematical reserves.

According to the Technical Reserves Regulation, the entity must recognize adequate mathematical reserves based on actuarial principles to meet its obligations to policyholders and beneficiaries for life, health and personal accident insurance contracts with a duration of more than one year.

Mathematical reserves are recognized as based on the formulas and principles given in the technical principles of the tariffs for the life insurances with a term longer than one year.

Outstanding claims liabilities are recognized for incurred but not reported claims and estimated amounts for claims and indemnities that have been calculated but not yet paid. For estimating ultimate losses, loss reserves are modeled and calculations sensitive to legal, economic and various factors/uncertainties are made, taking into account past loss experience, loss development, market conditions and other relevant factors.

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ACCOUNTING POLICIES (Continued)

XX. Explanations on Taxation

1. Corporate tax

According to the Corporate Tax Law No. 5520 published in the Official Gazette No. 26205 dated 21 June 2006, it is stated that; "While corporate tax is calculated at a rate of 20% on corporate profits, Corporate tax is collected at a rate of 25% on the corporate earnings of banks, companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies".

Law No. 7456, which entered into force after being published in the Official Gazette No. 32249 dated 15 July 2023, on the Issue of Additional Motor Vehicle Tax to Compensate the Economic Losses Caused by the Earthquakes that Occurred on 6 February 2023 and in the 21st article of Amending Certain Laws and the Decree Law No. 375 with in the first paragraph of the 32nd article of the Law No. 5520 the phrase "20%" has been changed to "25%" and the phrase "25%" to "30%". This change is valid to be applied to the earnings earned in 2023 and subsequent taxation periods, starting from the returns that must be submitted as of 1 October 2023. Prepaid taxes are tracked in the "Current Tax Liability" or "Current Tax Asset" accounts to be offset with the corporate tax liability of the relevant year.

With the 75% of the profits arising from the sale of the participation shares held in the 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. With the 19th article of Law No. 7456, the exemption for the transfer and delivery of immovable properties that have been in the assets of institutions for at least two full years has been abolished. With the 22nd article of the same Law, it has been regulated that the 50% exception rate in paragraph 5/1-(e) of Law No. 5520 will be applied as 25% in the sales of immovable properties that were in the assets of the institutions before the date of entry into force of the said regulation, as of the date of entry into force of this article.

Companies calculate provisional tax at the rate of 30% on their quarterly financial profits to be applied to their profits earned in 2023 and subsequent taxation periods, starting from the declarations that must be submitted as of 1 October 2023 for the 2023 taxation periods, and they declare and pay it until the 17th day of the second month following that period.With the 9th article of the Law No. 7338 on the Amendment of the Tax Procedure Law and Some Laws published in the Official Gazette dated 26 October 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 3 February 2009, and No. 27130, and articles 15th and 30th of the Corporate Tax Law No. 5520. Natural persons who are fully taxpayers, those who are not liable for corporate tax and income tax, those who are exempt from corporate tax and income tax, non-resident corporations (expect for those who receive dividends through a workplace or permanent representative in Türkiye) and non-resident taxpayers while profit distribution to natural persons is subject to withholding tax at the rate of 15%, this rate has been changed to 10% with the Presidential Decision published in the Official Gazette dated 22 December 2021 and No. 31697. In the application of withholding tax rates for profit distributions to non-resident companies and natural persons, the practices included in the relevant Double Taxation Agreements are also taken into consideration.

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

- The increase in the price index (D-PPI- Domestic Producer Price Index) exceeded 100% in the last three accounting periods, including the current period; and
- To be more than 10% in the current accounting period.

The law on the amendment of the Tax Procedure Law and the Corporate Tax Law was enacted on 20 January 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 31 December 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. After the third paragraph of temporary Article 33 of Law No. 213 and Article 17 of Law No. 7491, the following provision is added: 'For banks, companies within the scope of Law No. 6361 on Financial Leasing, Factoring, Financing, and Savings Financing Companies, payment and electronic money institutions, authorized exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies, and pension companies, the profit/loss difference arising from inflation adjustments made during the 2024 and 2025 accounting periods, including temporary tax periods, shall not be considered in determining income.

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.

In this context, the economic assets registered as assets of the Parent Bank were subject to revaluation within the scope of temporary Article 32 and Recurrent Article 298/ç of the Tax Procedure Law.

2. Deferred Tax

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

The Corporate Tax rate for banks, companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies will be applied as 30%, starting from the declarations that must be submitted as of 1 October 2023, and will also be applied to the profits earned in 2023 and subsequent taxation periods. As of 31 December 2023, deferred tax calculation has been made for assets and liabilities at a rate of 30%.

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

The 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.

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ACCOUNTING POLICIES (Continued)

XX. Explanations on Taxation (Continued)

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 Communique on Disguised Profit Distribution by way of Transfer Pricing" published on 18 November 2007 explains the application related issues in detail. According to this Communique, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes. Disguised profit distribution amount will be recognized as share in net profit and stoppage tax will be calculated depending on whether the profit distributing institution is a real or corporate entity, full-fledged or foreign based taxpayer, is subject to or exempt from tax.

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

XXI. 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.

XXII. Explanations on Share Issues

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

XXIII. 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.

XXIV. Explanations on Government Incentives

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

XXV. Explanations on Segment Reporting

In addition to corporate banking, retail banking and commercial banking services, the Group also provides private banking, SME banking, treasury operations and credit card services through branches and alternative channels. The Group serves its retail banking clients with time and demand deposits, also overdraft services, automatic account services, consumer loans, vehicle loans, housing loans and investment fund services. The Group provides services including deposit and loans, foreign trade financing, forward and option agreements to its corporate clients. The Group 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 Bank's internal policies are considered.

Corporate and Commercial Banking serves corporate firms with an annual turnover of TL 2.5 billion (full TL) or more, multinational companies operating in Türkiye, and commercial firms with an annual turnover of TL 250 million – 2,5 billion (full TL). 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.

Current Period (1 January - 31 December 2023)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Operating Income	44,035,202	25,262,873	5,481,269	74,779,344
Dividend Income	-	-	13,067	13,067
Gains/Losses on joint venture accounted for at equity method	-	-	-	-
Profit Before Taxes	24,047,221	13,934,743	1,261,888	39,243,852
Tax Provision (-)(*)	-	-	6,065,918	6,065,918
Net Profit/Loss	24,047,221	13,934,743	(4,804,030)	33,177,934
Total Assets	270,185,530	332,534,621	363,252,162	1,023,422,179
Segment Assets	270,185,530	332,534,621	363,252,162	965,972,313
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	187,930
Undistributed Assets	-	-	-	57,261,936
Total Liabilities	407,646,366	197,497,269	268,528,957	1,023,422,179
Segment Liabilities	407,646,366	197,497,269	268,528,957	873,672,592
Undistributed Liabilities	-	-	-	68,115,107
Equity	-	-	-	81,634,480
Other Segment Accounts	3,365,611	2,287,072	(743,123)	4,909,560
Capital Expenditures	2,463,638	1,674,144	(540,413)	3,597,369
Amortization	901,973	612,928	(202,710)	1,312,191

(*) No tax provision has been distributed.

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ACCOUNTING POLICIES (Continued)

XXV. Explanations on Segment Reporting (Continued)

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

(*) No tax provision has been distributed.

XXVI. Explanations on Profit Reserves and Profit Distribution

The General Assembly Meeting of the Parent Bank was held on 30 March 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

XXVII. 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	33,172,965	17,223,799
Weighted Average Amount of Shares Issued (Thousands)	33,500,000	33,500,000
Earnings per Share	0.9902	0.5141

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).

XXVIII. Explanations on Other Matters

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

After obtaining the establishment permit, Enpara Bank A.Ş. was registered on 4 December 2023, and the application for obtaining the operational permit in accordance with the required regulations was submitted on 5 December 2023. The completion of the audit process and after obtaining the operating permit, an application will be made to BRSA, CMB and other institutions and organizations that require permission in order to carry out partial separation transactions in a structure where the shareholder status and current share ratios of the Bank's controlling shareholder (QNB Group) and minority shareholders are preserved.

As of 31 December 2023, Enpara's banking activities to be separated represent 9.2% of the Parent Bank's consolidated assets and liabilities. Assets and liabilities that will be removed from the balance sheet will not create any change in the Parent Bank's equity. If such a separation had occurred on 31 December 2023, the Parent Bank capital adequacy ratio would have increased by 187 basis points to 17.78%. If such a separation had occurred on 31 December 2022, The Parent Bank's profit before tax for 2023 would be 11.5% lower.

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 31 December 2023, Group's total capital has been calculated as TL 112,478,019 (31 December 2022 - TL 65,069,913), capital adequacy ratio is 15.92% (31 December 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 23 October 2015, as stated in the Board Decision dated 28 April 2022 and numbered 9996, with the decision dated 31 January 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 31 December 2021 has been decided to continue using the CBRT's foreign exchange buying rate as of 30 December 2022, until a BRSA Decision to the contrary is taken.

In accordance with the BRSA's decision numbered 9996, dated 21 December 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 5 September 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.

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

I. Explanations on Consolidated Equity (Continued)

Components of consolidated shareholders' equity items	Current Period 31 December 2023	Prior Period 31 December 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	9,637,262	3,460,024
Profit	33,172,965	17,223,799
Current Period Profit	33,172,965	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	1,602	1,031
Minorities' Share	16,785	11,816
Common Equity Tier 1 Capital Before Deductions	84,382,696	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	2,740,465	1,099,566
Improvement costs for operating leasing	209,781	110,385
Goodwill (Net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (Net of related tax liability)	3,774,422	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 ofconsolidation 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	6,724,668	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	77,658,028	42,868,987

ADDITIONAL TIER I CAPITAL	Current Period 31 December 2023	Prior Period 31 December 2022
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	15,455,055	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	15,455,055	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	15,455,055	9,815,715
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	93,113,083	52,684,702

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I. Explanations on Consolidated Equity (Continued)

TIER II CAPITAL	Current Period 31 December 2023	Prior Period 31 December 2022
Debt instruments and premiums deemed suitable by the BRSA	-	-
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	11,333,707	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)	8,090,624	5,227,864
Tier II Capital Before Deductions	19,424,331	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	19,424,331	12,426,055
Total Capital (The sum of Tier I Capital and Tier II Capital)	112,537,414	65,110,757
Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	9,598	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 (-)	49,797	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	-	-

	Current Period 31 December 2023	Prior Period 31 December 2022
TOTAL CAPITAL		
Total Capital	112,478,019	65,069,913
Total risk weighted amounts	706,673,784	448,723,522
Capital Adequacy Ratios		
Consolidated Core Capital Adequacy Ratio (%)	10.99	9.55
Consolidated Tier 1 Capital Adequacy Ratio (%)	13.18	11.74
Consolidated Capital Adequacy Ratio (%)	15.92	14.50
BUFFERS		
Bank specific total common equity tier 1 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 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	4.99	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)	20,952,466	10,030,638
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	8,090,624	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 1 January 2018 and 1 January 2022)	-	
Upper limit for Additional Tier I Capital subjected to temporary Article 4	15,455,055	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	11,333,707	7,198,191

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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			
	1	2	3
Issuer	QATAR NATIONAL BANK Q.P.S.C.	QATAR NATIONAL BANK Q.P.S.C.	QNB FİNANSBANK A.Ş.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	ISIN: XS2678233243 Common Code: 267823324
Governing law(s) of the instrument	BRSA	BRSA	It is subject to English Law and, with respect to certain articles, to Turkish regulations (CMB-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	Subordinated debt instrument (Bond)
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	15,469	2,529	8,831
Par value of instrument (Currency in million)	15,469	2,529	8,831
Accounting classification	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-amortized cost
Original date of issuance	30 June 2019	26 May 2022	15 Nov 2023
Perpetual or dated	Perpetual	Dated	Dated
Original maturity date	-	8 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	Every 5 years	3 years	5 years
Subsequent call dates, if applicable	-	-	-
Coupons/dividends	-	-	-
Fixed or floating dividend/coupon	Fixed	Floating	Fixed
Coupon rate and any related index	First 5 years fixed at 9.50%, next 5 years fixed at MS + 7.36	SOFR + 5.10%	10.75%
Existence of a dividend stopper	Interest will not be processed for the value reduced after the impairment date.	-	-
Fully discretionary, partially discretionary or mandatory	Discretionary	-	-

Information on debt instruments included in the calculation of equity			
	1	2	3
Existence of step up or other incentive to redeem	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	Yes	None
If convertible, conversion trigger (s)	-	Article number 7-2-i of "Own fund regulation"	-
If convertible, fully or partially	-	All of the remaining capital	-
If convertible, conversion rate	-	(*)	-
If convertible, mandatory or optional conversion	-	Optional	-
If convertible, specify instrument type convertible into	-	Equity Share	-
If convertible, specify issuer of instrument it converts into	-	QNB Finansbank A.Ş.	-
Write-down feature	Yes	None	Yes
If write-down, write-down trigger(s)	Non-existence of the core capital ratio is less than 5.125%	-	The occurrence of non-existence
If write-down, full or partial	Full and partial	-	Full and partial
If write-down, permanent or temporary	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"	-	-	It does not fulfill the conditions within the Article number 7 of "Own fund regulation" the Regulation on the Equity of Banks.

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

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

I. Explanations on Consolidated Equity (Continued)

	Current Period	Prior Period
Balance sheet total equity	81,634,480	44,276,132
Hedge funds	(842,911)	(1,518,960)
Discounts made within the scope of the regulation	(3,983,832)	(1,057,753)
TFRS 9 transition period application (Temporary Article 5)	-	-
Accumulated revaluation and/or reclassification gains/losses on financial assets at fair value through other comprehensive income	850,291	1,169,568
Core Capital	77,658,028	42,868,987
Additional capital	15,455,055	9,815,715
Capital	93,113,083	52,684,702
Expected loss allowance (Stages 1 and 2)	8,090,624	5,227,864
Debt instruments deemed appropriate by the institution	11,333,707	7,198,191
Discounts made within the scope of the regulation	(59,395)	(40,844)
Total Equity	112,478,019	65,069,913

II. Explanations on Consolidated Risk Management

1. Consolidated credit risk explanations

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

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

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

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

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

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

The Group has control limits over the positions of forward transactions, options and other similar agreements. The credit risk arising from these instruments are managed together with the risks resulting from market fluctuations.

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

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

The restructured and rescheduled loans are monitored by the Group in line with the Group's credit risk management procedures. The debtor's financial position and commercial activities are continuously analyzed and the principal and interest payments of rescheduled loans are monitored by the related departments.

The restructured and rescheduled loans are evaluated in the Group's current internal rating system besides the follow up method determined in the related regulation.

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

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

In accordance with the Banking Regulation and Supervision Agency's Decision No. 10496 dated 31 January 2023;

In the calculation of the amount subject to credit risk in accordance with the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (Capital Adequacy Regulation) published in the Official Gazette dated 23 October 2015 and numbered 29511, specified in the Board Decision No. 9996 dated 28 April 2022; the practice of using the foreign exchange buying rate of the Central Bank of the Republic of Türkiye (Central Bank) as of 31 December 2021 when calculating the valued amounts of monetary assets and non-monetary assets, other than foreign currency items measured in historical cost, in accordance with Turkish Accounting Standards and the relevant special provision amounts; Until a Board Decision to the contrary is taken, it will be continued by using the Central Bank foreign exchange buying rate of 30 December 2022.

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

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

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

With the attached decision of the Banking Regulation and Supervision Agency dated 31 January 2023 and numbered 10496, the Capital Adequacy Regulation;

The limit related to the definition of small and medium-sized enterprises (SMEs) stated in the first paragraph of Article 3(vv) is determined as TL 500,000,000 for domestically resident SMEs and for internationally resident SMEs, it determined to use the SME definition employed by the banking authority of the country where the SME is located for the calculation of capital adequacy.

It has been reported that a decision has been made to set the retail credit limit mentioned in the first sentence of the second paragraph of Article 6(c) at 20,000,000 Turkish Lira.

- The receivables of the Group from its top 100 cash loan customers are 23% in the total cash loans (31 December 2022 - 26%).
- The receivables of the Group from its top 200 cash loan customers are 28% in the total cash loans (31 December 2022 - 31%).
- The receivables of the Group from its top 100 non-cash loan customers are 44% in the total non-cash loans (31 December 2022 - 44%).
- The receivables of the Group from its top 200 non-cash loan customers are 53% in the total non-cash loans (31 December 2022 - 54%).
- The share of cash and non-cash receivables of the Group from its top 100 loan customers in total cash and non-cash loans is 23% (31 December 2022 - 25%).
- The share of cash and non-cash receivables of the Group from its top 200 loan customers in total cash and non-cash loans is 28% (31 December 2022 - 30%).
- The Group general total provision is amounted to TL 20,952,466 (31 December 2022 - TL 10,030,638).
- As of 31 December 2023 Provision for probable risks in the Group's loan portfolio amount is not included (31 December 2022 - None).

	Current Period		Prior Period	
Exposure Categories	Risk Amount(*)	Average Risk Amount(**)	Risk Amount(*)	Average Risk Amount(**)
Conditional and unconditional receivables from central governments and Central Banks	280,531,959	225,715,086	159,367,372	139,599,639
Conditional and unconditional receivables from regional or local governments	179,707	220,863	241,765	259,768
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	726,920	643,521	895,513	1,477,607
Conditional and unconditional receivables from multilateral development banks		-	-	-
Conditional and unconditional receivables from international organizations		-	-	-
Conditional and unconditional receivables from banks and brokerage houses	70,003,545	77,197,587	58,948,371	62,795,227
Conditional and unconditional receivables from corporates	214,790,646	206,874,196	186,340,459	159,471,406
Conditional and unconditional receivables from retail portfolios	245,252,644	207,410,117	142,555,639	105,881,846
Conditional and unconditional receivables secured by mortgages	19,325,687	16,316,525	13,409,160	13,109,491
Past due receivables	1,865,492	1,526,563	1,566,671	1,633,058
Receivables defined in high risk category by BRSA	124,483,246	80,363,307	54,526,030	33,554,991
Securities collateralized by mortgages		-	-	-
Securitization positions		-	-	-
Short-term receivables from banks, brokerage houses and corporates		-	-	-
Investments similar to collective investment Funds		-	-	-
Investment in equities	8,296,731	6,289,869	3,959,964	2,884,637
Other receivables	32,446,174	27,637,321	19,265,004	15,993,551

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

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

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

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

Profile of significant exposures in major regions

	Exposure Categories(*)							Exposure Categories(*)										
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Current Period																		
1. Domestic	280,531,959	179,707	726,920	-	-	12,665,899	213,029,724	245,148,479	19,179,526	1,865,251	124,443,016	-	-	-	-	8,296,731	32,446,174	938,513,386
2. European Union Countries	-	-	-	-	-	3,210,540	394,814	710	-	11	192	-	-	-	-	-	-	3,606,267
3. OECD Countries(**)	-	-	-	-	-	40,749,897	-	5,612	-	-	65	-	-	-	-	-	-	40,755,574
4. Offshore Banking Areas	-	-	-	-	-	7,797,239	230,343	994	926	-	8	-	-	-	-	-	-	8,029,510
5. USA, Canada	-	-	-	-	-	5,354,301	-	7	-	-	-	-	-	-	-	-	-	5,354,308
6. Other Countries	-	-	-	-	-	225,669	1,135,765	96,842	145,235	230	39,965	-	-	-	-	-	-	1,643,706
7. Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	280,531,959	179,707	726,920	-	-	70,003,545	214,790,646	245,252,644	19,325,687	1,865,492	124,483,246	-	-	-	-	8,296,731	32,446,174	997,902,751

	Exposure Categories(*)							Exposure Categories(*)										
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Prior Period																		
1. Domestic	159,367,372	241,765	895,513	-	-	12,310,621	184,633,811	142,351,674	13,349,211	1,566,603	54,495,515	-	-	-	-	3,959,964	19,265,004	592,437,053
2. European Union Countries	-	-	-	-	-	2,781,602	336,131	9,864	586	11	126	-	-	-	-	-	-	3,128,320
3. OECD Countries(**)	-	-	-	-	-	38,621,246	18	9,732	-	-	-	-	-	-	-	-	-	38,630,996
4. Offshore Banking Areas	-	-	-	-	-	3,673,122	489,579	61,102	1,172	-	-	-	-	-	-	-	-	4,224,975
5. USA, Canada	-	-	-	-	-	1,407,457	-	193	-	-	-	-	-	-	-	-	-	1,407,650
6. Other Countries	-	-	-	-	-	154,323	880,920	123,074	58,191	57	30,389	-	-	-	-	-		1,246,954
7. Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	159,367,372	241,765	895,513	-	-	58,948,371	186,340,459	142,555,639	13,409,160	1,566,671	54,526,030	-	-	-	-	3,959,964	19,265,004	641,075,948

(*) Exposure categories based on "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". Prior to the Credit Risk Reduction, the risk amounts after the credit conversion rate are given.

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

(***) Includes assets and liability items that cannot be allocated on a consistent basis.

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

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

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

Risk profile regarding sectors or counter parties

	Exposure Categories(*)																			
Current Period	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**TL**	**FC**	**Total**
Agriculture	-	-	220	-	-	-	1,372,803	1,450,668	202,236	10,116	120,996	-	-	-	-	-	-	2,299,298	857,741	3,157,039
Farming and Raising Livestock	-	-	220	-	-	-	770,471	1,387,433	189,870	10,103	79,688	-	-	-	-	-	-	2,076,085	361,700	2,437,785
Forestry	-	-	-	-	-	-	7,921	28,725	487	-	-	-	-	-	-	-	-	37,133	-	37,133
Fishing	-	-	-	-	-	-	594,411	34,510	11,879	13	41,308	-	-	-	-	-	-	186,080	496,041	682,121
Industrial	-	67,022	1,307	-	-	-	88,805,579	15,557,062	4,560,794	244,359	8,100,641	-	-	-	-	-	-	59,348,509	57,988,255	117,336,764
Mining and Quarrying	-	-	-	-	-	-	606,770	361,950	98,850	4,172	99,514	-	-	-	-	-	-	864,676	306,580	1,171,256
Production	-	-	1,307	-	-	-	78,635,643	14,902,859	4,453,717	240,159	7,626,584	-	-	-	-	-	-	56,537,451	49,322,818	105,860,269
Electricity, Gas, Water	-	67,022	-	-	-	-	9,563,166	292,253	8,227	28	374,543	-	-	-	-	-	-	1,946,382	8,358,857	10,305,239
Construction	-	-	-	-	-	-	10,988,520	8,036,313	2,324,963	101,768	1,000,935	-	-	-	-	-	-	17,187,711	5,264,788	22,452,499
Services	117,916,885	18,133	20,035	-	-	61,834,038	89,010,934	31,831,596	10,611,862	481,305	14,774,441	-	-	-	-	-	-	160,205,273	166,293,956	326,499,229
Wholesale and Retail Trade	-	-	3,460	-	-	-	31,246,955	23,834,435	4,111,858	101,993	11,929,297	-	-	-	-	-	-	59,432,110	11,795,888	71,227,998
Hotel, Food and Beverage	-	-	-	-	-	-	7,534,432	510,312	1,321,122	1,184	100,627	-	-	-	-	-	-	2,576,382	6,891,295	9,467,677
Transportation and Communication	-	18,133	-	-	-	-	28,214,276	3,037,774	207,460	3,940	449,133	-	-	-	-	-	-	5,464,842	26,465,874	31,930,716
Financial Institutions	117,916,885	-	-	-	-	61,834,038	1,224,877	322,499	9,880	375	39,870	-	-	-	-	-	-	82,346,896	99,001,528	181,348,424
Real Estate and Rent Services	-	-	-	-	-	-	11,543,322	542,206	4,555,535	364,856	1,185,242	-	-	-	-	-	-	3,022,112	15,169,049	18,191,161
Self-Employment Services	-	-	15,788	-	-	-	2,002,170	1,964,744	185,722	5,909	39,690	-	-	-	-	-	-	3,229,879	984,144	4,214,023
Educational Services	-	-	-	-	-	-	217,243	376,636	36,926	214	167,956	-	-	-	-	-	-	793,930	5,045	798,975
Health and Social Services	-	-	787	-	-	-	7,027,659	1,242,990	183,359	2,834	862,626	-	-	-	-	-	-	3,339,122	5,981,133	9,320,255
Other	162,615,074	94,552	705,358	-	-	8,169,507	24,612,810	188,377,005	1,625,832	1,027,944	100,486,233	-	-	-	-	8,296,731	32,446,174	480,277,409	48,179,811	528,457,220
Total	280,531,959	179,707	726,920	-	-	70,003,545	214,790,646	245,252,644	19,325,687	1,865,492	124,483,246	-	-	-	-	8,296,731	32,446,174	719,318,200	278,584,551	997,902,751

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

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

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

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

Risk profile regarding sectors or counter parties

	Exposure Categories(*)																			
Prior Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agriculture	-	-	1,478	-	-	-	1,342,250	1,561,294	71,364	35,701	130,386	-	-	-	-	-	-	2,618,385	524,088	3,142,473
Farming and Raising Livestock	-	-	1,478	-	-	-	698,300	1,492,551	69,817	35,560	130,386	-	-	-	-	-	-	2,232,885	195,207	2,428,092
Forestry	-	-	-	-	-	-	54,078	23,733	731	1	-	-	-	-	-	-	-	77,670	873	78,543
Fishing	-	-	-	-	-	-	589,872	45,010	816	140	-	-	-	-	-	-	-	307,830	328,008	635,838
Industrial	-	144,509	1,045	-	-	-	68,357,935	9,762,988	2,691,576	147,646	4,289,605	-	-	-	-	-	-	43,932,290	41,463,014	85,395,304
Mining and Quarrying	-	-	-	-	-	-	497,696	208,482	72,391	2,480	74,338	-	-	-	-	-	-	627,925	227,462	855,387
Production	-	-	1,045	-	-	-	59,239,787	9,381,361	2,582,852	145,064	4,143,519	-	-	-	-	-	-	41,998,309	33,495,319	75,493,628
Electricity, Gas, Water	-	144,509	-	-	-	-	8,620,452	173,145	36,333	102	71,748	-	-	-	-	-	-	1,306,056	7,740,233	9,046,289
Construction	-	-	-	-	-	-	9,013,390	5,497,897	1,301,342	296,352	487,463	-	-	-	-	-	-	12,986,136	3,610,308	16,596,444
Services	63,704,102	54,038	20,400	-	-	50,775,140	78,434,668	23,488,299	7,806,370	565,912	8,009,908	-	-	-	-	-	-	98,417,959	134,440,878	232,858,837
Wholesale and Retail Trade	-	-	1,134	-	-	-	27,317,321	17,888,980	2,950,225	212,165	6,301,512	-	-	-	-	-	-	47,094,826	7,576,511	54,671,337
Hotel, Food and Beverage	-	-	-	-	-	-	5,870,161	376,656	749,351	25,633	5,649	-	-	-	-	-	-	1,953,013	5,074,437	7,027,450
Transportation and Communication	-	54,005	-	-	-	-	23,711,799	2,204,355	236,282	9,909	587,100	-	-	-	-	-	-	4,810,808	21,992,642	26,803,450
Financial Institutions	63,704,102	33	-	-	-	50,775,140	3,683,367	204,210	5,164	271	30,173	-	-	-	-	-	-	36,523,461	81,878,999	118,402,460
Real Estate and Rent Services	-	-	-	-	-	-	9,903,473	342,991	3,535,538	297,401	467,922	-	-	-	-	-	-	2,513,055	12,034,270	14,547,325
Self-Employment Services	-	-	17,707	-	-	-	1,616,146	1,218,256	194,821	11,384	51,776	-	-	-	-	-	-	2,224,733	885,357	3,110,090
Educational Services	-	-	-	-	-	-	182,289	336,290	17,408	6,054	171,938	-	-	-	-	-	-	707,502	6,477	713,979
Health and Social Services	-	-	1,559	-	-	-	6,150,112	916,561	117,581	3,095	393,838	-	-	-	-	-	-	2,590,561	4,992,185	7,582,746
Other	95,663,270	43,218	872,590	-	-	8,173,231	29,192,216	102,245,161	1,538,508	521,060	41,608,668	-	-	-	-	3,959,964	19,265,004	249,887,494	53,195,396	303,082,890
Total	159,367,372	241,765	895,513	-	-	58,948,371	186,340,459	142,555,639	13,409,160	1,566,671	54,526,030	-	-	-	-	3,959,964	19,265,004	407,842,264	233,233,684	641,075,948

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

1. Conditional and unconditional receivables from central governments and Central Banks
2. Conditional and unconditional receivables from regional or local governments
3. Conditional and unconditional receivables from administrative bodies and noncommercial enterprises
4. Conditional and unconditional receivables from multilateral development banks
5. Conditional and unconditional receivables from international organizations
6. Conditional and unconditional receivables from banks and brokerage houses
7. Conditional and unconditional receivables from corporates
8. Conditional and unconditional receivables from retail portfolios
9. Conditional and unconditional receivables secured by mortgages
10. Past due receivables
11. Receivables defined under high risk category by BRSA
12. Securities collateralized by mortgages
13. Securitization positions
14. Short-term receivables from banks, brokerage houses and corporates
15. Investments similar to collective investment Funds
16. Investment in equities
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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

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

Current Period Risk Classification	Term To Maturity: Up to 1 month	1-3 month	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	2,142,465	2,159,983	3,044,119	3,022,874	143,915,428
Conditional and unconditional receivables from regional or local governments	-	3,068	18,133	5,810	152,662
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	118,871	230,211	93,011	298	226,289
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	12,141,090	23,077,046	5,091,847	3,553,066	7,858,614
Conditional and unconditional receivables from corporates	24,746,829	28,635,021	26,674,387	34,576,841	81,542,333
Conditional and unconditional receivables from retail portfolios	24,333,324	28,200,984	27,036,780	37,108,352	22,971,760
Conditional and unconditional receivables secured by mortgages	776,408	1,179,916	2,424,765	3,632,690	10,814,207
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	3,461,920	8,944,472	8,970,825	28,862,822	40,856,560
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment Funds	-	-	-	-	-
Investment in equities	-	-	-	-	-
Other receivables	-	-	-	-	-
General Total	67,720,907	92,430,701	73,353,867	110,762,753	308,337,853

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

Prior Period Risk Classification	Term To Maturity: Up to 1 month	1-3 month	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	785,676	422,833	3,491,006	4,689,779	85,267,977
Conditional and unconditional receivables from regional or local governments	-	2,307	7,612	6,113	222,855
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	164,987	314,964	90,348	10,140	288,595
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	17,621,354	5,984,127	4,124,416	4,860,106	6,796,423
Conditional and unconditional receivables from corporates	17,114,528	19,398,381	20,661,730	22,967,590	76,638,128
Conditional and unconditional receivables from retail portfolios	11,166,774	15,685,571	12,049,891	28,307,427	90,695,830
Conditional and unconditional receivables secured by mortgages	306,281	748,503	1,177,719	1,644,559	9,225,468
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	1,384,749	3,590,528	4,858,924	1,521,541	40,072,042
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment Funds	-	-	-	-	-
Investment in equities	7,674	-	-	-	-
Other receivables	-	-	-	-	-
General Total	48,552,023	46,147,214	46,461,646	64,007,255	309,207,318

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

Exposures by risk weights

Current Period

Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	2%	Deductions from Equity
1. Exposures Before Credit Risk Mitigation	289,534,217	-	35,226,938	9,250	56,398,485	214,653,419	277,444,109	100,634,666	23,345,906		502,674	153,086
2. Exposures After Credit Risk Mitigation	290,551,436	-	28,005,412	,838,532	46,423,000	202,713,498	263,442,092	100,573,014	23,345,906		502,674	153,086

Prior Period

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

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

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

Information by major sectors and type of counterparties

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

Current Period	Loans(*)			Provisions	
	Impaired Loans (TFRS 9)				
Major Sectors/Counterparties	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)	Non-Performing (Regulation of Provision)	Expected Credit Loss Provisions (TFRS 9)	(Regulation of Provision)
1. Agriculture	85,292	171,229	-	163,659	-
1.1. Farming and Livestock	79,511	169,235	-	160,862	-
1.2. Forestation	3,493	104	-	600	-
1.3. Fishing	2,288	1,890	-	2,197	-
2. Industrial	3,511,009	1,989,222	-	2,131,270	-
2.1. Mining and Quarrying	13,637	45,310	-	42,531	-
2.2. Manufacturing Industry	3,472,217	1,884,024	-	2,020,523	-
2.3. Electricity, Gas, Water	25,155	59,888	-	68,216	-
3. Construction	2,084,607	811,055	-	1,340,627	-
4. Services	26,413,751	2,894,840	-	7,318,853	-
4.1. Wholesale and Retail Commerce	4,641,187	1,503,575	-	1,852,021	-
4.2. Hotel and Restaurant Services	1,774,322	146,604	-	479,597	-
4.3. Transportation and Communication	460,093	107,785	-	172,208	-
4.4. Financial Corporations	13,360	9,945	-	10,850	-
4.5. Real Estate and Loan Services	17,949,561	825,889	-	4,088,696	-
4.6. Independent Business Services	709,728	232,558	-	420,986	-
4.7. Education Services	44,752	28,043	-	33,671	-
4.8. Health and Social Services	820,748	40,441	-	260,824	-
5. Other	31,360,317	5,121,995	-	9,003,124	-
6. Total	63,454,976	10,988,341	-	19,957,533	-

(*) Represents the distribution of cash loans.

Prior Period	Loans(*)			Provisions	
	Impaired Loans (TFRS 9)				
Major Sectors/Counterparties	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)	Non-Performing (Regulation of Provision)	Expected Credit Loss Provisions (TFRS 9)	(Regulation of Provision)
1. Agriculture	142,855	249,702	-	213,655	-
1.1. Farming and Livestock	133,225	247,302	-	210,600	-
1.2. Forestation	4,236	104	-	559	-
1.3. Fishing	5,394	2,296	-	2,496	-
2. Industrial	2,835,561	1,775,197	-	1,884,035	-
2.1. Mining and Quarrying	36,000	75,109	-	62,178	-
2.2. Manufacturing Industry	2,780,315	1,390,390	-	1,482,880	-
2.3. Electricity, Gas, Water	19,246	309,698	-	338,977	-
3. Construction	1,113,394	1,056,060	-	866,551	-
4. Services	19,344,003	3,166,763	-	6,148,952	-
4.1. Wholesale and Retail Commerce	4,698,583	1,748,378	-	1,957,589	-
4.2. Hotel and Restaurant Services	1,447,733	260,681	-	520,392	-
4.3. Transportation and Communication	441,084	136,948	-	176,137	-
4.4. Financial Corporations	32,486	8,968	-	11,320	-
4.5. Real Estate and Loan Services	11,188,469	826,543	-	2,900,153	-
4.6. Independent Business Services	846,616	101,121	-	302,366	-
4.7. Education Services	59,133	37,760	-	35,693	-
4.8. Health and Social Services	629,899	46,364	-	245,302	-
5. Other	12,915,605	3,246,798	-	4,517,552	-
6. Total	36,351,418	9,494,520	-	13,630,745	-

(*) Represents the distribution of cash loans.

Movements in value adjustments and provisions

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1. Stage 3 Provisions(**)	7,829,033	2,992,590	(1,033,008)	(908,332)	8,880,283
2. Stage 1 and 2 Provisions	9,406,590	11,361,163	(1,805,496)	-	18,962,257

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

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1. Stage 3 Provisions(**)	7,132,156	1,768,481	(677,441)	(394,163)	7,829,033
2. Stage 1 and 2 Provisions	5,553,774	4,992,286	(1,139,470)	-	9,406,590

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

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

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

Exposures subject to countercyclical capital buffer

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

Information on private sector receivables

Current Period

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Türkiye	721,439,401	-	721,439,401
Malta	591,450	-	591,450
Other	418,293	-	418,293
Total	722,449,144	-	722,449,144

Prior Period

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

2. Risk Management and General Disclosures regarding Risk Weighted Amounts

2.1. GBA – Risk management approach of the group

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

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

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

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

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

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

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

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

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

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

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

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

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

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

II. Explanations on Consolidated Risk Management (Continued)

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

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

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

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

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

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

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

The Enterprise Risk Management Policy aims to coordinate the Group's risk management activities, establish the necessary standards and optimize performance and decision-making through the classification of risks and developing a structured approach for the Group to address these risks.

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

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

Banking Account Interest Rate Risk (BHFOR) Policy sets the basic principles for the management of interest rate risk related to banking activities other than trading accounts.

The liquidity policy outlines the Group’s view and identifies the guidelines for incurring, retaining and managing liquidity risk.

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

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

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

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

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

d) Key elements and scope of risk measurement systems

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

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

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

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

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

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

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

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

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

The Market Risk Management Division informs and reports to the senior management, including the Board member responsible for internal systems, about the market and counterparty risks of trading accounts and the securities portfolio.

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

II. Explanations on Consolidated Risk Management (Continued)

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

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

Reports are prepared daily and indicatively include the following:

- Estimation of the VaR on aggregate basis and by type of risk (interest rate, FX, equity);
- Estimation of Stress VaR on aggregate basis and by type of risk (interest rate, FX, equity);
- Sensitivity of the Trading Book and AFS portfolio;
- Nominal values of bond portfolios;
- A breakdown of the portfolio and the relevant limits utilization;
- Utilization of limits on option Greeks; and
- Estimation of the VaR on subsidiaries.

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

Operational Risk segment reporting broadly covers the following:

- Operational risk loss events experienced in the group;
- Key risk indicators and risk metrics; and
- Action tracking.

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

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

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

In scenarios using stress testing, as a result of increase in non-performing loans due to significant deterioration in asset quality and a decrease in capital adequacy, The Group's ability to meet capital-strengthening actions and cash outflows that may occur in case of a possible liquidity crisis were tested. In this context, when potential risks are assessed, it is believed that the Group has sufficient capacity for actions that may be taken.

Market Risk Management defines the stress test approaches as below:

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

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

Within the scope of liquidity stress test to identify possible sources of liquidity weaknesses, scenarios that are specific to the bank, related to the market in general and taking both situations into account have been defined. Thus, the Group's ability to meet its obligations during a funding crisis is tested. The Group has had four different stress tests measuring how much it can meet its promises, without providing any new funds from the market or at very low levels of funds, cumulative cash outflows. For effective and sufficient liquidity risk management, the stress tests in question have been created based on crisis scenarios specific to the group, a general market crisis scenario, and a combined scenario in accordance with the "Guidance on Liquidity Risk Management".

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

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

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

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

		Risk Weighted Assets		Minimum Capital Requirements	
		31.12.2023	31.12.2022	31.12.2023	31.12.2022
1.	Credit risk (excluding counterparty credit risk)	636,874,183	399,456,740	50,949,935	31,956,540
2.	Standardised approach	636,874,183	399,456,740	50,949,935	31,956,540
3.	Internal rating-based approach	-	-	-	-
4.	Counterparty credit risk	10,375,705	18,772,414	830,056	1,501,793
5.	Standardised approach for counterparty credit risk	10,375,705	18,772,414	830,056	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	16,592,375	10,050,275	1,327,390	804,022
17.	Standardised approach	16,592,375	10,050,275	1,327,390	804,022
18.	Internal model approaches		-	-	-
19.	Operational risk	42,831,521	20,444,093	3,426,522	1,635,527
20.	Basic Indicator Approach	42,831,521	20,444,093	3,426,522	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)	706,673,784	448,723,522	56,533,903	35,897,882

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

II. Explanations on Consolidated Risk Management (Continued)

3. Linkages between financial statements and risk amounts

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

Current Period			Carrying values of items in accodance with TAS			
Assets	**Carrying values in financial statements prepared as per TAS**	**Carrying values in accordance legal consolidation prepared as per TAS**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Cash and Balances with the Central Bank	162,571,896	162,561,639	162,569,574	-	-	-
Trading Financial Assets(*)	5,711,926	5,711,926	-	5,714,663	2,289,167	-
Financial Assets at Fair Value Through Profit or Loss	4,833,030	5,705,925	-	-	2,210,600	-
Banks	18,530,481	17,799,913	17,822,472	-	-	-
Money Market Placements	5,736,434	5,736,434	5,435,353	301,081	-	-
Financial Assets Available-for-Sale (Net)	69,364,150	69,310,430	69,310,430	9,860,710	-	-
Loans and Receivables	565,410,752	565,257,143	584,160,006	-	-	59,395
Factoring Receivables	15,270,570	15,495,346	15,495,346	-	-	-
Held-to-Maturity Investments (Net)	102,145,753	102,145,754	102,171,752	30,062,937	-	-
Investment in Associates (Net)	-	57,084	57,084	-	-	-
Investment in Subsidiaries (Net)	-	128,046	128,046	-	-	-
Investment in Joint ventures (Net)	64,368	2,800	2,800	-	-	-
Lease Receivables	22,800,264	21,993,677	21,993,677	-	-	-
Derivative Financial Assets Held for Hedging(*)	7,269,024	7,269,024	-	7,269,024	-	-
Property and Equipment (Net)	6,793,530	14,820,382	14,610,601	-	-	209,781
Intangible Assets (Net)	4,013,971	3,814,068	-	-	-	3,814,067
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	6,796,452	6,789,895	6,789,895	-	-	-
Assets Held for Resale and Related to Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	14,776,208	18,822,693	18,845,374	-	-	-
Total Assets	**1,012,088,809**	**1,023,422,179**	**1,019,392,410**	**53,208,415**	**4,499,767**	**4,083,243**
Liabilities						
Deposits	638,492,607	630,727,536	-	-	-	-
Derivative Financial Liabilities Held for Trading(**)	4,165,100	4,165,100	-	-	1,687,400	-
Funds Borrowed	126,871,273	127,865,163	-	-	-	-
Money Markets	31,124,580	31,098,347	-	31,098,347	-	-
Marketable Securities Issued	51,989,913	52,036,959	-	-	-	-
Funds	-	-	-	-	-	-
Miscellaneous Payables(***)	30,720,075	38,771,266	-	-	-	-
Other Liabilities(***)	18,751,130	10,326,409	-	-	-	-
Factoring Payables	-	-	-	-	-	-
Lease Payables	1,173,271	1,173,271	-	-	-	-
Derivative Financial Liabilities Held for Hedging(**)	830,629	830,629	-	-	-	-
Provisions	4,367,829	15,350,688	-	-	-	-
Tax Liability	2,788,501	2,493,475	-	-	-	-
Liabilities for Property and Equipment Held for Sale and Related to Discontinued Operations (Net)	-	-	-	-	-	-
Subordinated Loans	26,948,856	26,948,856	-	-	-	-
Shareholders' Equity	73,865,047	81,634,480	-	-	-	-
Total Liabilities	**1,012,088,811**	**1,023,422,179**	**-**	**31,098,347**	**1,687,400**	**-**

(*) Financial assets held for trading and derivative financial assets for hedging purposes are included in the "Derivative Financial Assets" item in the financial statements.

(**) Financial liabilities held for trading and derivative financial liabilities for hedging purposes are included in the "Derivative Financial Liabilities" item in the financial statements.

(***) Miscellaneous payables and other liabilities are presented under "Other Liabilities" items in the financial statements.

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

II. Explanations on Consolidated Risk Management (Continued)

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

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

Prior period			Carrying values of items in accodance with TAS			
Assets	**Carrying values in financial statements prepared as per TAS**	**Carrying values in accordance legal consolidation prepared as per TAS**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Cash and Balances with the Central Bank	94,533,049	94,527,176	94,532,103	-	-	-
Trading Financial Assets(*)	8,090,348	8,090,348	-	7,691,497	3,792,070	-
Financial Assets at Fair Value Through Profit or Loss	1,619,014	1,619,015	-	-	1,211,871	-
Banks	11,358,595	11,137,685	11,149,252	-	-	-
Money Market Placements	8,462,898	8,462,898	4,422,294	4,040,604	-	-
Financial Assets Available-for-Sale (Net)	40,302,956	40,257,481	40,128,060	10,288,785	-	-
Loans and Receivables	339,661,284	338,904,231	348,269,977	-	-	40,844
Factoring Receivables	9,468,733	9,593,485	9,593,485	-	-	-
Held-to-Maturity Investments (Net)	61,943,267	61,943,267	61,948,362	19,879,566	-	-
Investment in Associates (Net)	-	45,477	45,477	-	-	-
Investment in Subsidiaries (Net)	-	128,046	128,046	-	-	-
Investment in Joint ventures (Net)	343,575	288,563	288,563	-	-	-
Lease Receivables	15,284,714	14,607,221	14,607,221	-	-	-
Derivative Financial Assets Held for Hedging(*)	14,521,606	14,521,606	-	14,521,606	-	-
Property and Equipment (Net)	4,857,485	4,901,332	4,790,947	-	-	110,385
Intangible Assets (Net)	982,157	944,149	-	-	-	944,149
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	570,548	665,697	665,697	-	-	-
Assets Held for Resale and Related to Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	7,559,384	10,506,137	10,519,352	-	-	-
Total Assets	**619,559,613**	**621,143,814**	**601,088,836**	**56,422,058**	**5,003,941**	**1,095,378**

Liabilities						
Deposits	407,494,763	392,763,122	-	-	-	-
Derivative Financial Liabilities Held for Trading(**)	5,591,399	5,591,399	-	-	3,515,675	-
Funds Borrowed	54,946,924	55,217,357	-	-	-	-
Money Markets	23,053,503	23,078,637	-	23,078,637	-	-
Marketable Securities Issued	32,001,173	32,016,909	-	-	-	-
Funds	0	-	-	-	-	-
Miscellaneous Payables(***)	14,784,702	29,702,644	-	-	-	-
Other Liabilities(***)	10,997,460	7,564,175	-	-	-	-
Factoring Payables	0	-	-	-	-	-
Lease Payables	741,622	741,622	-	-	-	-
Derivative Financial Liabilities Held for Hedging(**)	1,123,589	1,123,589	-	-	-	-
Provisions	4,583,106	9,097,021	-	-	-	-
Tax Liability	2,843,483	2,843,483	-	-	-	-
Liabilities for Property and Equipment Held for Sale and Related to Discontinued Operations (Net)	0	-	-	-	-	-
Subordinated Loans	17,127,724	17,127,724	-	-	-	-
Shareholders' Equity	44,270,165	44,276,132	-	-	-	-
Total Liabilities	**619,559,613**	**621,143,814**	**-**	**23,078,637**	**3,515,675**	**-**

(*) Financial assets held for trading and derivative financial assets for hedging purposes are included in the "Derivative Financial Assets" item in the financial statements.

(**) Financial liabilities held for trading and derivative financial liabilities for hedging purposes are included in the "Derivative Financial Liabilities" item in the financial statements.

(***) Miscellaneous payables and other liabilities are presented under "Other Liabilities" items in the financial statements.

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

II. Explanations on Consolidated Risk Management (Continued)

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

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

	Current period	Total	Subject to Credit Risk	Subject to the Securitization	Subject to Counterparty Credit Risk	Subject to Market Risk
1.	Asset carrying value amount under scope of regulatory consolidation (as in template B1)	1,077,100,592	1,019,392,410	-	53,208,415	4,499,767
2.	Liabilities carrying value amount under regulatory scope of consolidation (as in template B1)	32,785,747	-	-	31,098,347	1,687,400
3.	Total net amount under regulatory scope of consolidation	1,044,314,845	1,019,392,410	-	22,110,068	2,812,367
4.	Off-Balance Sheet Amount	779,731,809	76,680,910	-	-	-
5.	Differences due to different netting rules (except 2)	13,780,008	-	-	-	13,780,008
6.	Repo transactions	608,004	-	-	608,004	-
7.	Decrease in counterparty credit risk as a result of netting	3,678,502	-	-	3,678,502	-
8.	Potential credit risk amount calculated for the counterparty	(16,351,309)	(14,437,547)	-	(1,913,762)	-
9.	Differences due to credit risk reduction	(147,569,936)	(147,569,936)	-	-	-
10.	Average exchange rate effect(*)	1,825,761,859	934,065,838	-	24,482,812	16,592,375
	Risk amounts		1,868,131,675	-	48,965,624	33,184,750

(*) It shows the average exchange rate effect used in credit risk calculation within the scope of the BRSA's Resolution dated 31 January 2023.

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

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

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

a) None.

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

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

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

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

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

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

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

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

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

Definition of independent price approval processes

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

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

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

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

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

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

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

II. Explanations on Consolidated Risk Management (Continued)

4. Credit Risk Disclosures

4.1. General Information on Credit Risk

4.1.1. CRD – general qualitative information on credit risk

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

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

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

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

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

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

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

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

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

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

Main responsibilities of Credit Risk Management Department are as follows:

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

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

Risk governance model includes three lines of defense consisting of:

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

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

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

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

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

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

II. Explanations on Consolidated Risk Management (Continued)

4. Credit Risk Disclosures (Continued)

4.2. CR1 Credit Quality of Assets

	Gross carrying values of as per TAS			
Current Period	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net value
1. Loans	10,988,341	582,645,210	8,880,284	584,753,267
2. Debt Securities	-	171,480,680	-	171,480,680
3. Off-balance sheet exposures	-	585,997,500	27,904	585,969,596
4. Total	10,988,341	1,340,123,390	8,908,188	1,342,203,543

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

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

	Current Period	Prior Period
1. Defaulted loans and debt securities at end of the previous reporting period	9,494,520	9,516,147
2. Loans and debt securities that have defaulted since the last reporting period	5,251,906	2,777,814
3. Returned to non-defaulted status	-	-
4. Amounts written-off(*)	917,816	394,163
5. Other changes(**)	2,840,269	2,405,278
6. Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	10,988,341	9,494,520

(*) Includes sales of non-performing loan receivables amounting to TL 907,703 in the current period (31 December 2022 - TL 32,223).

(**) Includes collections from credits in default.

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

a) **The criteria taken into consideration by the Parent Bank in determining the impairment are explained in footnote VIII of the third section.**

b) **There is no part of past due receivables which is not reviewed as “loans subject to provisioning”.**

c) **The Group's specific provision calculation is explained in footnote VIII of the third section.**

d) **In receivables of the customers having difficulties in payment of receivables to the Bank or expected to have possible difficulties in payments then receivables in aforementioned scope are identified as “restructured receivables”.**

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

Exposures provisioned against by major regions

Country	Current Period	Prior Period
Türkiye	580,290,501	345,259,369
European Union (EU) Countries	803	1,035
USA, Canada	2	28
OECD Countries(*)	2,236	432
Off-Shore Banking	869,732	763,195
Other Countries	1,481,936	1,090,871
Total(*)	582,645,210	347,114,930

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

Exposures provisioned against by major sectors

	Current Period	Prior Period
1. Agricultural	3,206,115	2,986,225
1.1. Farming and raising livestock	2,235,461	2,240,146
1.2. Forestry	36,489	42,472
1.3. Fishing	934,165	703,607
2. Manufacturing	111,625,809	76,599,281
2.1. Mining and Quarrying	963,553	659,976
2.2. Production	98,017,568	65,591,520
2.3. Electricity, Gas, Water	12,644,688	10,347,785
3. Construction	15,096,310	11,221,790
4. Services	190,121,329	134,895,954
4.1 Wholesale and retail trade	71,954,428	54,134,919
4.2 Hotel, food and beverage services	16,809,256	10,198,976
4.3 Transportation and telecommunication	46,529,727	33,428,456
4.4 Financial institutions	10,788,633	6,757,854
4.5 Real estate and leasing services	26,671,005	17,574,338
4.6 Self-employment services	4,064,145	3,133,492
4.7 Education services	931,756	789,278
4.8 Health and social services	12,372,379	8,878,641
5. Other	262,595,647	121,411,680
6. Total(*)	582,645,210	347,114,930

Breakdown of Exposures according to remaining maturity

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables	-	203,925,397	93,929,683	189,235,959	100,184,295	32,324,882	619,600,216
Prior Period	**Demand**	**Up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**5 Years and Over**	**Total**
Loans and Receivables(*)	-	77,550,568	52,229,600	121,086,605	87,641,420	22,931,257	361,439,450

(*) Relevant provision amounts have been deducted from the loans and receivables balances.

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

II. Explanations on Consolidated Risk Management (Continued)

4. Credit Risk Disclosures (Continued)

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

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

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

Current Period	Loans subject to provision	Provision	Written-off from Assets
Türkiye	10,971,258	8,863,471	917,816
EU Countries	26	15	-
USD, Canada	-	-	-
OECD Countries(*)	-	-	-
Off-shore Banking Regions	-	-	-
Other Countries	17,057	16,798	-
Total	10,988,341	8,880,284	917,816

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

Prior Period	Loans subject to provision	Provision	Written-off from Assets
Türkiye	9,478,145	7,812,737	394,163
EU Countries	26	15	-
USD, Canada	-	-	-
OECD Countries(*)	-	-	-
Off-shore Banking Regions	-	-	-
Other Countries	16,349	16,284	-
Total	9,494,520	7,829,036	394,163

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

Exposures provisioned against by major sectors and loans written off

	Current Period			Prior Period		
	Loans subject to provision	Provision	Written-off from Assets	Loans subject to provision	Provision	Written-off from Assets
1. Agriculture	171,229	152,412	19,541	249,702	201,668	580
1.1. Farming and Raising Livestock	169,235	150,434	19,232	247,302	199,421	215
1.2. Forestry	104	104	-	104	102	365
1.3. Fishing	1,890	1,874	309	2,296	2,145	-
2. Industrial	1,989,222	1,716,533	51,068	1,775,197	1,549,603	23,208
2.1. Mining and Quarrying	45,310	41,090	231	75,109	55,073	-
2.2. Production	1,884,024	1,615,587	50,647	1,390,390	1,184,947	3,647
2.3. Electricity, Gas, Water	59,888	59,856	190	309,698	309,583	19,561
3. Construction	811,055	581,131	26,317	1,056,060	733,609	1,099
4. Services	2,894,840	2,345,022	227,358	3,166,763	2,551,914	327,998
4.1. Wholesale and Retail Trade	1,503,575	1,354,303	168,886	1,748,378	1,529,582	52
4.2. Hotel, Food and Beverage Services	146,604	126,284	22,959	260,681	198,455	-
4.3. Transportation and Communication	107,785	100,169	17,995	136,948	123,681	327,946
4.4. Financial Institutions	9,945	9,274	536	8,968	8,617	-
4.5. Real Estate and Renting Services	825,889	466,236	5,900	826,543	528,818	-
4.6. Self-Employment Services	232,558	225,536	6,221	101,121	88,490	-
4.7. Educational Services	28,043	26,015	1,436	37,760	31,373	-
4.8. Health and Social Services	40,441	37,205	3,425	46,364	42,898	-
5. Other	5,121,995	4,085,186	593,532	3,246,798	2,792,242	41,278
6. Total	10,988,341	8,880,284	917,816	9,494,520	7,829,036	394,163

g) Aging analysis

Overdue days	Current Period	Prior Period
0-30	603,561,484	364,955,258
31-60	4,175,579	1,157,522
61-90	1,480,357	568,805
90+	10,988,341	9,494,520
Total	620,205,761	376,176,105

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

II. Explanations on Consolidated Risk Management (Continued)

5. Credit risk mitigation

5.1. CRM - Qualitative disclosure on credit risk mitigation techniques

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

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

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

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

Insurance policies of the collaterals should be obtained.

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

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

5.2. CR3 – Credit risk mitigation techniques – Overview

Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1.Loans	570,245,099	14,508,168	11,118,365	-	-	-	-
2.Debt securities	171,480,680	-	-	-	-	-	-
3.Total	741,725,779	14,508,168	11,118,365	-	-	-	-
4.Of which defaulted	2,000,003	80,149	20,088	-	-	-	-

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	-	-	-	-

6. Credit risk when standard approach is used

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

a) **Ratings of Fitch and JCR Avrasya Derecelendirme A.Ş. credit rating agencies are used in credit risk standard approach calculations.**

b) **Ratings of Fitch credit rating agency are used to determine the risk weights of receivables from central governments or central banks, receivables from banks and intermediary institutions, which are subject to risk classes. The ratings of JCR Avrasya Değerlendirme A.Ş. are used in determining the risk weights for corporate receivables subject to risk categories.**

c) **Mark assigned to a debtor is taken into account for all assets of the debtor.**

d) **CRA, which is not included in twinning table of the institution, is not used.**

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II. Explanations on Consolidated Risk Management (Continued)

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

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

Current Period		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Exposure Categories	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1.	Exposures to central governments or central banks	277,025,530	-	278,042,749	-	-	0%
2.	Exposures to regional governments or local authorities	179,674	115	179,674	-	89,837	50%
3.	Exposures to public sector entities	663,848	292,560	663,848	62,192	726,040	100%
4.	Exposures to multilateral development banks	-	-	-	-	-	0%
5.	Exposures to international organizations	-	-	-	-	-	0%
6.	Exposures to institutions	20,833,388	5,715,445	20,833,389	3,343,684	8,916,454	37%
7.	Exposures to corporates	166,568,914	177,334,954	159,069,791	45,596,099	192,632,680	94%
8.	Retail exposures	232,046,907	532,994,612	227,492,086	12,446,638	189,267,517	79%
9.	Exposures secured by residential property	2,664,150	328,547	2,664,150	174,382	993,486	35%
10.	Exposures secured by commercial real estate	14,778,895	3,367,436	14,778,895	1,708,260	11,541,278	70%
11.	Past-due loans	1,865,492	-	1,845,502	-	1,054,483	57%
12.	Higher-risk categories by the Agency Board	124,345,747	221,174	124,284,094	137,500	200,064,703	161%
13.	Exposures in the form of covered bonds	-	-	-	-	-	0%
14.	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
15.	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	0%
16.	Other assets	32,446,174	1,481,019	32,446,174	-	23,290,712	72%
17.	Investments in equities	8,296,731	-	8,296,731	-	8,296,731	100%
18.	Total	881,715,450	721,735,862	870,597,083	63,468,755	636,873,921	68%

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

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

II. Explanations on Consolidated Risk Management (Continued)

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

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

Current Period

	Exposure Categories/Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit Risk Exposure Amount
1.	Exposures to central governments or central banks	278,042,749	-	-	-	-	-	-	-	-	278,042,749
2.	Exposures to regional governments or local authorities	-	-	-	-	179,674	-	-	-	-	179,674
3.	Exposures to public sector entities	-	-	-	-	-	-	726,040	-	-	726,040
4.	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5.	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6.	Exposures to institutions	-	-	10,741,073	-	13,335,519	-	100,481	-	-	24,177,073
7.	Exposures to corporates	-	-	8,553,639	-	10,380,598	-	185,731,653	-	-	204,665,890
8.	Retail exposures	-	-	-	-	-	202,684,828	37,253,896	-	-	239,938,724
9.	Exposures secured by residential property	-	-	-	2,838,532	-	-	-	-	-	2,838,532
10.	Exposures secured by commercial real estate	-	-	-	-	9,891,755	-	6,595,400	-	-	16,487,155
11.	Past-due loans	-	-	-	-	1,582,038	-	263,464	-	-	1,845,502
12.	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	100,573,014	23,848,580	124,421,594
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	-	-	-	-	-	-	8,296,731	-	-	8,296,731
17.	Other Asset	9,155,344	-	148	-	-	-	23,290,682	-	-	32,446,174
18.	Total	287,198,093	-	19,294,860	2,838,532	35,369,584	202,684,828	262,258,347	100,573,014	23,848,580	934,065,838

Prior Period

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

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

II. Explanations on Consolidated Risk Management (Continued)

7. Disclosures Regarding Counterparty Credit Risk

7.1. Qualitative disclosures regarding DCCR – CCR table

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

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

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

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

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

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

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

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

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

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

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

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

Current Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1. Standard approach - CCR (for derivatives)	5,239,851	3,678,502	-	1	12,485,695	4,079,974
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)	-	-	-	-	11,997,117	4,397,153
5. Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6. Total	-	-	-	-	-	8,477,127

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

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

	Exposure (After credit risk mitigation methods)		Risk Weighted Amounts	
	Current Period	Prior Period	Current Period	Prior Period
Total portfolio value with comprehensive approach CVA capital adequacy				
1. (i) Value at risk component (3*multiplier included)	-	-	-	-
2. (ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3. Total portfolio value with simplified approach CVA capital adequacy	12,485,695	21,278,169	1,898,578	3,187,279
Total amount of CVA capital adequacy	12,485,695	21,278,169	1,898,578	3,187,279

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

II. Explanations on Consolidated Risk Management (Continued)

7. Disclosures Regarding Counterparty Credit Risk (Continued)

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

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	3,353,343	-	-	-	-	-	-	153,086	3,506,429
2. Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3. Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	6	-	-	6
4. Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5. Exposures from international organizations	-	-	-	-	-	-	-	-	-
6. Exposures from banks and brokerage houses	-	-	8,294,238	10,930,444	-	32,883	-	-	19,257,565
7. Exposures from corporates	-	-	416,315	122,973	-	1,150,855	-	-	1,690,143
8. Retail receivables	-	-	-	-	28,669	-	-	-	28,669
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	3,353,343	-	8,710,553	11,053,417	28,669	1,183,744	-	153,086	24,482,812

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	-	-	25,406,275
7. Exposures from corporates	-	-	-	-	-	3,033,551	-	-	3,033,551
8. Retail receivables	-	-	-	-	1,782,094	-	-	-	1,782,094
9. Mortgage receivables	-	-	-	-	-	-	-	-	-
10. Non performing receivables	-	-	-	-	-	-	-	-	-
11. High risk defined receivables	-	-	-	-	-	-	-	-	-
12. Mortgage backed securities	-	-	-	-	-	-	-	-	-
13. Securitization Positions	-	-	-	-	-	-	-	-	-
14. Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15. Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
16. Equity Investments	-	-	-	-	-	-	-	-	-
17. Other Receivables	-	-	-	-	-	-	-	-	-
18. Other Assets	-	-	-	-	-	-	-	-	-
19. Total	751,881	-	6,464,294	18,041,478	1,782,094	3,934,556	-	20,523	30,994,826

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

II. Explanations on Consolidated Risk Management (Continued)

7. Disclosures Regarding Counterparty Credit Risk (Continued)

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

Related table is not presented due to standard method is used for calculation of capital adequacy (31 December 2022 - None).

7.6. CCR5 – Composition of collateral for CCR exposure

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
Current Period	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Cash - Local Currency	-	47,999	-	737,134	24,811,951	-
Cash - Foreign Currency	-	8,003,192	-	3,025,514	1,873,538	-
Government bond-domestic	-	-	-	-	-	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	-	8,051,191	-	3,762,648	26,685,489	-

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

7.7. CCR6 – Credit derivatives

Related table is not presented due to the Parent Bank has no risk arrived from derivative credit received or sold (31 December 2022 - None).

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

Related table is not presented due to standard method is used for calculation of capital adequacy (31 December 2022 - None).

7.9. CCR8 – Exposures to central counterparties

		Current Period		Prior Period	
		Exposure at default (post-CRM)	RWA	Exposure at default (post-CRM)	RWA
1.	Exposure to Qualified Central Counterparties (QCCPs)(Total)	153,086	3,062	26,594	532
2.	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
3.	(i) OTC Derivatives	-	-	-	-
4.	(ii) Other derivative financial instruments	153,086	3,062	26,594	532
5.	(iii) Repo-reverse repo transactions, overdraft transactions, and lending or borrowing of securities or commodities	-	-	-	-
6.	(iv) Netting sets where cross-product netting has been approved segregated initial margin	-	-	-	-
7.	Segregated initial margin	-	-	-	-
8.	Non-segregated initial margin	-	-	-	-
9.	Pre-funded default fund contributions	-	-	-	-
10.	Unfunded default fund contributions	-	-	-	-
11.	Exposures ton on-QCCPs (total)	-	-	-	-
12.	Exposures for trades at non- QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
13.	(i) OTC Derivatives	-	-	-	-
14.	(ii) Other derivative financial instruments	-	-	-	-
15.	(iii) Repo-reverse repo transactions, overdraft transactions, and lending or borrowing of securities or commodities	-	-	-	-
16.	(iv) Netting sets where cross-product netting has been approved segregated initial margin	-	-	-	-
17.	Segregated initial margin	-	-	-	-
18.	Non-segregated initial margin	-	-	-	-
19.	Pre-funded default fund contributions	-	-	-	-
20.	Unfunded default fund contributions	-	-	-	-

8. Securitization exposures

The Parent Bank has no securitization transactions (31 December 2022 - None).

9. Disclosures regarding Market Risk

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

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

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

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

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

II. Explanations on Consolidated Risk Management (Continued)

9. Disclosures regarding Market Risk (Continued)

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

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

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

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

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

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

9.2. MR1- Market risk under standardised approach

		RWA(**)	
		Current Period	Prior Period
	Outright products(*)	15,740,100	9,120,888
1.	*Interest rate risk (general and specific)*	4,964,411	3,931,938
2.	*Equity risk (general and specific)*	727,838	1,057,475
3.	*Foreign exchange risk*	8,990,088	3,810,275
4.	*Commodity risk*	1,057,763	321,200
	Options	852,275	929,388
5.	*Simplified approach*	-	-
6.	*Delta-plus method*	852,275	929,388
7.	*Scenario approach*	-	-
8.	*Securitization*	-	-
9.	Total	16,592,375	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.

10. Explanations on Consolidated Operational Risk

The Parent Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2021, 2020 and 2019, year-end gross income balances of the Bank, in accordance with Section 3 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio", published in the Official Gazette No. 28337 dated 28 June 2012, namely. It was calculated using the "Basic Indicator Method" using the 2022, 2021 and 2020 year-end gross income of the Parent Bank for the last 3 years. As of 31 December 2023, the amount subject to operational risk is TL 42,831,525 (31 December 2022 - TL 20,444,088).

Current Period Basic Indicator Method	2 Prior Period Value	1 Prior Period Value	Current Period value	Total/Total number of years for which gross income is positive	Rate (%)	Total
Gross Income(*)	10,141,119	13,236,805	45,152,510	22,843,478	15	3,426,522
Amount subject to operational risk (Total*12.5)						42,831,525

Prior Period Basic Indicator Method	2 Prior Period Value	1 Prior Period Value	Current Period value	Total/Total number of years for which gross income is positive	Rate (%)	Total
Gross Income(*)	9,332,624	10,141,119	13,236,805	10,903,516	15	1,635,527
Amount subject to operational risk (Total*12.5)						20,444,088

Annual gross income is calculated by deducting the profit/loss arising from the sale of securities followed up in the securities available for sale and held-to-maturity accounts, the extraordinary incomes and the amounts indemnified from insurance, from the sum of the net amounts of interest income and non-interest income.

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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	TL 29.4382
Euro purchase rate in the balance sheet date	TL 32.5739

Date	US Dollar	Euro
29 December 2023	29.4382	32.5739
28 December 2023	29.3973	32.6937
27 December 2023	29.3374	32.4186
26 December 2023	29.2647	32.2421
25 December 2023	29.2108	32.1766

4. The basic arithmetical average of the Parent Bank's foreign exchange bid rate for the last thirty days

The arithmetical average of the Parent Bank's US Dollar and Euro purchase rates for December 2023 are TL 29.052 and TL 31.7082 respectively.

5. Information on the consolidated foreign exchange risk

Current Period	EUR	USD	Other	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R.Central Bank(1)	31,260,479	63,384,771	8,141,064	102,786,314
Due From Banks(2)	6,670,098	8,988,201	1,259,597	16,917,896
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)(3)	2,107,282	2,276,623	5,623	4,389,528
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2,619	19,699,843	-	19,702,462
Loans(4)	115,917,890	73,480,597	691,616	190,090,103
Investments in Assoc., Subsidiaries and Entities under Common Control	-	-	-	-
Investment Assets Measured at Amortized Cost	2,264,075	27,524,181	-	29,788,256
Derivative Financial Assets Hedging Purposes	146,784	3,103,855	-	3,250,639
Tangible Assets	-	-	487	487
Intangible Assets	-	-	-	-
Other Assets(5)	764,719	440,584	16,251	1,221,554
Total Assets	**159,133,946**	**198,898,655**	**10,114,638**	**368,147,239**
Liabilities				
Bank Deposits	4,080,103	19,171,268	1,098,990	24,350,361
Foreign Currency Deposits(6)	55,001,511	124,125,578	39,892,051	219,019,140
Money Market Borrowings	-	27,736,364	-	27,736,364
Funds Provided from Other Financial Institutions	39,492,857	96,956,221	3	136,449,081
Securities Issued	3,784,841	40,491,371	6,809,372	51,085,584
Sundry Creditors	4,683,417	5,588,332	67,873	10,339,622
Derivative Fin. Liabilities Hedging Purposes	47,629	677,798	-	725,427
Other Liabilities(7),(8)	2,027,076	4,450,239	33,275	6,510,590
Total Liabilities	**109,117,434**	**319,197,171**	**47,901,564**	**476,216,169**
Net Balance Sheet Position	**50,016,512**	**(120,298,516)**	**(37,786,926)**	**(108,068,930)**
Net Off-Balance Sheet Position	**(49,583,914)**	**127,035,807**	**37,901,309**	**115,353,202**
Financial Derivative Assets	51,114,451	349,356,811	40,167,072	440,638,334
Financial Derivative Liabilities	100,698,365	222,321,004	2,265,763	325,285,132
Non-Cash Loans(9)	27,572,890	24,389,074	1,967,965	53,929,929
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 TL 7,765,222 (31 December 2022 - TL 5,494,682) precious metal deposit account.

(2) Includes foreign bank guarantees amounting to TL 3,025,514 (31 December 2022 - TL 4,516,091).

(3) Foreign exchange accruals of TL 788,259 (31 December 2022 - TL 369,444) for derivative financial instruments are not included.

(4) It also includes foreign currency indexed loans amounting to TL 181,694 (31 December 2022 - TL 232,939), which are followed in TL in the balance sheet.

(5) Does not include FC prepaid expenses amounting to TL 983,146 (31 December 2022 - TL 224,639) as per BRSA's Communique published in Official Gazette no 26085 on 19 February, 2006.

(6) Foreign currency deposits include TL 34,499,557 (31 December 2022 - TL 22,159,406) of precious metal deposit account.

(7) Other Liabilities do not include the Foreign Currency Index Factoring payables amounting to TL 4 (31 December 2022 - TL 3,260).

(8) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 237,761 (31 December 2022 - TL 151,702).

(9) Does not have an effect on Net Off-Balance Sheet Position.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

III. Explanations on Consolidated Foreign Exchange Risk (Continued)

6. Sensitivity to foreign exchange risk

The Bank is subject to exchange rate risk mainly from Euro and USD.

The table below shows the Bank's sensitivity to a 10% change in Euro and USD currencies. It is assumed that all other variables are constant.

	% change in the Foreign currency	Effect on Gain/Loss (After Tax)	Net Effect on Shareholders Equity(*)	Effect on Gain/Loss (After Tax)	Net Effect on Shareholders Equity(*)
		Current Period	Current Period	Prior Period	Prior Period
USD	10% increase	(12,764)	(22,420)	(22,613)	(85,182)
	10% decrease	12,764	22,420	22,613	85,182
EURO	10% increase	29,195	36,449	8,957	8,957
	10% decrease	(29,195)	(36,449)	(8,957)	(8,957)

(*) Effect on Shareholders Equity include the effect of the change of exchange rates on the statement of profit or loss and other comprehensive income.

IV. Explanations on Consolidated Interest Rate Risk

Interest rate risk that would arise from the changes in interest rates depending on the Parent Bank's position is managed by the Asset/Liability Committee of the Parent Bank.

Interest rate sensitivity of assets, liabilities and off balance sheet items is analyzed by top management in the Asset/Liability Committee meetings held monthly by taking the market developments into consideration. The management of the Parent Bank follows the interest rates in the market on a daily basis and revises interest rates of the Parent Bank when necessary.

Besides customer deposits, the Parent Bank funds its long term fixed interest rate TL loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Parent Bank transforms the foreign currency liquidity it creates with customer deposits and funds obtained from international markets into TL liquidity through long-term swap transactions (fixed TL interest and variable FX interest). Therefore, the Parent Bank not only funds its long term fixed interest rate loans with TL 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)

End of Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing(1)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank(2)	67,348,689	-	-	-	-	95,212,950	162,561,639
Due from Banks(3)	290,151	-	-	-	-	17,509,762	17,799,913
Financial Assets at Fair Value Through Profit/Loss(4)	284,912	519,531	44,809	347,499	92,073	13,305,305	14,594,129
Money Market Placements	5,736,581	-	-	-	-	(147)	5,736,434
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI)(5)	16,070,800	18,622,711	4,848,359	6,954,344	20,954,420	5,952,542	73,403,176
Loans and Receivables	208,052,090	117,039,407	201,543,504	64,354,094	15,155,551	(3,398,480)	602,746,166
Financial Assets Measured at Amortized Cost(6)	43,957,379	3,100,307	1,453,707	28,001,276	14,076,351	11,556,734	102,145,754
Other Assets	-	-	-	-	-	44,434,968	44,434,968
Total Assets	341,740,602	139,281,956	207,890,379	99,657,213	50,278,395	184,573,634	1,023,422,179
Liabilities							
Bank Deposits	9,311,620	12,040,967	2,880,962	-	-	1,350,352	25,583,901
Other Deposits	237,584,173	83,018,971	59,130,390	819,009	909	224,590,183	605,143,635
Money Market Borrowings	6,345,828	16,831,236	7,382,723	-	-	538,560	31,098,347
Miscellaneous Payables	9,632,206	-	-	-	-	29,139,056	38,771,262
Securities Issued	3,838,845	13,254,912	31,936,729	2,933,583	8,951,261	72,890	60,988,220
Funds Borrowed	37,254,947	44,955,154	40,442,643	5,574,856	15,455,056	2,180,102	145,862,758
Other Liabilities(7)	21,223	46,187	46,002	1,141,848	-	114,718,796	115,974,056
Total Liabilities	303,988,842	170,147,427	141,819,449	10,469,296	24,407,226	372,589,939	1,023,422,179
On Balance Sheet Long Position	37,751,760	-	66,070,930	89,187,917	25,871,169	-	218,881,776
On Balance Sheet Short Position	-	(30,865,471)	-	-	-	(188,016,305)	(218,881,776)
Off-Balance Sheet Long Position	19,835,953	18,373,541	9,687,177	-	-	-	47,896,671
Off-Balance Sheet Short Position	-	-	(118,145)	(38,843,194)	(4,924,821)	-	(43,886,160)
Total Position	57,587,713	(12,491,930)	75,639,962	50,344,723	20,946,348	(188,016,305)	4,010,511

(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 TL 18,072 expected loss provisions.

(3) Banks include balance of expected loss provisions amounting to TL 12,939.

(4) Financial Assets at Fair Value Through Profit/Loss includes Derivative Financial Assets at Fair Value Through Profit or Loss amounting to TL 8,888,204.

(5) Financial Assets Measured at Fair Value Through Other Comprehensive Income includes Derivative Financial Assets Through Other Comprehensive Income amounting to TL 4,092,746.

(6) Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 26,015.

(7) Other Liabilities includes Derivative Financial Liabilities amounting to TL 4,995,729.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

IV. Explanations on Consolidated Interest Rate Risk (Continued)

(Based on repricing dates)

End of Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing(1)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank(2)	36,498,079	-	-	-	-	58,029,097	94,527,176
Due from Banks(3)	2,941,212	-	-	-	-	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	193,005,780	133,379,109	52,489,890	17,324,803	10,162,948	214,781,284	621,143,814
On Balance Sheet Long Position	-	-	88,818,820	72,771,019	15,549,293	-	177,139,132
On Balance Sheet Short Position	(30,392,557)	(52,251,714)	-	-	-	(94,494,861)	(177,139,132)
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	(15,508,820)	(24,649,305)	85,270,256	64,395,245	(944,271)	(94,494,861)	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 TL 10,615 expected loss provisions.

(3) Banks include balance of expected loss provisions amounting to TL 6,018.

(4) Financial Assets at Fair Value Through Profit/Loss includes Derivative Financial Assets at Fair Value Through Profit or Loss amounting to TL 15,743,228.

(5) Financial Assets Measured at Fair Value Through Other Comprehensive Income includes Derivative Financial Assets Through Other Comprehensive Income amounting to TL 6,868,726.

(6) Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 20,038.

(7) Other Liabilities includes Derivative Financial Liabilities amounting to TL 6,714,988.

Average interest rates applied to monetary financial instruments

End of Current Period	EUR (%)	USD (%)	JPY (%)	TL (%)
Assets				
Cash (Cash in Vault, Foreign Currency Cash in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	-	-	-
Due from Banks	-	-	-	18.36
Financial Assets Measured at Fair Value through Profit/Loss	4.92	7.69	-	33.33
Money Market Placements	-	-	-	43.28
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-
Loans and Receivables	7.32	9.28	4.92	39.41
Financial Assets Measured at Amortized Cost	4.73	5.61	-	47.07
Liabilities				
Bank Deposits	5.21	7.14	-	40.94
Other Deposits	1.01	2.60	0.05	37.18
Money Market Borrowings	-	6.55	-	22.33
Miscellaneous Payables	3.57	5.05	-	-
Securities Issued	6.76	8.59	-	39.40
Funds Borrowed	5.69	8.20	-	43.92

End of Prior Period	EUR (%)	USD (%)	JPY (%)	TL (%)
Assets				
Cash (Cash in Vault, Foreign Currency Cash in Transit, Cheques Purchased) and Balances with the T,R, Central Bank	-	-	-	-
Due from Banks	-	0.04	-	9.36
Financial Assets Measured at Fair Value through Profit/Loss	5.32	7.22	-	23.78
Money Market Placements	-	2.92	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	2.87	5.42	-	31.34
Loans and Receivables	5.52	6.88	4.92	23.55
Financial Assets Measured at Amortized Cost	4.60	5.65	-	72.82
Liabilities				
Bank Deposits	3.79	5.65	-	25.86
Other Deposits	1.01	3.06	0.17	18.02
Money Market Borrowings	1.69	4.38	-	13.00
Miscellaneous Payables	1.48	-	-	-
Securities Issued	4.97	6.91	-	22.58
Funds Borrowed	4.03	7.36	-	17.63

Interest rate risk on banking book

The interest rate risk resulting from banking book comprises of maturity mismatch risk, yield-curve risk, base risk and option risk. Within the scope of the interest rate risk, the Parent Bank analyzes all these risks periodically and manages all aspects of interest rate risk on banking book effectively in accordance with the bank strategy by considering market conditions. To ensure these, risks are measured, monitored and limited on a regular basis within the scope of "Asset Liability Management Policy".

In the calculation of the interest rate risk on banking book, income approach and the economic value approach are applied. The analysis of economic value, duration and gap analysis are calculated twice a month, analysis of the standard economic value approach is supported by different scenarios.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) included in banking book are monitored daily. In this context, the risk level of this portfolio is managed considering the sensitivity of nominal interest rate and limits.

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IV. Explanations on Consolidated Interest Rate Risk (Continued)

The interest rate risk on banking book is measured legally as per the “Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method” published in the Official Gazette No. 28034 dated 23 August 2011, and the legal limit as per this measurement is monitored and reported monthly to the Assets and Liability Committee, the Risk Committee and the Board of Directors.

In calculations within the framework of the mentioned regulation, behavioral maturity modeling is carried out for demand deposits with low sensitivity to interest rate changes and with a principal maturity longer than the contract maturity. In the studies defined as core deposit analysis, based on historical data, analyses are conducted regarding how much of demand deposits will remain within the Parent Company Bank at which maturity. These analyses are taken into account in economic value, gap, and duration analyses. Additionally, the net interest income sensitivity is monitored, and the early repayment rates of loans are considered in interest rate risk management.

All these analyzes are presented to the Assets and Liabilities Committee and the Risk Committee, and the interest rate risk arising from banking accounts is managed within the limits determined in line with the Bank's risk appetite, in line with the bank's strategy, taking market conditions into account.

Currency	Shocks Applied (+/- x basis points)	Gains/Losses	Gains/Equity-Losses/Equity
1. TL	+500	(3,610,547)	(3.22%)
	-400	3,488,611	3.11%
2. EURO	+200	1,664,987	1.48%
	-200	(1,650,868)	(1.47%)
3. USD	+200	(192,662)	(0.17%)
	-200	329,844	0.29%
Total (of negative shocks)		2,167,587	1.93%
Total (of positive shocks)		(2,138,222)	(1.91%)

V. Explanations on Consolidated Position Risk of Equity Securities in Banking Book

		Comparison	
Equity Securities (shares)	Carrying Value	Fair Value	Carrying Value
1. Equity Investments Group A	223,674	-	223,674
Quoted Securities	223,674	-	223,674
2. Equity Investments Group B	-	-	-
Quoted Securities	-	-	-
3. Equity Investments Group C	-	-	-
Quoted Securities	-	-	-
4. Equity Investments Group Other(*)	187,930	-	-

(*) Includes associates and subsidiaries not quoted to BIST and not classified as investment in shares by Capital Market Board.

		Revaluation Surpluses		Unrealized Gains and Losses		
Portfolio	Gains/Losses in Current Period	Total	Amount under Supp-lementary Capital	Total	Amount under Core Capital	Amount under Supplementary Capital
1. Private Equity Investments	-	-	-	-	-	-
2. Quoted Shares	175,320			(2,335)		(2,335)
3. Other Shares	-	-	-	-	-	-
4. Total	175,320	-	-	(2,335)	-	(2,335)

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. The primary priority is for the liquidity risk faced by the Parent Company Bank to be in line with the risk appetite arising from the risk capacity determined within the limits prescribed by regulations and aligned with the fundamental strategies of the Parent Company Bank. It is essential for the Parent Company Bank to maintain a sufficient level of readily marketable or repoable liquid assets at all times to address significant decreases in liquidity sources.

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. Deposits, which constitute the main fund source of the Parent Bank, are obtained from a large number of customers as a natural result of the stable core deposit base.

A large part of the Parent Bank’s liabilities consists of TL, 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.

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VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio (Continued)

The cautious liquidity management against potential 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.

Liquidity Coverage Ratio

		Unweighted Amounts(*)		Weighted Amounts(*)	
Current Period - 31 December 2023		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS		-	-	190,784,602	94,509,268
1.	High Quality Liquid Assets	-	-	94,509,268	74,571,694
CASH OUTFLOWS					
2.	Retail and Small Business Customers Deposits	418,935,463	143,837,583	37,985,050	14,383,758
3.	Stable deposits	78,169,924	-	3,908,496	-
4.	Less stable deposits	340,765,539	143,837,583	34,076,554	14,383,758
5.	Unsecured Funding other than Retail and Small Business Customers Deposits	171,374,911	87,406,198	104,284,664	52,799,094
6.	Operational deposits	5,298,002	1,285,799	1,324,501	321,450
7.	Non-Operational Deposits	125,280,384	70,040,560	71,135,856	36,971,014
8.	Other Unsecured Funding	40,796,525	16,079,839	31,824,307	15,506,630
9.	Secured funding	-	-	65,702	65,702
10.	Other Cash Outflows	63,318,490	17,344,317	63,318,490	17,344,317
11.	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	63,318,490	17,344,317	63,318,490	17,344,317
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	198,937,489	102,556,820	9,946,874	5,127,841
15.	Other irrevocable or conditionally revocable commitments	544,562,139	52,540,338	34,456,584	5,123,889
16.	TOTAL CASH OUTFLOWS	-	-	250,057,364	94,844,601
CASH INFLOWS					
17.	Secured Lending Transactions	92,017	-	-	-
18.	Unsecured Lending Transactions	87,592,456	30,500,894	53,290,987	22,227,877
19.	Other contractual cash inflows	61,797,454	50,431,813	61,797,454	50,431,814
20.	TOTAL CASH INFLOWS	149,481,927	80,932,707	115,088,441	72,659,691
				Upper Limit Applied Values	
21.	TOTAL HIGH QUALITY LIQUID ASSETS			226,954,519	96,634,210
22.	TOTAL NET CASH OUTFLOWS			134,968,923	26,905,185
23.	LIQUDITY COVERAGE RATIO (%)			168.15	359.17

(*) Simple arithmetic average calculated for the last three month of values calculated by taking the weekly simple arithmetic average.

		Unweighted Amounts(*)		Weighted Amounts(*)	
Prior Period – 31 December 2022		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS		-	-	134,724,292	71,736,563
1.	High Quality Liquid Assets	-	-	134,724,292	71,736,563
CASH OUTFLOWS					
2.	Retail and Small Business Customers Deposits	260,608,133	127,826,867	24,129,643	12,782,687
3.	Stable deposits	38,623,407	-	1,931,170	-
4.	Less stable deposits	221,984,726	127,826,867	22,198,473	12,782,687
5.	Unsecured Funding other than Retail and Small Business Customers Deposits	110,799,404	61,806,911	64,350,982	35,594,369
6.	Operational deposits	3,585,378	907,137	896,345	226,784
7.	Non-Operational Deposits	85,680,017	52,454,345	46,686,595	27,637,566
8.	Other Unsecured Funding	21,534,009	8,445,429	16,768,042	7,730,019
9.	Secured funding	-	-	-	-
10.	Other Cash Outflows	90,836,397	20,535,216	90,836,397	20,535,216
11.	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	90,836,397	20,535,216	90,836,397	20,535,216
12.	Debts related to the structured financial products	-	-	-	-
13.	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14.	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	117,777,721	40,423,002	5,888,886	2,021,150
15.	Other irrevocable or conditionally revocable commitments	224,072,756	45,451,099	16,172,035	4,491,184
16.	TOTAL CASH OUTFLOWS	-	-	201,377,943	75,424,606
CASH INFLOWS					
17.	Secured Lending Transactions	1,408,853	420,035	-	-
18.	Unsecured Lending Transactions	41,167,505	18,563,682	29,070,600	16,275,342
19.	Other contractual cash inflows	87,994,177	74,450,173	87,994,177	74,450,173
20.	TOTAL CASH INFLOWS	130,570,535	93,433,890	117,064,777	90,725,515
				Upper Limit Applied Values	
21.	TOTAL HIGH QUALITY LIQUID ASSETS			134,724,292	71,736,563
22.	TOTAL NET CASH OUTFLOWS			84,313,166	18,856,152
23.	LIQUDITY COVERAGE RATIO (%)			159.79	380.44

(*) Simple arithmetic average calculated for the last three month of values calculated by taking the weekly simple arithmetic average.

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 21 March 2014.

	Maximum	Date	Minimum	Date	Average
TL+FC	199.19	28/12/2023	144.63	8/11/2023	168.59
FC	556.39	29/12/2023	223.06	26/10/2023	369.67

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. 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.

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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)

Funding sources of the Parent Bank mainly consist of deposits which constitute 62% of total liabilities of the Group (31 December 2022 - 63%) and also include repo, secured loans, syndication, 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.

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]	95,231,022	67,348,689	-	-	-	-	(18,072)	162,561,639
Due from Banks[3]	14,391,583	3,400,956	20,313	-	-	-	(12,939)	17,799,913
Financial Assets at Fair Value Through Profit/Loss[4]	2,836,937	1,241,764	1,407,509	2,222,239	3,035,989	2,072,365	1,777,326	14,594,129
Money Market Placements	-	5,736,581	-	-	-	-	(147)	5,736,434
Financial Assets Measured at Fair Value through Other Comprehensive Income[5]	-	923,906	510,938	1,872,640	42,764,946	27,330,746	-	73,403,176
Loans and Receivables[6]	-	203,925,397	93,929,683	189,235,959	100,184,295	32,324,882	(16,854,050)	602,746,166
Financial Assets Measured at	-	1,532,855	2,889,692	5,272,742	58,122,572	34,353,908	(26,015)	102,145,754
Amortized Cost[7]	-	13,344,390	586,954	944,036	1,005,622	886	28,553,080	44,434,968
Other Assets	112,459,542	297,454,538	99,345,089	199,547,616	205,113,424	96,082,787	13,419,183	1,023,422,179

Presentation of assets and liabilities according to their remaining maturities (Continued)

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated[1]	Total
Liabilities								
Bank Deposits	1,126,701	9,390,256	12,161,208	2,905,736	-	-	-	25,583,901
Other Deposits	211,580,820	243,587,619	86,808,752	62,303,156	862,369	919	-	605,143,635
Funds Borrowed	-	13,933,976	17,102,390	91,969,268	20,070,744	2,699,216	87,164	145,862,758
Money Market Borrowings	-	4,298,040	17,628,373	3,708,831	5,463,103	-	-	31,098,347
Securities Issued	-	3,848,322	11,835,515	33,419,539	2,933,583	8,951,261	-	60,988,220
Miscellaneous Payables	-	38,041,824	-	-	-	-	729,438	38,771,262
Other Liabilities[8]	-	10,412,005	1,089,655	2,667,569	3,260,055	2,324,687	96,220,085	115,974,056
Total Liabilities	212,707,521	323,512,042	146,625,893	196,974,099	32,589,854	13,976,083	97,036,687	1,023,422,179
Liquidity Excess/Gap	(100,247,979)	(26,057,504)	(47,280,804)	2,573,517	172,523,570	82,106,704	(83,617,504)	-
Net Off-Balance Sheet Position[9]	-	(222,100)	(3,969,857)	2,261,083	2,189,002	-	-	258,128
Receivables from financial derivative instruments	-	139,318,231	131,653,442	91,896,625	92,873,258	69,479,815	-	525,221,371
Liabilities from derivative financial instruments	-	139,540,331	135,623,299	89,635,542	90,684,256	69,479,815	-	524,963,243
Non Cash Loans[10]	-	7,522,893	14,448,578	39,206,652	13,000,054	1,178,206	27,122,663	102,479,046
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 TL 81,634,480 (31 December 2022 - TL 44,276,132), unallocated provisions amounting to TL 15,305,688 (31 December 2022 - TL 9,097,021) and deferred tax liabilities amounting to TL 2,493,475 (31 December 2022 - TL 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 TL 18,072 (31 December 2022 - TL 10,615).

(3) Banks include balance of expected loss provisions amounting to TL 12,939 (31 December 2022 - TL 6,018).

(4) Financial assets at fair value through profit/loss include derivative financial assets through profit loss amounting to TL 8,888,204-

(31 December 2022 - TL 15,743,228).

(5) Receivables from Money Markets include the expected loss provisions balance of TL 147. (31 December 2022 - TL 5,082).

(6) Financial assets at fair value through other comprehensive income include derivative financial assets through other comprehensive income amounting to TL 4,092,746- (31 December 2022 - TL 6,868,726).

(7) Loans and receivables include leasing and factoring receivables.

(8) Financial assets measured at amortized cost include TL 26,015 (31 December 2022 - TL 20,038) of expected loss provisions.

(9) Other Liabilities also includes the portion of derivative financial liabilities at fair value through other comprehensive income amounting to TL 4,995,729 (31 December 2022 - TL 6,714,988).

(10) 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.

(11) Amounts related to letter of guarantees represent contractual maturities and amounts included in aforementioned maturities and they have on demand and optionally withdrawable nature.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio (Continued)

Financial Liabilities according to the remaining maturities on the contract

The table below shows the maturity breakdown of the Bank's financial liabilities that are not classified as derivatives. These tables were prepared by taking the closest dates that the Bank will recognize its future cash flows. The interest payable through the said assets and liabilities are included in the tables below.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and longer	Total	Balance Sheet Value
Bank Deposits	1,126,701	9,416,723	12,288,330	3,022,266	-	-	25,854,020	25,583,901
Other Deposits	211,580,821	245,426,593	91,546,564	70,559,490	1,215,417	1,289	620,330,174	605,143,635
Payables to Money Market	-	4,350,976	17,808,051	4,494,736	6,784,102	-	33,437,865	31,098,347
Funds from other Financial Institutions	-	13,949,648	17,129,326	112,019,923	20,086,384	2,699,216	165,884,497	145,862,758
Securities Issued	-	3,867,462	12,774,637	35,518,366	6,883,018	13,578,370	72,621,853	60,988,220
Noncash Loans(*)	27,122,663	7,522,893	14,448,578	39,206,652	13,000,054	1,178,206	102,479,046	102,479,046

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and longer	Total	Balance Sheet Value
Bank Deposits	692,867	4,280,270	2,804,405	2,592,936	-	-	10,370,478	10,225,777
Other Deposits	125,327,886	147,160,605	98,853,408	13,711,700	714,345	651	385,768,595	382,537,345
Payables to Money Market	-	19,778,772	3,292,865	3,967,204	4,223,210	583,569	31,845,620	23,078,637
Funds from other Financial Institutions	-	5,150,622	8,349,871	30,965,612	20,761,415	7,604,857	72,832,377	72,345,081
Securities Issued	-	6,247,478	10,022,581	4,333,534	13,925,187	-	34,528,780	32,016,909
Noncash Loans(*)	16,131,397	3,167,529	7,830,151	27,428,783	9,713,322	922,518	65,193,700	65,193,700

(*) Amounts related to letters of guarantee represent maturities based on contract and amounts per these maturities and the amounts have the nature to be withdrawn on demand optionally.

The table below shows the remaining maturity breakdown of the Bank's derivative assets and liabilities.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Longer	Total
Forward contracts buying(**)	10,138,764	8,821,169	12,095,862	1,078,087	-	32,133,882
Forward contracts selling(**)	(10,165,416)	(8,520,114)	(10,906,251)	(820,724)	-	(30,412,505)
Swap contracts buying(*)	134,516,388	114,979,300	72,811,275	93,597,783	66,909,233	482,813,979
Swap contracts selling(*)	(134,418,139)	(119,213,162)	(71,730,558)	(91,988,475)	(67,078,841)	(484,429,175)
Futures buying	-	7,147,722	757,596	101,317	-	8,006,635
Futures selling	-	(6,843,480)	(652,380)	(70,298)	-	(7,566,158)
Options buying	418,572	1,210,190	6,113,746	-	-	7,742,508
Options selling	(443,509)	(1,252,278)	(5,168,827)	-	-	(6,864,614)
Other	-	-	1,177,528	-	-	1,177,528
Total	46,660	(3,670,653)	4,497,991	1,897,690	(169,608)	2,602,080

(*) Derivative financial assets held for hedges are included.

(**) Includes the Dated, Asset Value Buying and Selling obligations that are in Obligations.

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Longer	Total
Forward contracts buying(**)	9,936,299	5,574,106	6,532,312	287,757	-	22,330,474
Forward contracts selling(**)	(10,930,615)	(5,645,193)	(6,015,957)	(289,825)	-	(22,881,590)
Swap contracts buying(*)	121,552,725	29,000,683	27,569,084	62,333,433	57,454,331	297,910,256
Swap contracts selling(*)	(119,715,603)	(23,961,846)	(22,809,604)	(59,231,743)	(57,642,380)	(283,361,176)
Futures buying	-	2,577,934	-	-	-	2,577,934
Futures selling	-	(2,610,296)	-	-	-	(2,610,296)
Options buying	13,589,634	38,879,754	6,696,442	67,348	-	59,233,178
Options selling	(13,526,882)	(38,153,086)	(6,461,515)	(67,348)	-	(58,208,831)
Other	-	-	1,308,762	747,864	-	2,056,626
Total	905,558	5,662,056	6,819,524	3,847,486	(188,049)	17,046,575

(*) Derivative financial assets held for hedges are included.

(**) Includes the Dated, Asset Value Buying and Selling obligations that are in Obligations.

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 5.41% (31 December 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(**)
Total asset amount in consolidated financial statements prepared in accordance with TFRS(*)	966,730,951	599,134,667
Difference between total asset amount in consolidated financial statements prepared in accordance with TFRS and total asset amount in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements	5,912,010	1,382,506
Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of derivative financial instruments and credit derivatives	10,098,239	8,369,267
Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of investment securities or financial transaction that are commodity collateralized	17,258	899,050
Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of off balance transactions	593,763,572	268,206,049
Other differences between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements	(7,511,859)	(1,926,409)
Total Risk Amount	1,569,010,171	876,065,130

(*) Consolidated financial statements prepared in accordance with the 5th clause and 6th subclause of Communique on the Preparation of Consolidated Financial Statements.

(**) Amounts presented above represent the arithmetic average of the last three months.

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 5 November 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)	956,236,202	577,289,514
(Assets deducted from capital stock)	7,511,859	1,926,409
Total risk amount related to Assets on Balance sheet	948,724,343	575,363,105
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	16,406,759	23,227,659
Potential credit risk amount of derivative financial instruments and credit derivatives	10,098,239	8,369,267
Total risk amount related to derivative financial instruments and credit derivatives	26,504,998	31,596,926
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral	3,189	49,485
Risk amount sourcing from transactions mediated	14,069	849,565
Total risk amount related to financial transactions having security or commodity collateral	17,258	899,050
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	768,359,678	365,192,728
(Adjustment amount sourcing from multiplying to credit conversion rates)	174,596,106	96,986,679
Total risk amount related to off-balance sheet transactions	593,763,572	268,206,049
Capital and Total Risk		
Core Capital	84,831,756	51,554,037
Amount of total risk	1,569,010,171	876,065,130
Financial leverage ratio		
Financial leverage ratio	5.41%	5.88%

(*) Amounts stated in table shows the last three months' averages of the related period.

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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)

The estimated fair value of loans and receivables from financial leasing transactions is calculated by finding discounted cash flows using current market interest rates for fixed interest loans. The book value of variable interest loans represents their fair value.

The fair value of financial assets measured at amortized cost; market prices or, where such price cannot be determined, interest is determined on the basis of quoted market prices for other securities subject to the same qualified amortization in terms of maturity and other similar conditions.

The estimated fair value of the demand deposit represents the amount payable at the time of demand. The fair value of floating rate placements and overnight deposits represents the book value. The estimated fair value of fixed rate deposits is calculated by finding the discounted cash flows using market interest rates applied to similar loans and other liabilities.

The estimated fair value of funds from banks, other financial institutions, is determined based on discounted cash flows using the current market interest rates.

VIII. Explanations Related to Presentation of Consolidated Financial Assets and Liabilities at Their Fair Value

In the table below; the fair values and the carrying values of some of the financial assets and liabilities are presented. Book value represents the total of cost of subject asset and liabilities and accrued interest.

Current Period	Book value	Fair value
Financial Assets	797,777,798	775,201,734
Receivables from Money Market	5,736,581	5,736,434
Banks	17,812,852	17,799,912
Financial Assets Measured at Fair Value through Other Comprehensive Income	69,310,430	69,310,430
Financial Assets Measured at Amortized Cost	102,171,769	93,347,981
Credits Given	602,746,166	589,006,977
Financial Liabilities	907,448,123	907,874,536
Bank Deposits	25,583,901	25,589,018
Other Deposits	605,143,635	605,674,508
Funds from Other Financial Institutions	145,862,758	145,862,758
Payable to Money Market	31,098,347	31,098,347
Securities Issued	60,988,220	60,878,643
Other Debts	38,771,262	38,771,262

Prior Period	Book value	Fair value
Financial Assets	484,937,406	487,905,177
Receivables from Money Market	8,467,980	8,462,898
Banks	11,143,703	11,137,824
Financial Assets Measured at Fair Value through Other Comprehensive Income	40,257,481	40,257,481
Financial Assets Measured at Amortized Cost	61,963,305	71,112,732
Credits Given	363,104,937	356,934,242
Financial Liabilities	549,906,393	552,237,831
Bank Deposits	10,225,775	10,228,398
Other Deposits	382,537,347	382,650,384
Funds from Other Financial Institutions	72,345,081	74,560,859
Payable to Money Market	23,078,637	23,078,637
Securities Issued	32,016,909	32,016,909
Other Debts	29,702,644	29,702,644

In accordance with “TFRS 13, Fair Value Measurement” accounts represented at fair value in the face of financial statements are required to be leveled according to the observability of the data used for the calculation of fair value.

The classification of fair value calculation is as follows.

a) **Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (market value);**

b) **Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);**

c) **Level 3: Inputs that are not observable for the asset and liability (Fair value calculations which are not observable).**

In the table below, the fair value classification of the financial instruments that are recorded at fair value at the financial statements is presented:

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets	71,212,936	16,399,825	384,544	87,997,305
Financial Assets at Fair Value through Profit/Loss	4,996,348	325,033	384,544	5,705,925
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)[*]	66.215.872	3.094.558	-	69.310.430
Derivative Financial Assets	716	12,980,234	-	12,980,950
Financial Liabilities	327	4,995,402	-	4,995,729
Derivative Financial Liabilities	327	4,995,402	-	4,995,729

[*] Real estates that the Bank accounts for at fair value under tangible fixed assets are classified as level 3.

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets	36,410,597	27,936,204	141,649	64,488,450
Financial Assets at Fair Value through Profit/Loss[*]	1,311,780	165,586	141,649	1,619,015
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)[**]	35.098.817	5.158.664	-	40.257.481
Derivative Financial Assets	-	22,611,954	-	22,611,954
Financial Liabilities	30,387	6,684,601	-	6,714,988
Derivative Financial Liabilities	30,387	6,684,601	-	6,714,988

Confirmation for fair value of financial assets under Level 3 is as below:

	Current Period	Prior Period
Opening Balance	141,649	242,355
Change in total gain/loss	241,069	99,896
Accounted in the statement of profit or loss and other comprehensive income	241,069	99,896
Accounted in other comprehensive income	-	-
Purchases	1,826	9,068
Disposals	-	(209,670)
Matured Loans	-	-
Sales from Level 3	-	-
Closing Balance	384,544	141,649

IX. Information on the Services in the Name and Account of Third Parties

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

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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	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	2,150,944	9,412,639	1,621,492	6,809,684
T.R. Central Bank	56,835,380	92,810,848	7,929,515	74,677,290
Others	807,073	562,827	168,850	3,330,960
Total	59,793,397	102,786,314	9,719,857	84,817,934

b) Information related to the account of the CBRT

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	41,053,357	34,030,574	7,929,515	34,202,891
Restricted Demand Deposits	8,487,000	-	-	-
Restricted Time Deposits	7,295,023	58,780,274	-	40,474,399
Total	56,835,380	92,810,848	7,929,515	74,677,290

As of 31 December 2023, a provision amounting to TL 18,072 (31 December 2022 - TL 10,615) has been provided to the Central Bank account.

As of 31 December 2023, The Parent Bank has been appointed to CBRT depending on the maturity structure, the required reserve rates for TL liabilities vary between 0% and 8% for TL deposits and other liabilities according to their maturities. For exchange rate/price protection support, rates vary between 10% and 30% depending on the maturity structure. The reserve rates for foreign currency liabilities vary between 5% and 30% for deposit and other foreign currency liabilities according to their maturities. Gold deposit liabilities vary between 22% and 26% for gold liabilities according to their maturities.

2. Further information on financial assets at fair value through profit/loss (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	
	TL	FC	TL	FC
Given as Collateral/blocked	-	-	56,131	-
Subject to repurchase agreement	768	-	-	-
Total	768	-	56,131	-

b) Positive differences related to derivative financial assets held-for-trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	409,551	109,239	457,631	-
Swap Transactions	2,333,453	2,783,394	4,600,327	2,273,153
Futures	-	-	-	514
Options	716	75,573	-	758,724
Total	2,743,720	2,968,206	5,057,958	3,032,391

3. a) Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	871,084	16,941,768	3,127,925	8,015,778
Domestic	871,079	815,958	3,127,920	230,110
Foreign	5	16,125,810	5	7,785,668
Foreign Head Offices and Branches	-	-	-	-
Total	871,084	16,941,768	3,127,925	8,015,778

Amount of TL 12,939 provision is provided for banks account as of 31 December 2023 (31 December 2022 - TL 6,017).

b) Information on foreign bank accounts

	Unrestricted Amount		Restricted Amount(**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	4,209,512	1,601,789	3,615	135,032
USA and Canada	7,649,932	892,625	-	-
OECD Countries(*)	866,040	644,395	3,025,514	4,383,255
Off-shore Banking Regions	-	-	-	-
Other	371,202	128,577	-	-
Total	13,096,686	3,267,386	3,029,129	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.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

4. Information on receivables from reverse repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Transactions	301,081	-	3,613,560	-
T.R. Central Bank	-	-	-	-
Banks	301,081	-	3,613,560	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Natural Persons	-	-	-	-
Foreign Transactions	-	-	-	427,044
Central Banks	-	-	-	-
Banks	-	-	-	427,044
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Natural Persons	-	-	-	-
Total	301,081	-	3,613,560	427,044

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	
	TL	FC	TL	FC
Given as Collateral/Blocked	18,555,820	-	12,462,239	-
Subject to repurchase agreements	6,240	9,855,238	9,095	10,279,690
Total	18,562,060	9,855,238	12,471,334	10,279,690

b) **Information on financial assets at fair value through other comprehensive income**

	Current Period	Prior Period
Debt Securities	71,908,976	41,939,468
Quoted on a stock exchange(*)	71,908,976	41,939,468
Unquoted on a stock exchange	-	-
Stocks	1,627	126,612
Quoted on a stock exchange	1,520	118,831
Unquoted on a stock exchange	107	7,781
Provision for Impairment (-)(**)	(2,600,173)	(1,808,599)
Total	69,310,430	40,257,481

(*) The Eurobond Portfolio amounting to TL 6,218,276 (31 December 2022 - TL 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 31 December 2023 amount of TL 9,630 (31 December 2022 - TL 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	-	2,316,570	-	116,854
Corporate Shareholders	-	2,316,570	-	116,854
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees(*)	629,167	-	333,147	-
Total	629,167	2,316,570	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

		Loans Under Close Monitoring		
			Restructured Loans and Receivables	
Cash Loans	Standard Loans and Other Receivables	Loans and Receivables Not Subject to Restructuring	Loans and Receivables with Revised Contract Terms	Refinance
Non Specialized Loans	519,190,234	42,377,257	89,640	20,988,079
Enterprise Loans	32,789,275	64,067	-	-
Export Loans	45,388,265	610,700	-	-
Import Loans	11,775	-	-	-
Financial Sector Loans	2,953,557	207	-	-
Consumer Loans	101,504,226	8,603,870	33,302	3,915,221
Credit Cards	149,791,659	16,264,845	-	3,873,135
Other	186,751,477	16,833,568	56,338	13,199,723
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	519,190,234	42,377,257	89,640	20,988,079

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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	7,885,008	-
Significant Increase in Credit Risk	-	11,077,249
Prior Period		
12 Month Expected Credit Losses	3,604,877	-
Significant Increase in Credit Risk	-	5,801,712

c) Loans with amortized cost and other receivables according to their maturity structure

		Loans Under Close Monitoring	
Cash Loans	Standard Loans	Loans Not Subject to Restructuring	Restructured Loans
Short-term Loans	307,611,329	16,264,845	3,873,135
Medium and Long-term Loans	211,578,905	26,112,412	17,204,584
Total	519,190,234	42,377,257	21,077,719

d) Information on consumer loans, individual credit cards, personnel loans and personnel credit cards

	Short Term	Medium and Long Term	Total
Consumer Loans - TL	15,842,487	80,796,680	96,639,167
Housing Loans	2,307	3,420,231	3,422,538
Automobile Loans	801	31,730	32,531
Personal Need Loans	15,839,379	77,344,719	93,184,098
Other	-	-	-
Consumer Loans - FC Indexed	-	165,019	165,019
Housing Loans	-	383	383
Automobile Loans	-	-	-
Personal Need Loans	-	164,636	164,636
Other	-	-	-
Consumer Loans - FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Individual Credit Cards - TL	140,810,165	3,934,310	144,744,475
Installment	46,702,023	2,263,984	48,966,007
Non- Installment	94,108,142	1,670,326	95,778,468
Individual Credit Cards - FC	256,640	519	257,159
Installment	-	-	-
Non- Installment	256,640	519	257,159

d) Information on consumer loans, individual credit cards, personnel loans and personnel credit cards (continued)

	Short Term	Medium and Long Term	Total
Personnel Loans - TL	57,828	220,692	278,520
Housing Loans	-	22	22
Automobile Loans	-	-	-
Personal Need Loans	57,828	220,670	278,498
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 - TL	335,771	5,842	341,613
Installment	126,256	2,197	128,453
Non-Installment	209,515	3,645	213,160
Personnel Credit Cards - FC	1,268	3	1,271
Installment	-	-	-
Non-Installment	1,268	3	1,271
Overdraft Accounts - TL (Natural Persons)	16,228,062	745,851	16,973,913
Overdraft Accounts - FC (Natural Persons)	-	-	-
Total	173,532,221	85,868,916	259,401,137

e) Information on commercial installment loans and corporate credit cards

	Short Term	Medium and Long Term	Total
Commercial Loans with Installment Facility - TL	1,137,755	36,689,873	37,827,628
Real Estate Loans	812	240,484	241,296
Automobile Loans	20,834	1,678,397	1,699,231
Personal Need Loans	1,116,109	34,770,992	35,887,101
Other	-	-	-
Commercial Loans with Installment Facility - FC Indexed	-	179,293	179,293
Real Estate Loans	-	825	825
Automobile Loans	-	-	-
Personal Need Loans	-	178,468	178,468
Other	-	-	-
Commercial Loans with Installment Facility - FC	-	-	-
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Corporate Credit Cards - TL	24,166,512	397,891	24,564,403
Installment	5,276,764	102,250	5,379,014
Non-Installment	18,889,748	295,641	19,185,389
Corporate Credit Cards - FC	20,678	40	20,718
Installment	-	-	-
Non-Installment	20,678	40	20,718
Overdraft Accounts - TL (Legal Entities)	2,185,382	23,010	2,208,392
Overdraft Accounts - FC (Legal Entities)	-	-	-
Total	27,510,327	37,290,107	64,800,434

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

6. Information related to loans (Continued)

f) Allocation of loans by customers(*)

	Current Period	Prior Period
Public	4,463,025	4,285,525
Private	578,182,185	342,829,405
Total	582,645,210	347,114,930

(*) It does not include the non-performing loan amount.

g) Allocation of domestic and foreign loans(*)

	Current Period	Prior Period
Public	580,290,500	345,259,369
Private	2,354,710	1,855,561
Total	582,645,210	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	4,948,468	5,341,116
Indirect Loans Granted to Subsidiaries and Associates	-	-
Total	4,948,468	5,341,116

i) Specific provisions for loans (Third Stage)

	Current Period	Prior Period
Provisions		
Loans and Receivables with Limited Collectability	1,772,070	631,552
Loans and Receivables with Doubtful Collectability	990,325	462,383
Uncollectible Loans and Receivables	6,117,889	6,735,101
Total	8,880,284	7,829,036

j) Non-performing loans (NPLs) (Net)

j.1) Non-performing loans restructured or rescheduled and other receivables

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period			
Gross Amounts Before the Provisions	148	3,532	336,984
Restructured Loans	148	3,532	336,984
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	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Prior Period End Balance	875,123	642,611	7,976,786
Additions (+)	4,725,229	191,819	334,858
Transfers from Other Categories of Non-Performing Loans (+)	267	2,666,460	1,745,531
Transfers to Other Categories of Non-Performing Loans (-)	2,666,460	1,745,531	267
Collections (-)	505,852	391,452	1,942,965
Non-registered(-)	-	-	10,113
Write-offs (-)(*)	-	-	907,703
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	309,295
Credit Cards	-	-	350,789
Others	-	-	247,619
Current Period End Balance	2,428,307	1,363,907	7,196,127
Specific Provision (-)	1,772,070	990,325	6,117,889
Prior Period End Balance	656,237	373,582	1,078,238

(*) The bank sold TL 907,703 of the non-performing loans portfolio to the asset management company for TL 444,750.

j.3) Information on non-performing loans granted as foreign currency loans

None (31 December 2022 - None).

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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)	656,237	373,582	1,078,238
Loans to Natural Persons and Legal Entities (Gross)	2,428,307	1,363,907	6,919,193
Provision (-)	1,772,070	990,325	5,840,955
Loans to Natural Persons and Legal Entities (Net)	656,237	373,582	1,078,238
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	276,934
Provision (-)	-	-	276,934
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	243,571	180,228	1,241,685
Loans to Natural Persons and Legal Entities (Gross)	875,123	642,611	7,785,799
Provision (-)	631,552	462,383	6,544,114
Loans to Natural 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	180,107	122,271	1,168,019
Provision Amount (-)	85,694	64,388	800,916
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.

7. Information on factoring receivables

	Current Period		Prior Period	
	TL	FC	TL	FC
Short Term	14,641,315	854,031	9,129,082	464,403
Medium and Long Term	-	-	-	-
Total	14,641,315	854,031	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	136,461	39,878
Collections	(57,539)	(31,244)
Write-offs	-	-
Provision at the End of Period	160,573	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	
	TL	FC	TL	FC
Given as Collateral/Blocked	19,956,890	149,001	7,436,978	-
Subject to repurchase agreements	4,753,009	25,309,928	234,667	19,644,899
Total	24,709,899	25,458,929	7,671,645	19,644,899

b) Information on government debt securities measured at amortized cost

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bond	72,383,513	29,088,903	41,598,971	19,504,773
Treasury Bill	-	-	-	-
Other Public Sector Debt Securities	-	580,406	-	367,824
Total	72,383,513	29,669,309	41,598,971	19,872,597

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I. Explanations and Disclosures Related to Consolidated Assets (Continued)

8. Information on financial assets measured at amortized cost (Continued)

c) Information on investments securities measured at amortized cost

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt Securities	72,383,513	29,788,256	41,598,971	20,364,334
Publicly-traded	72,383,513	29,788,256	41,598,971	20,364,334
Non-publicly traded	-	-	-	-
Provision for losses (-)	-	-	-	-
Total	72,383,513	29,788,256	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	11,129,111	6,288,072
Acquisitions during the year	33,460,484	12,898,683
Disposals through sales and redemptions	(23,033,396)	(10,005,623)
Impairment provision (-)	-	-
Valuation Effect	18,652,265	22,925,197
Total	102,171,769	61,963,305

As of 31 December 2023, a provision amounting to TL 26,015 (31 December 2022 - TL 20,038) is provided for the financial assets measured at amortized cost.

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.	JCR Avrasya Derecelendirme A.Ş.(**)	Istanbul/Türkiye	2.86	2.86
3.	İhracatı Geliştirme A.Ş. (İGE)(**)	Istanbul/Türkiye	0.44	0.44
4.	Kredi Garanti Fonu A.Ş. (KGF)(**)	Istanbul/Türkiye	1.49	1.49
5.	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.	3,880,800	3,344,720	196,203	512,853	-	2,659,647	207,418	-
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.	1,814,872	1,093,002	30,886	263,543	-	326,628	211,158	-
5.	114,134	81,645	31,994	5,077	22	21,865	6,373	-

(*) Current period information is based on 30 September 2023 financials. Prior period profit and loss amounts are based on 30 September 2022 financials.
(**) Current period information is based on 31 December 2022 financials. Prior period profit and loss amounts are based on 31 December 2021 financials.
(***) Current period information is based on 30 September 2023 financials. Prior period profit and loss amounts are based on 30 September 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	11,607	31,451
Purchases	2,858	-
Impact of business combinations	504	-
Bonus Shares Received(*)	571	31,451
Dividends From Current Year Profit	-	-
Sales	-	-
Reclassifications	7,674	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at the End of the Period	57,084	45,477
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

(*) Capital participation fee is included in the item of Shares Acquired Free of Charge, JCR Avrasya Derecelendirme A.Ş. in the current period, İhracatı Geliştirme A.Ş. (İGE) in the previous period.

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	57,084	45,477
Total	57,084	45,477

9.4. Quoted Associates

None (31 December 2022 - None).

9.5. Investments in associates sold during the current period

None (31 December 2022 - None).

9.6. Information on subsidiaries (Net)

None (31 December 2022 - None).

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	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.	179,506	6,199	57,491	-	-	11,362	7,406	-
2.	289,544	201,735	30,432	24,461	-	63,360	26,364	-

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SECTION FIVE

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)

b) Information on the Parent Bank's consolidated subsidiaries

b.1) Information on the consolidated subsidiaries

	Unvanı	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.	İstanbul/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.	4,847,995	2,121,440	75,506	1,228,934	25,387	933,347	464,752	-
2.	24,816,292	2,450,331	43,691	3,204,082	7,739	824,381	401,552	2,435,631
3.	704,702	550,428	5,255	4,263	-	250,241	59,332	-
4.	16,012,885	1,477,891	28,317	4,265,884	-	926,785	295,365	-
5.	859,958	1,478	-	-	-	742	464,752	-
6.	5,522,719	1,583,499	101,660	345,804	123,412	966,314	431,591	-

b.2) Movement schedule for consolidated subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	3,490,203	2,129,798
Movements during the Period	6,299,627	1,360,405
Purchases(*)	981,000	-
Bonus Shares Received	885,002	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Revaluation Difference(**)	4,433,625	1,360,405
Provisions for Impairment	-	-
Balance at the End of the Period	9,789,830	3,490,203
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

(*) 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 the Parent Bank's Board of Directors, 51% shares with a total nominal value of TL 22,950,000, which is owned by Cigna Nederland Gamma BV and corresponds to 51% of the capital of QNB Sağlık Hayat Sigorta ve Emeklilik A.Ş., was decided to be purchased with a price of TL 981,000,000 (in full TL). In this context, a Share Purchase Agreement was signed with Cigna Nederland Gamma BV on 21 October 2022. The Parent Bank's shareholding in QNB Sağlık Hayat Sigorta ve Emeklilik A.Ş. has increased to 100% following the completion of the said share transfer transactions, obtaining the necessary permits, and the registration of the General Assembly regarding the share transfer on 13 January 2023.

(**) Includes equity method accounting differences.

b.3) Sectoral information on consolidated financial subsidiaries and the related carrying amounts

	Current Period	Prior Period
Factoring Companies	1,477,891	551,597
Leasing Companies	2,435,631	1,622,787
Finance Companies	3,310,198	-
Other Subsidiaries	2,566,110	1,315,819
Total	9,789,830	3,490,203

The balances of the subsidiaries have been eliminated as part of the consolidation principles.

b.4) Subsidiaries quoted to a stock exchange

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	2,435,631	1,622,787
Quoted on International Stock Exchanges	-	-
Total	2,435,631	1,622,787

b.5) Information on shareholders' equity of the significant subsidiaries

The Parent Bank does not have any significant sized subsidiaries.

10. Information on joint ventures

	Unvanı	Address (City/ Country)	Bank's Share-If Different, Voting Rights(%)	Bank's Risk Group Share(%)
1.	Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.(*)	İstanbul/Türkiye	33.33	33.33

	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.	372,227	165,267	177,040	-	-	9,680	56,460	-

(*) Current period information is stated as of 30 November 2023, prior period profit and loss amounts are based on the financial statements prepared as of 30 November 2022.

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	12,486,755	9,504,950	7,140,530	5,674,402
Between 1-4 years	14,270,628	11,814,803	9,762,187	8,126,818
Over 4 years	728,444	673,924	882,557	806,001
Total	27,485,827	21,993,677	17,785,274	14,607,221

Finance lease receivables include non-performing finance lease receivables amounting to TL 373,295 (31 December 2022 - TL 387,943) and expected credit loss amounting to TL 297,641 (31 December 2022 - TL 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	(4,776)	76,852
Collections	(15,855)	(24,867)
Written-off	-	(32,223)
Provision at the end of the period	297,641	318,272

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

11. Information on lease receivables (Net) (Continued)

11.2. Information on net investments in finance leases

	Current Period	Prior Period
Gross Finance Lease Investments	27,482,467	17,779,015
Unearned Finance Income (-)	5,488,790	3,171,794
Cancelled Leasing Agreements (-)	-	-
Net Investment on Leases	21,993,677	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	
	TL	FC	TL	FC
Fair Value Hedge(*)	2,891,841	284,437	7,409,685	243,194
Cash Flow Hedge(**)	1,126,544	2,966,202	4,830,851	2,037,875
Net Investment Hedge	-	-	-	-
Total	4,018,385	3,250,639	12,240,536	2,281,069

(*) Derivative financial instruments for fair value hedging consist of swaps. As of 31 December 2023, TL 2,891,841 (31 December 2022 - TL 7,409,685) from loans, TL 284,437 (31 December 2022 - TL 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 (31 December 2022 - None).

14. Explanations on tangible assets

	Land and Buildings	Fixed Assets from Finance Lease	Vehicles	Other Fixed Assets	Total
Prior Period End					
Cost	3,629,829	289,943	381,856	3,332,458	7,634,086
Accumulated Depreciation(-)	727,130	256,741	72,403	1,786,865	2,843,139
Net Book Value	2,902,699	33,202	309,453	1,545,593	4,790,947
Current Period End					
Cost at the Beginning of the Period	3,629,829	289,943	381,856	3,332,458	7,634,086
Costs regarding Subsidiaries	33,734	-	-	28,941	62,675
Additions(*)	1,085,265	-	126,504	2,532,602	3,744,371
Disposals (-)	158,254	22,778	12,231	891,035	1,084,298
Impairment (-)/(increase)	-	-	101	-	101
Current Period Cost	7,914,871	-	-	-	7,914,871
Accumulated Depreciation at the Beginning of the Period	12,505,445	267,165	496,028	5,002,966	18,271,604
Accumulated Depreciation regarding Subsidiaries	727,130	256,741	72,403	1,786,865	2,843,139
Disposals (-)	13,633	-	-	12,962	26,595
Transfer (-)	41,708	10,779	4,127	19,718	76,332
Depreciation amount	-	-	-	-	-
Accumulated Depreciation at the End of the Period (-)	372,452	2,935	73,999	418,215	867,601
Net Book Value at the End of the Period	1,071,507	248,897	142,275	2,198,324	3,661,003
Kapanış Net Defter Değeri	11,433,938	18,268	353,753	2,804,642	14,610,601

(*) As mentioned in Section 3 footnote IV, the fair value currency difference income amounting to TL 27,685 (the amortized) that belongs to the real estate, which is subjected to fair value hedge accounting by the Parent Bank, is shown in the "Additions" line of the Financial Fixed Assets movement table.

a) If impairment on individual asset recorded or reversed in the current period is material for the overall financial statements

Events and conditions for recording or reversing impairment and amount of recorded or reversed impairment in the financial statements

There is no provision for impairment in the current period as a result of the changes in the fair values of the real estates determined by the licensed real estate valuation companies. (31 December 2022 - None).

b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially effecting the overall financial statements, and the reason and conditions for this

None (31 December 2022 - None).

c) Pledges, mortgages and other restrictions (if any) on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets

None (31 December 2022 - None).

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

15. Explanations on Intangible Assets

	Rights	Goodwill	Total
Prior Period End			
Cost	2,547,268	-	2,547,268
Accumulated Amortization (-)	1,492,734	-	1,492,734
Net Book Value	1,054,534	-	1,054,534
Current Period End			
Cost at the Beginning of the Period	2,547,268	-	2,547,268
Costs related to acquisition of subsidiary	2,201,231	-	2,201,231
Additions	1,651,552	-	1,651,552
Disposals (-)	5,319	-	5,319
Value Decrease (-)/(increase)	-	-	-
Current Period Cost	6,394,732	-	6,394,732
Acc, Amort, At the Beginning of the Period	1,492,734	-	1,492,734
Accrued amortization related to acquisition of subsidiary	438,192		438,192
Disposals(-)	4,633	-	4,633
Amortization charge	444,590	-	444,590
Current Period Accumulated Amortization (-)	2,370,883	-	2,370,883
Net Book Value-End of the Period	4,023,849	-	4,023,849

a) Disclosures for book value, description and remaining life to be amortized for a specific intangible fixed asset that is material to the financial statements

None (31 December 2022 - None).

b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition

None (31 December 2022 - None).

c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition

None (31 December 2022 - None.)

d) The book value of intangible fixed assets that are pledged or restricted for use

None (31 December 2022 - None.)

e) Amount of purchase commitments for intangible fixed assets

None (31 December 2022 - None).

f) Information on revalued intangible assets according to their types

None (31 December 2022 - None)

g) Amount of total research and development expenses recorded within the period if any

Amount of total research expenses recorded in the statement of profit or loss and other comprehensive income within the period is TL 38,717 (31 December 2022 - TL 41,354).

h) Positive or negative consolidation goodwill on entity basis

None (31 December 2022)

i) Goodwill's book value at beginning, during and end of period

Explanation about balance sheet's debit accounts and footnotes section specified in number 15 footnote.

16. Information on tax asset.

As of 31 December 2023, the Parent Bank has deferred tax asset amounting to TL 6,789,896 under the related regulations.

According to TAS 12, deferred tax assets and liabilities are netted off in the financial statements. As of 31 December 2023, the Group determined the carrying amount of the assets and liabilities in the balance sheet and the tax basis in accordance with the tax legislation and deferred tax asset amounting to TL 11,216,103 calculated over the amounts to be taken into consideration in the calculation of financial profit/loss in the following periods and deferred tax liability amounting to TL 4,426,208 which are calculated over the amounts to be taken into consideration in the calculation of financial profit/loss in the following periods.

In cases whereby deferred tax differences arising from the differences between the carrying amounts and the taxable amounts of the assets subjected to deferred tax that are related with certain items under the shareholders' equity accounts, the deferred tax benefits/charges are netted under these accounts. The deferred tax asset amounting to TL 1,375,690 is netted under equity. (31 December 2022 - TL 1,436,588 deferred tax liabilities).

	Temporary Differences		Deferred Tax Assets/(Liabilities)	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Provision for Employee Rights	3,112,251	2,596,772	933,675	649,192
Difference Between the Book Value of Financial Assets and Tax Base	643,326	7,021,079	192,998	1,704,569
Other(*)	33,631,434	11,917,779	10,089,430	2,979,445
Deferred Tax Assets			11,216,103	5,333,206
Differences Between Carrying Value and Tax Value of Tangible Fixed Assets	(7,521)	(750,417)	(2,256)	(187,204)
Differences Between Carrying Value and Tax Basis of Financial Assets	(12,202,190)	(17,498,210)	(3,660,657)	(4,366,998)
Other	(2,544,318)	(860,966)	(763,295)	(215,242)
Deferred Tax Liabilities			(4,426,208)	(4,769,444)
Deferred Tax Asset/(Debt), Net			6,789,895	563,762

(*) Includes accumulated temporary differences regarding expected loss provisions and other provisions.

	Current Period 01.01-31.12.2023	Prior Period 01.01-31.12.2022
Deferred Tax as of 1 January Asset/(Liability) - Net	563,762	341,690
Impact of business combinations	21,161	-
Deferred Tax (Loss)/Gain	4,829,282	1,658,660
Deferred Tax that is Realized Under Shareholder's Equity	1,375,690	(1,436,588)
Deferred Tax Asset/(Liability) - Net	6,789,895	563,762

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

17. Information on assets held for sale and discontinued operations

None. (31 December 2022 - None).

18. Information on other assets

Other assets of the balance sheet do not exceed 10% of the balance sheet total, excluding off-balance sheet commitments. As of 31 December 2023, provisions for other assets amount to TL 22,755 (31 December 2022 - TL 13,215).

19. Information on accrued interest and income

The details of interest and income accruals and rediscounts distributed on the related accounts and the details of the unrealized fair value increases (decreases) are presented in the table below.

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Assets	6,762,105	6,218,845	17,298,494	5,313,460
Loans	12,292,347	5,197,443	6,424,904	1,969,786
Securities Measured at Amortized Cost	11,085,004	497,745	6,876,724	224,043
Financial Assets Measured at Fair Value through Other Comprehensive Income	2,596,666	(853,858)	6,055,460	(1,750,115)
T.R Central Bank	81,415	-	-	-
Receivables from Leasing Transactions	-	-	-	-
Banks	47,551	215	23,357	2
Financial Assets Measured at Fair Value through Profit/Loss	83,191	19,156	18,612	3,697
Other Accruals	47,112	41,261	38,319	18,593
Total	32,995,391	11,120,807	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(*)	27,893,499	-	49,344,669	49,231,023	99,526,973	40,555,786	9,060,383	1,347	275,613,680
Foreign Currency Deposits	129,146,861	-	16,391,444	33,318,758	3,728,411	782,658	1,144,870	6,581	184,519,583
Residents in Türkiye	120,360,639	-	15,536,550	32,277,959	3,539,093	699,345	649,763	6,581	173,069,930
Residents Abroad	8,786,222	-	854,894	1,040,799	189,318	83,313	495,107	-	11,449,653
Public Sector Deposits	1,154,446	-	2,516	88,335	-	-	-	-	1,245,297
Commercial Deposits	19,351,014	-	31,109,156	12,920,808	19,922,891	13,940,276	9,771,674	-	107,015,819
Other Ins. Deposits	302,301	-	233,749	765,619	823,513	115,000	9,517	-	2,249,699
Precious Metal Deposits	33,732,699	-	117,147	58,862	148,831	-	442,018	-	34,499,557
Bank Deposits	1,126,701	-	9,101,219	12,450,245	1,467,378	1,438,358	-	-	25,583,901
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	48,433	-	923,841	-	-	-	-	-	972,274
Foreign Banks	1,078,268	-	8,177,378	12,450,245	1,467,378	1,438,358	-	-	24,611,627
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	212,707,521	-	106,299,900	108,833,650	125,617,997	56,832,078	20,428,462	7,928	630,727,536

(*) As of 31 December 2023, the balance of saving deposits includes TL 5,280,517 "Treasury Currency Protected Deposits" and TL 134,917,500 "CBRT Currency Protected Deposits".

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 31 December 2022, the balance of saving deposits includes the amounts related to TL 15,313,257 "Treasury Currency Protected Deposits" and TL 84,134,369 "CBRT Currency Protected Deposits".

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SECTION FIVE

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)

1.1. 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	106,246,382	55,175,424	279,878,113	179,366,796
Foreign Currency Savings Deposits	54,536,106	29,307,602	164,483,034	118,687,523
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	160,782,488	84,483,026	444,361,147	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 27 August 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 TL 17,566,297 (31 December 2022 - TL 9,717,740) is included in the footnote.

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	14,370	9,181
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairperson and members of the Board of Directors and their close family members	924,939	515,786
Deposits obtained through illegal acts defined in the 282nd Article of the Turkish Criminal Code No. 5237 dated 26 September 2004.	-	-
Saving deposits in banks established in Türkiye exclusively for off-shore banking activities	-	-
Total	939,309	524,967

2. Information on trading derivative financial liabilities

a) Negative differences table for derivative financial liabilities held for trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Forwards	286,280	130,686	421,525	11,658
Swaps	1,044,552	2,413,005	2,556,751	2,087,711
Futures	-	-	-	-
Options	327	290,250	30,387	483,367
Other	-	-	-	-
Total	1,331,159	2,833,941	3,008,663	2,582,736

(*) Current period derivative financial liabilities for trading purposes are shown in line 7.1 Derivative Financial Liabilities in the financial statement.

3. Information on borrowings

a) Negative differences table for derivative financial liabilities held for trading

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Banks and Institutions	8,164,974	3,737,246	5,775,489	1,963,023
Foreign Banks, Institutions and Funds	1,248,703	114,714,240	420,765	47,058,080
Total	9,413,677	118,451,486	6,196,254	49,021,103

b) Information on maturity structure of borrowings

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	8,872,328	25,330,406	5,519,452	15,617,892
Medium and Long-Term	541,349	93,121,080	676,802	33,403,211
Total	9,413,677	118,451,486	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.

c) Additional information on concentrations of the Group's liabilities

As of 31 December 2023, the Group's liabilities comprise; 62% deposits (31 December 2022 - 63%), 12% funds borrowed (31 December 2022 - 9%), 5% issued bonds (31 December 2022 - 4%) and 3% money market debts (31 December 2022 - 5%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	2,374,701	-	1,165,878	-
Financial institutions and organizations	2,362,077	-	1,149,893	-
Other institutions and organizations	6,243	-	8,772	-
Natural persons	6,381	-	7,213	-
From foreign transactions	189,980	27,736,364	178,955	21,733,804
Financial institutions and organizations	183,633	27,736,364	169,856	13,970,191
Other institutions and organizations	5,446	-	9,099	181,991
Natural persons	901	-	-	7,581,622
Total	2,564,681	27,736,364	1,344,833	21,733,804

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)

5. Information on marketable securities issued (Net)

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	9,045,755	13,001,776	8,401,709	5,911,335
Asset backed securities	856,881	-	330,878	-
Bills	-	29,132,547	-	17,372,987
Total	9,902,636	42,134,323	8,732,587	23,284,322

The Parent Bank has USD 4 Billion bond issuance program (Global Medium Term Note Program) and USD 1 Billion green and/or sustainable debt instrument issuance limit.

6. Information on the subaccounts of other liabilities account that exceeds 20% of the individual other liabilities account exceeding 10% of the total liabilities excluding the off-balance sheet items

Other liabilities does not exceed 10% of total liabilities excluding the off-balance sheet items.

7. Criteria used in the determination of lease installments in the financial lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts

Interest rate and cash flows of the Group are the main criteria which are taken into consideration for the determination of payment plans in the leasing contracts.

7.1. Explanations of changes in agreements and further commitments arising

No changes have been made to the leasing agreements in the current period (31 December 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.

7.3. Explanations on operational leasing transactions liabilities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	85,318	49,229	39,077	13,515
Between 1-4 years	1,368,518	1,123,935	868,095	728,013
More than 4 years	164	107	174	94
Total	1,454,000	1,173,271	907,346	741,622

7.4. 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.

7.5. Information on "Sale-and-lease back" agreements

The Parent Bank does non sale-and-lease back transactions in the current period (31 December 2022 - None).

8. Information on the hedging derivative financial liabilities

	Current Period(***)		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge(*)	-	342,081	-	678,201
Cash Flow Hedge(**)	105,202	383,346	-	445,388
Net Investment Hedge	-	-	-	-
Total	105,202	725,427	-	1,123,589

(*) Derivative financial instruments for fair value hedging consist of swaps. As of 31 December 2023, TL 154,155 (31 December 2022 - TL 227,293) of securities issued, TL 147,019 of loans received (31 December 2022 - TL 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	1,859,894	544,980
Stage II	50,405	24,102
Stage III	27,904	55,641
Total	1,938,203	624,723

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 31 December 2023, the Group presented the provision for severance pay of TL 983,622 (31 December 2022 - TL 1,200,277) under the "Reserves for Employee Benefits " item in its financial statements.

As of 31 December 2023, the Group has shown a total vacation liability of TL 234,460 (31 December 2022 - TL 145,545) under the "Reserves for Employee Benefits" in its financial statements.

As of 31 December 2023, TL 1,894,169 (31 December 2022 - TL 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.

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)

9. Information on provisions (Continued)

9.3.1. Movement of employee termination benefits

	Current Period 01.01-31.12.2023	Prior Period 01.01-31.12.2022
As of 1 January	1,200,277	489,567
Impact of business combinations	30,276	-
Service Cost	130,147	57,488
Interest Cost	115,977	88,226
Cutting payments and benefits	19,401	22,933
Actuarial difference	(57,545)	607,631
Paid during the period	(454,911)	(65,568)
Total	983,622	1,200,277

9.4. Information on insurance technical provisions

As of 31 December 2023, the Group has reflected the insurance technical provision amounting to TL 9,092,695 (31 December 2022 - None) in its consolidated financial statements.

9.5. Information on other provisions

Except for those mentioned in note 9.2 above, there is a provision for lawsuits against the Group and tax lawsuits in the amount of TL 407,539 (31 December 2022 - TL 475,524) in other provisions. The Parent Bank has benefited from the relevant articles of the Law No. 7326 regarding various ongoing tax lawsuits.

As of 31 December 2023, in the consolidated financial statements, within the other provisions, there is a total of TL 6,800,000 of free provision, of which TL 5,400,000 was expensed in the previous year, and TL 1,400,000 was expensed in the current period by the Bank management, outside the requirements of the Banking Regulation and Supervision Agency (BDDK) Accounting and Financial Reporting Regulations.

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 TL 2,493,475 (31 December 2022 - TL 3,167,083) and no current tax receivable (31 December 2022 - TL 101,935) in the accompanying consolidated financial statements, and as of 31 December 2023, there is prepaid tax amounting to TL 1,215,902 (31 December 2022 - TL 323,601).

10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate Taxes Payable	2,493,475	2,843,483
Banking and Insurance Transaction Tax (BITT)	1,373,920	386,347
Taxation on Securities Income	288,391	97,627
Taxation on Real Estates Income	20,308	5,444
VAT Payable	3,980	103
Other	238,345	152,517
Total	4,418,419	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.

10.1.3. Information on premium payables

	Current Period	Prior Period
Social Security Premiums - Employee Share	118,357	49,995
Social Security Premiums - Employer Share	145,118	57,705
Pension Fund Fee and Provisions - Employee Share	214	68
Pension Fund Fee and Provisions - Employer Share	700	223
Unemployment Insurance - Employee Share	7,754	3,514
Unemployment Insurance - Employer Share	15,512	7,031
Other	500	61
Total	288,155	118,597

11. Information on payables related to assets held for sale

None (31 December 2022 - None).

12. Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt Instruments subject to common equity	-	15,468,985	-	9,826,193
Subordinated Loans	-	15,468,985	-	9,826,193
Subordinated Debt Instruments	-	-	-	-
Debt Instruments subject to Tier 2 common equity	-	11,479,871	-	7,301,531
Subordinated Loans	-	2,528,610	-	7,301,531
Subordinated Debt Instruments	-	8,951,261	-	-
Total	-	26,948,856	-	17,127,724

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)

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 (31 December 2022 - None).

13.4. Information on share capital increases from revaluation fund during the current period

None (31 December 2022 - None)

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 (31 December 2022 - None).

13.7. Information on the privileges given to stocks representing the capital

None (31 December 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 TL 714.

15. Information on marketable securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Entities under Common Control	153,018	-	81,784	-
Valuation Differences	-	-	41,812	-
Foreign Exchange Rate Differences	153,018	-	39,972	-
Securities Measured at FV Through Other Comprehensive Income	(536,368)	(1,110,440)	3,616,031	(1,846,032)
Valuation Differences	(536,368)	(1,110,440)	3,616,031	(1,846,032)
Foreign Exchange Rate Differences	-	-	-	-
Total	(383,350)	(1,110,440)	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	
	TL	FC	TL	FC
Derivative Financial Liabilities	1,436,361	3,559,368	3,008,663	3,706,325
Deposits	12,924,762	310,841	2,984,266	250,152
Funds Borrowed	430,151	1,754,602	93,425	505,155
Money Market Borrowings	45,111	9,582,323	2,767	139,542
Issued Securities	16,905	509,179	24,714	400,290
Other Accruals	1,229,547	1,234,481	1,307,501	368,615
Total	16,082,837	16,950,794	7,421,336	5,370,079

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	376,605,042	111,928,372
Commitment For Use Guaranteed Credit Allocation	93,560,986	47,345,675
Payment Commitments for Cheques	10,962,370	14,849,695
Forward Asset Purchase Commitments	6,177,238	17,048,935
Other Irrevocable Commitments	6,684,472	3,895,823
Commitments for Promotions Related with Credit Cards and Banking Activities	211,656	109,533
Tax and Fund Liabilities due to Export Commitments	279,060	118,666
Total	494,480,824	195,296,699

1.2. Type and amount of probable losses and obligations arising from off-balance sheet items

A provision of TL 1,938,203 (31 December 2022 - TL 624,723) has been made for non-compensated and non-cash loans or expected loan losses on off-balance sheet loans.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and Disclosures Related to Consolidated Off-Balance Sheet Items (Continued)

1. Explanations on off-balance-sheet-commitments (Continued)

1.3. Non-cash loans including guarantees, bank acceptance loans, collaterals that are accepted as financial guarantees and other letter of credits

	Current Period	Prior Period
Bank Loans	13,059,090	13,724,618
Other Letters of Guarantee	11,518,004	5,848,676
Total	24,577,094	19,573,294

1.4. Guarantees, suretyships and other similar transactions

	Current Period	Prior Period
Provisional Letters of Guarantee	27,300,457	17,059,240
Final Letters of Guarantee	16,887,172	7,239,998
Advance Letters of Guarantee	1,165,597	1,327,806
Letters of Guarantee Given to Customs Offices	1,349,881	1,073,138
Other Letters of Guarantee	31,198,845	18,920,224
Total	77,901,952	45,620,406

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	13,306,425	7,483,761
Less Than or Equal to One Year with Original Maturity	385,093	578,172
More Than One Year with Original Maturity	12,921,332	6,905,589
Other Non-Cash Loans	89,172,621	57,709,939
Total	102,479,046	65,193,700

3. Information on risk concentration in sector terms in non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	244,389	0.50	-	-	165,630	0.56	596	0.00
Farming and Raising Livestock	167,207	0.34	-	-	79,656	0.27	596	0.00
Forestry	20,553	0.04	-	-	45,255	0.15	-	-
Fishing	56,629	0.12	-	-	40,719	0.14	-	-
Manufacturing	16,773,181	34.55	27,294,734	50.61	10,058,694	33.92	18,219,721	51.27
Mining and Quarrying	266,113	0.55	40,035	0.07	161,862	0.55	33,296	0.09
Production	15,420,248	31.76	26,788,571	49.68	9,498,871	32.03	17,910,743	50.40
Electricity, gas and water	1,086,820	2.24	466,128	0.86	397,961	1.34	275,682	0.78
Construction	9,320,457	19.20	10,709,626	19.86	6,222,108	20.98	6,167,027	17.35
Services	21,936,214	45.18	15,031,752	27.87	12,762,410	43.04	10,669,011	30.01
Wholesale and Retail Trade	14,842,936	30.57	6,380,976	11.83	8,726,222	29.43	4,304,979	12.11
Hotel, Food and Beverage Services	1,157,226	2.38	270,042	0.50	609,706	2.06	1,135,063	3.19
Transportation&Communication	873,419	1.80	1,208,576	2.24	713,008	2.40	842,222	2.37
Financial Institutions	3,253,716	6.70	5,447,278	10.10	1,578,822	5.32	3,808,729	10.72
Real Estate and Renting Services	12,538	0.03	6,515	0.01	89,435	0.30	20,669	0.06
Self Employment Services	1,177,719	2.43	915,500	1.70	583,415	1.97	417,290	1.17
Educational Services	35,652	0.07	-	-	31,168	0.11	-	-
Health and Social Services	583,008	1.20	802,865	1.49	430,634	1.45	140,059	0.39
Other	274,876	0.57	893,817	1.66	446,739	1.50	481,764	1.37
Total	48,549,117	100.00	53,929,929	100.00	29,655,581	100.00	35,538,119	100.00

4. Information on non-cash loans classified under group I and II

	I. Group		II. Group	
Current Period(*)	TL	FC	TL	FC
Letters of Guarantee	43,640,862	32,668,546	408,231	1,156,409
Bill of Exchange and Acceptances	4,385,051	8,441,758	39,500	192,781
Letters of Credit	47,569	11,469,324	-	1,111
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	48,073,482	52,579,628	447,731	1,350,301

(*) The amount of TL 27,904 excluded for non-cash loans and ECL provision of non-cash loans which are under off-balance accounts and not indemnified and unliquidated but provisioned.

	I. Group		II. Group	
Prior Period(*)	TL	FC	TL	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 TL 55,641 excluded for non-cash loans and ECL provision of non-cash loans which are under off-balance accounts and not indemnified and unliquidated but provisioned.

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EXPLANATIONS AND DISCLOSURES ON 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)	536,429,759	440,539,601
Forward transactions(*)	62,546,387	45,212,064
Swap transactions	443,703,457	276,267,320
Futures transactions	15,572,793	1,618,208
Option transactions	14,607,122	117,442,009
Interest Related Derivative Transactions (II)	318,167,378	159,791,156
Forward rate transactions	-	-
Interest rate swap transactions	318,167,378	156,221,134
Interest option transactions	-	-
Futures interest transactions	-	3,570,022
Security option transactions	-	-
Other trading derivative transactions (III)	1,177,528	2,056,626
A. Total Trading Derivative Transactions (I+II+III)	855,774,665	602,387,383
Types of hedging transactions		
Fair value hedges	34,158,042	42,894,666
Cash flow hedges	171,214,277	107,912,819
Net investment hedges	-	-
B. Total Hedging Related Derivatives	205,372,319	150,807,485
Total Derivative Transactions (A+B)	**1,061,146,984**	**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 TL equivalents:

Current Period	Forward Buy(**)	Forward Sell(**)	Swap Buy(*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
TL	20,596,335	1,922,483	53,791,266	197,575,781	7,212,979	340,337	8,006,635	-	-
USD	6,647,440	21,756,859	342,643,535	191,780,185	520,376	5,008,813	-	6,947,062	1,177,528
Euro	4,263,478	6,310,130	46,838,735	93,849,575	9,153	1,515,464	-	-	-
Other	626,629	423,033	39,540,443	1,223,634	-	-	-	619,096	-
Total	32,133,882	30,412,505	482,813,979	484,429,175	7,742,508	6,864,614	8,006,635	7,566,158	1,177,528

(*) This column also includes hedging purpose derivatives.
(**) This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

Prior Period	Forward Buy(**)	Forward Sell(**)	Swap Buy(*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
TL	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	26,313,610	72,342,218	1,684,385	7,378,288	-	-	-
Other	369,698	1,771,891	28,032,607	379,960	3,729	1,187,642	-	-	-
Total	22,330,474	22,881,590	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.

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 TL installment loans amounting to TL 725,780 (31 December 2022 - TL 2,113,014) were subject to hedge accounting by swaps with a nominal amount of TL 1,102,305 (31 December 2022 - TL 4,808,155). On 31 December 2023, the net market valuation difference loss of TL 43,038 arising from TL 92,934 loss from the aforementioned loans (31 December 2022 - TL 196,115 gain) and TL 85,593 loss from swaps (31 December 2022 - TL 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. There is no valuation impact as of the balance sheet date.

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 TL 247,211 (31 December 2022 - TL 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 (31 December 2022 - TL 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 212,671 million (31 December 2022 - USD 259,315 million and EUR 44 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On 31 December 2023, the net market valuation difference gain amounting to TL 17,532 due to loss from Eurobonds amounting to TL 372,205 (31 December 2022 - TRY 844,795 loss) and gain from swaps amounting to TL 14,757 (31 December 2022 - TL 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 TL government bonds in the current period (31 December 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 300 million (31 December 2022 - USD 330 million) have been subject to hedge accounting with the same nominal amount of swaps. As of 31 December 2023, TL 5,102 net fair valuation difference loss, due to net of TL 44,707 (31 December 2022 - TL 417,088 gain) loss from issued bonds and TL 39,605 (31 December 2022 - TL 414,503 loss) gain from swaps, has been recorded under "Gain/(loss) from financial derivatives transactions" on accompanying financial statements.

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies hedge accounting for fair value risk through swaps to hedge against changes in interest rates related to fixed-rate TL securities it has issued. As of the balance sheet date, there are no such instruments.

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SECTION FIVE

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 TL loans. As of the balance sheet date, swaps amounting to TL 135,504 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 TL 99 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 USD 525 Million (31 December 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 gain before tax amounting to TL 166,065 (31 December 2022 - TL 572,313 loss) has been accounted for under equity in the current period. The loss of the ineffective portion amounting to TL 531 is associated with the statement of profit or loss (31 December 2022 - TL 4 loss).

On the other hand; as of the balance sheet date, swaps with a nominal amount of TL 5,724 Million (31 December 2022 - TL 5,472 Million) regarding the floating rate TL loans extended by the Bank are subject to hedge accounting as hedging instruments. As a result of the aforementioned hedge accounting, the fair value loss before tax amounting to TL 395,810 (31 December 2022 - TL 330,708 gain) has been accounted for under equity in the current period. The loss amounting to TL 55 related to the ineffective portion is associated with the profit or loss statement (31 December 2022 - TL 75 gain).

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 TL 1,405,000 are subject to hedge accounting as hedging instruments (31 December 2022 - TL 50,000). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TL 24,571 are accounted for under equity during the current period (31 December 2022 - TL 2,192 loss.). There is no ineffective part in the hedge accounting transaction in question (31 December 2022 - None).
As of the balance sheet date, swaps with a nominal amount of USD 1,771 Million (31 December 2022 - USD 1,621 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 136 Million (31 December 2022 - EUR 114 Million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value loss before taxes amounting to TL 347,876 (31 December 2022 - TL 2,123,518 gain) are accounted under equity during the current period. The gain amounting to TL 15,970 (31 December 2022 - TL 13,216 gain) relating to the ineffective portion is accounted under at the statement of profit or loss and other comprehensive income.

c) Floating Rate Liabilities

The Parent Bank applies cash flow hedge accounting through interest rate swaps in order to protect its subordinated loans with variable interest payments from changes in interest rates. The Bank conducts effectiveness tests for hedge accounting on every balance sheet date, the active segments are accounted in the "Hedge Funds" account item in the financial statements as defined in TAS 39, and the amount related to the inactive part is associated with the statement of profit or loss and other comprehensive income. As of the balance sheet date, the nominal amount of USD 217 Million (31 December 2022 - USD 423 Million) was subject to hedge accounting as hedging instrument. As a result of the mentioned hedge accounting, the fair value loss amounting to TL 249,573 (31 December 2022 - TL 423,008 gain) before tax was recognized under equity. The gain amounting to TL 3,790 (31 December 2022 - TL 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 TL 57,575 (31 December 2022 - TL 39,964 loss) was transferred from the "Gain/losses from derivative transactions" to the statement of profit or loss and other comprehensive income.

In this context, in the current period, the Bank has transferred loss of TL 11,672 (31 December 2022 - TL 12,357 loss) from equity to the profit or loss statement related to terminated hedge accounting practices.

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 TL 2,409,767 are subject to hedge accounting. As a result of the aforementioned hedge accounting, in the current period, net market valuation difference gain before tax amounting to TL 9,378 has been accounted for under "Hedging Funds" account item in the consolidated financial statements (31 December 2022 - TL 2,147 gain).

In the measurements made as of 31 December 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 31 December 2023, the Bank has no commitments "Credit Linked Notes" (As of 31 December 2022 - None).

As of 31 December 2023, "Other Derivative Financial Instruments" with nominal amount of USD 40,000,000 (31 December 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 40,000,000.

7. Information on contingent liabilities and assets

The Parent Bank has recorded a provision of TL 92,874 (31 December 2022 - TL 296,729) for the lawsuits filed against the Bank with a high probability of occurrence, in accordance with Principle of Prudence. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

8. Information on the services in the name and account of third parties

The 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.

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and Disclosures Related to Consolidated Off-Balance Sheet Items (Continued)

9. Information on the Parent Bank's rating by international rating institutions

MOODY'S January 2024		FITCH September 2023	
Long-Term Deposit Rating (FC)	B2	Long -Term Foreign Curr.	B- (Stable)
Long-Term Deposit Rating (TL)	B1	Short-Term Foreign Curr.	B
Short-Term Deposit Rating (FC)	NP	Long-Term TL	B (Stable)
Short-Term Deposit Rating (TL)	NP	Short-Term TL	B
Main Credit Evaluation	b3	Long-Term National	AA(tur) (Stable)
Adjusted Main Credit Evaluation	b1	Support	b-
Appearance	Positive	Financial Capacity Rating	b-
Long-Term Foreign Currency Denominated Debt (FC)	B2		

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	
	TL	FC	TL	FC
Short-Term Loans	38,342,402	4,768,549	17,556,264	1.625.933
Medium and Long-Term Loans	29,933,893	8,764,370	16,185,212	4.445.863
Non-Performing Loans	788,510	-	636,433	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total(*)	69,064,805	13,532,919	34,377,909	6.071.796

(*) Includes fees and commissions income from cash loans

b) Information on interest income from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank(*)	156,988	-	-	-
Domestic Banks	500,011	881	18,089	1,010
Foreign Banks	3,377	526,443	1,170	282,581
Foreign Headquarters and Branches	-	-	-	-
Total	660,376	527,324	19,259	283,591

(*) The interest income on Required Reserve amounting TL 412,862 excluded from interest income on Banks. (31 December 2022 - TL 130,135).

c) Information on interest income on marketable securities

	Current Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss	383,739	29,497
Financial Assets Measured at Fair Value through Other Comprehensive Income	9,348,061	941,698
Financial Assets Measured at Amortized Cost	23,174,698	1,501,968
Total	32,906,498	2,473,163

	Prior Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss	79,904	7,521
Financial Assets Measured at Fair Value through Other Comprehensive Income	4,941,239	708,897
Financial Assets Measured at Amortized Cost	15,751,314	1,095,653
Total	20,772,457	1,812,071

As indicated in Footnote VII. number 2 of Section Three, the Parent Bank has inflation-linked government bonds in the financial asset portfolios, reflected in fair value changes recognized in other comprehensive income, and measured at amortized cost. As stated in the Ministry of Treasury and Finance's Inflation-Indexed Bonds Investor Guide, the reference indices used for calculating the actual coupon payment amounts of these instruments are based on the inflation index of two months prior. In the valuation of related instruments, as of 31 December 2023, considered as the rate of 61.36%.

d) Information on interest income received from associates and subsidiaries

None (31 December 2022 - None).

2. a) Information on interest expense on borrowings(*)

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	1,800,168	8,272,954	797,994	3,129,506
T.R. Central Bank	-	-	-	-
Domestic Banks	1,558,590	354,066	749,649	152,173
Foreign Banks	241,578	7,918,888	48,345	2,977,333
Foreign Headquarters and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	1,800,168	8,272,954	797,994	3,129,506

(*) 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	28,607	7,913

c) Information on interest expense paid to securities issued

As of 31 December 2023 the amount paid to securities issued is TL 3,879,530 (31 December 2022 - TL 2,763,449).

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Disclosures Related to Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

d) Information on maturity structure of interest expenses on deposits

Current Period		Time Deposits						
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accumulated Deposit Account	Total
Turkish Lira								
Bank Deposits	-	184,688	-	-	-	-	-	184,688
Saving Deposits	-	9,422,176	10,322,264	27,878,029	2,971,069	727,044	-	51,320,582
Public Sector Deposits	-	3,791	2,203	-	4	-	-	5,998
Commercial Deposits	-	5,810,244	4,930,800	5,124,923	1,732,531	1,228,998	-	18,827,496
Other Deposits	-	74,575	399,088	191,527	24,412	661	-	690,263
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	-	15,495,474	15,654,355	33,194,479	4,728,016	1,956,703	-	71,029,027
Foreign Currency								
Deposits	-	49,350	331,249	406,852	23,861	48,034	-	859,346
Bank Deposits	1,172	529,553	787,597	96,597	91,847	-	-	1,506,766
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	2,489	-	-	-	-	-	2,489
Total	1,172	581,392	1,118,846	503,449	115,708	48,034	-	2,368,601
Grand Total	1,172	16,076,866	16,773,201	33,697,928	4,843,724	2,004,737	-	73,397,628

Prior Period		Time Deposits						
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accumulated Deposit Account	Total
Turkish Lira								
Bank Deposits	-	52,247	16,800	-	-	-	-	69,047
Saving Deposits	-	2,730,362	2,489,527	5,654,397	299,312	212,360	-	11,385,958
Public Sector Deposits	-	3,760	1,412	30	98	-	-	5,300
Commercial Deposits	-	1,673,231	1,048,983	800,913	1,291,954	240,053	-	5,055,134
Other Deposits	-	22,835	115,670	9,156	17,015	7	-	164,683
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	-	4,482,435	3,672,392	6,464,496	1,608,379	452,420	-	16,680,122
Foreign Currency								
Deposits	-	189,253	943,422	496,604	53,189	55,374	-	1,737,842
Bank Deposits	118	134,170	90,790	23,429	60,999	-	-	309,506
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	11,939	-	-	-	-	-	11,939
Total	118	335,362	1,034,212	520,033	114,188	55,374	-	2,059,287
Grand Total	118	4,817,797	4,706,604	6,984,529	1,722,567	507,794	-	18,739,409

e) Information on interest expenses on repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expenses on Repurchase Agreements(*)	1,371,741	1,206,816	1,906,016	404,695

(*) Disclosed in "Interest on Money Market Transactions.

f) Information on financial lease expenses

	Current Period	Prior Period
Leasing Expenses	145,924	100,667

g) Information on interest expenses on factoring payables

None (31 December 2022 - None).

3. Information on dividend income

	Current Period	Prior Period
Derivative Financial Assets at Fair Value Through Profit or Loss	12,353	3,539
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-
Other	714	13,437
Total	13,067	16,976

4. Information on trading income/loss

	Current Period	Prior Period
Trading Gain	66,172,391	35,045,190
Gain on Capital Market Transactions	4,351,652	2,389,128
From Derivative Transactions	26,054,897	13,687,257
Foreign Exchange Gains	35,765,842	18,968,805
Trading Loss (-)	52,456,405	33,973,496
Losses on Capital Market Transactions	1,589,413	825,979
From Derivative Transactions	35,270,332	20,522,408
Foreign Exchange Losses	15,596,660	12,625,109
Net Trading Gain/Loss	13,715,986	1,071,694

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.

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SECTION FIVE

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)

6. Provision for losses and other provision expenses

	Current Period	Prior Period
Expected Credit Losses	12,119,567	5,093,975
12 Month Expected Credit Loss (Stage 1)	4,309,259	1,493,919
Significant Increase in Credit Risk (Stage 2)	5,312,932	2,112,726
Lifetime ECL Impaired Credits (Stage 3)	2,497,376	1,487,330
Marketable Securities Impairment Provision	5,060	2,279
Financial Assets Measured at Fair Value Through Profit/Loss	-	-
Financial Assets Measured at Other Comprehensive Income	5,060	2,279
Provisions for Impairment of Associates, Subsidiaries and Joint Ventures	-	-
Investment in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other(*)	2,853,258	5,939,858
Total	14,977,885	11,036,112

(*) Includes free provision expense for possible risks amounting to TL 1,400,000 allocated in the current period (31 December 2022 - TL 5,400,000).

7. Information on other operating expenses

	Current Period	Prior Period
Severance Pay Provision Expense(*)	280,936	103,078
Tangible Fixed Asset Depreciation Expenses	867,601	609,671
Intangible Asset Depreciation Expenses	444,590	237,285
Other Operating Expenses	6,397,791	4,384,497
TFRS 16 Leasing expenses	*8,922*	*4,308*
Maintenance expenses	*1,116,352*	*1,267,165*
Advertisement expenses	*636,518*	*332,946*
Other expenses	*4,635,999*	*2,780,078*
Loss on sales of assets	84	61
Other	2,923,465	1,176,107
Total	10,914,467	6,510,699

(*) "Reserve for employee termination benefits" is included in the "Personnel Expenses" account item in the financial statement.

8. Fees for Services Obtained from an Independent Auditor/Independent Audit Firm

	Current Period(*),(**)	Prior Period(*),(**)
Independent audit fee for the reporting period	12,663	6,168
Fees for tax advisory services	-	-
Fee for other assurance services	6,055	649
Fees for services other than independent auditing	-	-
Total	18,718	6,817

(*) Consolidated amounts are reported.
(**) VAT excluded.

9. Explanation on profit/loss before tax from continuing and discontinued operations

As of 31 December 2023, net interest income amounting to TL 38,325,450 (31 December 2022- TL 38,567,154), net fee and commission income amounting to TL 20,306,295 (31 December 2022 - TL 6,688,561) and other operating revenues amounting to TL 2,418,546 (31 December 2022 - TL 333,926) have important place among income items related to continuing operations.

10. Explanation on tax provision for continuing and discontinued operations

10.1. Calculated current tax income or expense and deferred tax income or expense

As of 31 December 2023, the Parent Bank has a current tax expense of TL 10,895,200 (31 December 2022 - TL 9,086,568), deferred tax expense of TL 3,287,001 (31 December 2022 - TL 1,712,063) deferred tax income of TL 8,116,283 (31 December 2022 - TL 3,370,723).

10.2. Explanations on operating profit/loss after tax

None (31 December 2022 - None).

11. Explanation on net profit/loss for the period from continuing and discontinued operations

The profit generated by the Group from continuing operations is TL 33,177,934 (31 December 2022 - TL 17,226,220).

12. Explanations on net profit and loss for the period

12.1. If disclosure of the nature, amount and recurrence rate of income and expense items arising from ordinary banking transactions is necessary for an understanding of the Group's performance during the period, the nature and amount of these items

None (31 December 2022 - None).

12.2. The effect of the change in the estimates made by the Group regarding the financial statement items on profit/loss

None (31 December 2022 - None).

12.3. Profit or loss attributable to minority shares

	Current Period	Prior Period
Profit/Loss Attributable to Minority Shares	4,969	2,421

12.4. There is no change in the accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods

13. Information on the components of other items in the statement of profit or loss and other comprehensive income exceeding 10% of the total, or items that comprise at least 20% of the statement of profit or loss and other comprehensive income

Fees and commissions from credit cards, transfers and insurance intermediaries are recorded in the "Others" line under "Fees and Commissions Received" account, while fees and commissions given to credit cards are recorded in the "Others" line under "Fees and Commissions Paid" account by the Parent Bank.

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. Explanations and Disclosures Related to Consolidated Statement of Changes in Shareholders' Equity

1. Changes arising from the revaluation of financial assets at fair value through other comprehensive income

The net decrease of TL 1,730,198 after the tax effect arising from the remeasurement of the Group's financial assets at fair value through other comprehensive income (31 December 2022 - TL 3,377,006 net decrease) will be recorded in equity as "Accumulated Other Comprehensive Income or Expenses to be Reclassified to Profit or Loss" account.

2. Explanations on foreign exchange differences

None.

3. Explanations on dividends

3.1. Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements

There is no dividend notified before the promulgation of financial statements. It was decided to distribute the profit of 2022 as stated below at the Ordinary General Assembly held on 30 March 2023:

2022 profit distribution table

Current Year Profit	17,223,766
A - I. Legal Reserve (TCC 466/1) 5%	28,298
B - The First Dividend for Shareholders	-
C - To Owners of Founding Shares	-
D - II. Legal Reserves	-
E - Profit from Disposal of Associates Fund	-
F - Extraordinary Reserves	17,195,468

3.2. Dividends per share proposed subsequent to the balance sheet date

No decision is taken concerning the profit distribution by the General Assembly as of the balance sheet date (31 December 2022 - None).

3.3. Transfers to legal reserves

	Current Period	Prior Period
Amount Transferred to Reserve from Retained	-	-

4. Information on issuance of share certificates

4.1. The rights, priorities and restrictions regarding the share capital including distribution of income and repayment of the capital

None (31 December 2022 - None).

5. Information on the other capital increase items in the statement of changes in shareholders' equity

There was no capital increase in 2023 (31 December 2022 - None).

VI. Explanations and Disclosures Related to Consolidated Statement of Cash Flows

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents

"Other items" amounting to TL 51,625,431 (31 December 2022 - TL 12,519,245) in "Operating profit before changes in operating assets and liabilities" consist of fees and commissions paid amounting to TL 8,133,453 (31 December 2022 - TL 2,361,312), net trading income amounting to TL 63,217,592 (31 December 2022 - TL 21,259,438 net trading income) and other operating expenses amounting to TL 3,458,708 (31 December 2022 - TL 6,378,881).

"Other" item in the "Change in other assets of the field of banking" amounting to TL 9,626,574 (31 December 2022 - TL 6,554,484), guarantees given to TL 511,687 (31 December 2022 - TL 2,898,805), rental receivables from transactions amounting to TL 7,386,456 (31 December 2022 - TL 3,917,473), factoring receivables amounting to TL 5,901,861 (31 December 2022 - TL 5,782,967) and other assets of TL 9,114,887 (31 December 2022 - TL 247,151).

The "Other" item amounting to TL 20,942,643 (31 December 2022 - TL 17,976,184) included in the "change in other debts subject to banking activity", TL 7,635,935 (31 December 2022 – TL 4,808,082) to money markets and TL 2,289,950 (31 December 2022 - TL 4,979,897) includes other liabilities.

The effect of change in foreign exchange rate on cash and cash equivalents is the sum of the foreign exchange differences arising from the conversion of the average balances of cash and cash equivalents in foreign currency to TL at the beginning of the period and at the end of the period. As of 31 December 2023, TL 2,231,281 (31 December 2022 - TL 1,454,238).

2. Information regarding the balances of cash and cash equivalents at the beginning of the period

	31 December 2022
Cash	11,930,986
Cash in TL	1,621,492
Cash in Foreign Currencies	6,809,684
Other	3,499,810
Cash Equivalents	61,324,727
Balances with the T.R. Central Bank	42,132,406
Banks and Other Financial Institutions	10,747,700
Money Market Placements	8,467,980
Less: Accruals	(23,359)
Cash and Cash Equivalents	73,255,713

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. Explanations and Disclosures Related to Consolidated Statement of Cash Flows (Continued)

3. Information regarding the balances of cash and cash equivalents at the end of the period

	31 December 2023
Cash	12,933,483
Cash in TL	2,150,944
Cash in Foreign Currencies	9,412,639
Other	1,369,900
Cash Equivalents	106,444,295
Balances with the T.R. Central Bank	83,652,347
Banks and Other Financial Institutions	17,184,548
Money Market Placements	5,736,581
Less: Accruals	(129,181)
Cash and Cash Equivalents	119,377,778

4. Restricted cash and cash equivalents due to legal requirements or other reasons

A portion of foreign bank accounts amounting to TL 628,304 (31 December 2022 - TL 396,003) includes blocked cash for foreign money and capital market transactions and for borrowings from foreign markets.

5. Additional information

5.1. Restrictions on the potential borrowings that can be used for banking operations or capital commitment

None (31 December 2022 - None).

5.2. The sum of cash flows that show the increases in banking activity capacity, apart from the cash flows needed to maintain current banking activity capacity

None (31 December 2022 - None).

VII. Explanations and Disclosures Related to the Parent Bank's Risk Group

1. The volume of transactions relating to the Bank's risk group, outstanding loan and deposit transactions and profit and loss of the period

1.1. As of 31 December 2023, the Parent Bank's risk group has deposits amounting to TL 9,073,791 (31 December 2022 - TL 724,884), cash loans amounting to TL 5,469 (31 December 2022 - TL 4,102) and non-cash loans amounting to TL 2,405,453 (31 December 2022 - TL 118,429).

Current Period

Parent Bank's Risk Group(*)	Associates and Subsidiaries (Partnerships)		Bank's Direct and Indirect Shareholders		Other Legal and Natural 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	-	194	-	2,316,570	5,469	88,689
Interest and Commission Income	-	-	-	2,242	3,800	-

Prior Period

Parent Bank's Risk Group(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Natural Persons in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	730	-	55,271	1,773	4,888
Balance at the End of the Period	-	226	-	116,854	4,102	1,349
Interest and Commission Income	-	-	-	1,705	646	-

(*) As described in the Article 49 of Banking Law No 5411.
(**) Represents the balances of 31 December 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 Natural 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	251,658	152,259	-	-	8,822,133	572,625
Interest Expense on Deposit(**)	28,607	7,913	-	-	232,930	22,015

(*) As described in the Article 49 of Banking Law No 5411.
(**) Previous period's balances represent 31 December 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 Natural 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	384
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 31 December 2022 balance.

QNB Finansbank – 2023 Integrated Annual Report

QNB FİNANSBANK ANONİM ŞİRKETİ

Notes To Consolidated Financial Statements For The Year Ended 31 December 2023

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. Explanations and Disclosures Related to the Parent Bank's Risk Group (Continued)

1.4. Information regarding benefits provided to the Top Management

As of 31 December 2023, the total amount of remuneration and bonuses paid to key management of the Group is TL 560,869 (31 December 2022 - TL 304,876).

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 31 December 2023, the rate of cash loans of the risk group divided by to total loans is 0.0%; (31 December 2022 - 0.0%); the deposits represented 1.4% (31 December 2022 - 0.2%), the ratio of total derivative transactions with derivatives risk is 0.0% (31 December 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., one of the risk group companies it belongs to.

The Parent Bank provides agency services regarding insurance services to QNB Sağlık Hayat Sigorta ve Emeklilik A.Ş., one of the risk group companies it belongs to.

The Parent Bank has signed an agreement with Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. regarding research, development, advisory and improvement services.

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., in which the Parent Bank participated with 33.33% shareholding, provides cash transfer services to the Parent Bank.

Information in regard to subordinate loans the Parent Bank received from Parent's Bank is explained in Section 5 Note II. 12.

VIII. Explanations on the Parent Bank's Domestic, Foreign and Off-Shore Banking Branches and Foreign Representatives of the Group

1. Information relating to the Parent Bank's domestic and foreign branch and representatives

	Number	Employees	Country	Total Assets	Capital
Domestic Branch	435	14,247			
Foreign Representation	-	-	-		
Foreign Branch	1	8	1- Bahrain	114,431,512	-

SECTION SIX

OTHER EXPLANATIONS

I. Other Explanations Related to the Parent Bank's Operations

1. Disclosure related to subsequent events and transactions that have not been finalized yet, and their impact on the financial statements

The issuance of The Bank after the balance sheet date are as follows:

Issue Date	Currency	Nominal Amount	Maturity
16/01/2024	USD	25,800,000	91
19/01/2024	EUR	10,000,000	91

The Parent Bank's application to the Capital Markets Board dated 11 September 2023 regarding debt instruments to be issued abroad has been approved by the Board, and the bond issuance program of USD 4 Billion (Global Medium Term Note Program), which will be valid for 1 year as of 18 October 2023, has been announced and the green and/or sustainable debt instrument issuance limit of USD 1 Billion has been updated.

2. Information on the effects of significant changes in foreign exchange rates after balance sheet date on the items denominated in foreign currency and financial statements and the Group's operations abroad that would affect decision making process of users and foreign operations of the Bank

There are no significant fluctuations in the currency exchange rates after the balance sheet date that would affect the analysis and decision making process of the readers of the financial statements.

3. Other matters

With the decision numbered 10825 on 11 January 2024; BRSA determined the transition date for banks, financial leasing, factoring, financing, savings financing and asset management companies to TAS 29 application as 1 January 2025.

SECTION SEVEN

INDEPENDENT AUDITOR'S REPORT

I. Explanations on Independent Auditor's Report

The consolidated financial statements for the period ended 31 December 2023 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The auditor's report dated 29 January 2024 is presented preceding the consolidated financial statements.

II. Explanations and Notes Prepared by Independent Auditor

None (31 December 2022 - None).

QNB Finansbank – 2023 Integrated Annual Report

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Corporate Memberships

QNB Finansbank is aware of the importance of collaborations in order to fulfil the common goals of the sector in which it operates. To this end, the Bank closely monitors global developments, undertakes international initiatives and works to create sustainable solutions to global problems.

- Banks Association of Türkiye (TBB)
- Foundation for Contemporary Education (ÇEV)
- Darüşşafaka Society
- Educational Volunteers Foundation of Türkiye (TEGV)
- Habitat Association
- Interbank Card Centre (BKM)
- International Chamber of Commerce Türkiye National Committee
- Credit Bureau (KKB)
- Turkish Capital Markets Association (TSPB)
- Turkish Education Association (TED)
- Turkish Education Foundation (TEV)
- United Nations Global Compact
- Global Compact Signatories Association
- World Wildlife Foundation (WWF) Türkiye
- Corporate Governance Association of Türkiye (TKYD)
- International Investors Association (YASED)

Awards

Awards received by the Bank:

In 2023, QNB Finansbank received the following awards:

- "Best Corporate Mobile Banking App" award in the 2023 Global Transaction Banking Innovation Award programme organised by Digital Banker Magazine with Digital Bridge
- "Best Digital SME Bank" award in Türkiye, the European Region and the World within the scope of the award programme organised by Global Finance Magazine with Digital Bridge
- The corporate social responsibility platform Tiny Hands Big Dreams received the Gold award at the IPRA Golden World Awards (International Public Relations Association) as the only Turkish brand and bank in the field of social responsibility
- Enpara.com, Türkiye's first branchless digital banking application, won the Gold award in the Banking and Finance category at the Effie Awards, one of the most prestigious advertising awards in the sector, with its creative commercial film titled "Halay"
- Enpara.com, Türkiye's first branchless digital banking application, was awarded the Gold prize in the Online Banking category at the Brandverse Award programme, which rewards the most successful brands and projects of the digital world.
- Good Idea Award in the Best Digital Customer Experience category at CX AWARDS TÜRKİYE®-Türkiye Customer Experience Awards with Digital Intelligence Q
- Gold award in the category of Corporate Social Responsibility Programme of the Year with the "Tiny Hands Big Dreams" platform within the scope of Best in Bizz 2023 International award
- 2023 International Best in Biz Awards, International Winners in Corporate Social Responsibility (CSR), media, PR and other categories

Awards received by QNB Finansinvest:

In 2023, QNB Finansinvest received the following awards:

- World Finance Banking Awards 2023 Türkiye's best "Investment Bank"
- Within the scope of the “8th TSPB Golden Bull Awards” organized by the Capital Markets Association of Türkiye, “Highest Return” in 2022 Pension Investment Fund Category
- “Türkiye's Best Asset Management Company” at the “Global Banking & Finance Awards 2023” organized by Global Banking & Finance Review
- “Türkiye's Best Asset Management Company Providing Asset Management Services” at the "Wealth Management Awards 2023" organized by World Finance

Awards received by QNB eFinans:

In 2023, QNB eFinans received the following awards:

- "Europe's Best e-Invoice Solution Provider" award in 2023 by CIO Applications Europe

The awards received by QNB Sigorta:

In 2023, QNB Sigorta received the following awards:

- Bronze award in the Most Successful Coaching and Mentoring category at the 2023 Stevie Awards
- Platinum award, Most Creative Report (Gold) award and Most Creative Report award in the EMEA Region (Europe, Middle East and Africa) in the insurance category at American Communications Professionals (LACP) Awards
- Happy Place To Work Happiest Workplace/Excellent Employee Experience Certificate
- “Team of the Year” award to QNB Sigorta at Smart-i Awards
- Kariyer.net "Respect for Humanity" award

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Appendices

Women's Empowerment Principles (WEPs) Progress Table

Principle 1 Providing organizational leadership for high-level action in gender equality	• Materiality Assessment, p. 52-53 • Equal Opportunity, Diversity and Gender Equality, p. 106-109 • QNB Finansbank Employee Code of Conduct Instruction • QNB Finansbank Sustainability Policy
Principle 2 Treating all women and men fairly at work, respecting and promoting human rights and the principle of non-discrimination	• Transformation of the Finansçı, p. 104-119 • QNB Finansbank Sustainability Policy
Principle 3 Ensuring the health, safety and welfare of all male and female employees	• Transformation of the Finansçı, p. 104-119 • QNB Finansbank Employee Code of Conduct Instruction • QNB Finansbank Sustainability Policy
Principle 4 Supporting women's education, training and professional development opportunities	• Transformation of the Finansçı, p. 104-119
Principle 5 Application of entrepreneurial development, supply chain and marketing methods for women's empowerment	• Financial Inclusion and Financial Literacy, p. 85-87 • Equal Opportunity, Diversity and Gender Equality, p.106-109 • Digital Transformation and Innovation, p.92-95 • QNB Finansbank Sustainability Policy
Principle 6 Promoting equality through community initiatives and advocacy work	• Social and Community Investments, p.123-126 • Equal Opportunity, Diversity and Gender Equality, p.106-109 • QNB Finansbank Sustainability Policy
Principle 7 Evaluation and public reporting of achievements regarding gender equality	• Social and Community Investments, p.123-126 • Equal Opportunity, Diversity and Gender Equality, p.106-109

Independent Assurance Report

KPMG

KPMG Bağımsız Denetim ve
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Limited Assurance Report

To the Board of Directors of QNB Finansbank .A.Ş.

We were engaged by QNB Finansbank A.Ş. (hereinafter “Bank” or “QNB Finansbank”), to provide independent limited assurance on the “Selected Information” contained in the Integrated Annual Report of QNB Finansbank (hereinafter "the Report") for the year ended 31 December 2023.

The scope of our assurance is limited to the Selected Information listed for QNB Finansbank below:

> Greenhouse gas emissions (Scope 1+2+3)

> Water footprint

Management's responsibilities

Management is responsible for the preparation and presentation of the Report for the Selected Information the information and assertions contained within it; for determining the QNB Finansbank’s objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that QNB Finansbank complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and the Selected Information are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

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Independent Assurance Report

Our responsibilities

Our responsibility is to carry out a independent limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement.

We apply the International Standard on Quality Control 1 (ISQC1) and, in conformity with this Standard, maintain a comprehensive system of quality control including documented policies and procedures regarding the compliance with ethical principles, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Procedures performed

A limited assurance engagement on a Selected Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Selected Information, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Interviews with relevant staff at the corporate and business unit level responsible for providing the information in the Selected Information,
- Evaluating the design and implementation of key processes and controls over the Selected Information,
- Re-performing, on a sample basis, the calculations used to prepare the Selected Information for the reporting period,
- Evaluating the disclosure and presentation of the Selected Information in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of QNB Finansbank,
- Comparing the information presented in the Selected Information to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the Selected Information,
- Reading the information presented in the Selected Information to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of QNB Finansbank.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less wide than a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower than that of a reasonable assurance engagement.

Inherent limitations

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities in the information presented in the Selected Information may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Selected Information, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the Selected Information as defined in the Report of QNB Finansbank for the year ended 31 December 2023 is not presented, in all material respects, in accordance with the QNB Finansbank's internally developed reporting criterias.

In accordance with the terms of our engagement, this independent limited assurance report on the Selected Information has been prepared for QNB Finansbank in connect with reporting to QNB Finansbank and for no other purpose or in any other context.

Restriction of use of our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than QNB Finansbank, for any purpose or in any other context. Any party other than QNB Finansbank who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than QNB Finansbank for our work, for this independent limited assurance report, or for the conclusions we have reached.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Şirin Soysal,
Partner
İstanbul, 7 March 2024

QNB Finansbank – 2023 Integrated Annual Report

Appendices

Key Performance Indicators

Customer Experience and Satisfaction	2021	2022	2023
Digital Bridge - Customer Satisfaction Score C-Sat (%)	-	70	75
Call Answering Rate (%)	97.17	96.33	96.42
Call Centre Customer Satisfaction Score - (Mass, SME)	4.66/5	4.72/5	4.76/5

Talent Acquisition, Employee Development and Engagement	2021	2022	2023
Employee Engagement/Satisfaction Score	59	64	64
Employee Turnover Rate (%)	21	25	23
Involuntary Employee Turnover Rate (%)	14	18	17
Ratio of Employees Participating in Employee Satisfaction Survey (%)	79	71	82
Ratio of Employees Benefiting from Training During the Year (%)	99	99	98
Share of Employee Development in HR Budget (%)	1.2	1	1.3
Ratio of Employees with Regular Performance and Career Development Evaluations (%)	91	91	93
Distribution of Newly Recruited Employees by Gender	2,120	3,283	3,033
Male	842	1,333	1,195
Female	1,278	1,950	1,838
Completion Rate of Sustainability E-Trainings (%)	-	-	83.71(1) 51.41(2)
Completion Rate of E-Trainings on Gender Equality (%)	-	-	36.79
Rate of Clicks on Content Presented via DigiLearn (%)	14.40	18.72	26.89
Number of Students Offered Internship Opportunities through Finance 101, Finance Up, Finance Pro and Auditing Pro Program	1,262	740	686
Finance UP	40	31	35
FIN-ALLY	-	-	58
Finance 101	1,173	654	578
Finance Pro	28	32	-
Audit Pro Audit Recognition Programme	21	23	15
Number of Ideas Collected from Employees through the Suggestion System and Response Rate	3,515 - 100%	3,668 - 100%	3,490 - 100%
Ratio of Employees Attending Trainings Offered through the Development Catalogue (%)	75	75	78
Number of Newly Recruited Male Employees	842	1,333	1,195
Number of Newly Recruited Female Employees	1,278	1,950	1,838
Number of Young Talent Programs and Number of Participants	1,268	740	686

(1)TBB Basic Sustainability Training
(2)TBB Advanced Sustainability Training

Mitigating Climate Change Impact and Adapting to Climate Change & Responsible Financing, Products, Services and Investments that Observe ESG Criteria	2021	2022	2023
CDP Climate Change Program Score	C	A-	A
CDP Water Security Program Score	-	-	A-
Share of Financed Renewable Energy Projects in Total Energy Projects Portfolio (%)	87	93	100
Site Visits Conducted within the Scope of Environmental and Social Risk Assessment	-	11	8
Amount of Installed Capacity Financed According to Renewable Energy Project Types (MW)*	1,569	1,569	1,569
WPP	49.8	49.8	49.8
SPP	129.4	129.4	129.4
HPP	1,367.1	1,367.1	1,367.1
JPP	24.5	24.5	24.5
Increasing the Proportion of Sustainability-related Project Finance in the Corporate and Commercial Finance Portfolio (%)**	35.5	37.8	39.1
Number of Customers Informed about Environmental and Social Issues (USD 10 million and above)	-	22	24

* Includes cash and non-cash risks.

** For projects with a loan amount above USD 10 million

Business Continuity	2021	2022	2023
Number of business continuity drills	0*	3	3
Number of employees trained on business continuity procedures	10,110	10,784	12,503

*No exercise was carried out in 2021 due to the pandemic.

Financial Inclusion and Literacy	2021	2022	2023
Number of SME Customers	252,509	282,551	285,425
Amount of Credit Provided to Micro Scale Companies (TL Million)	14,461	29,995	37,615
Loan Amount Provided to SMEs (thousand TL)	47,773	90,425	118,666
Number of Digital Solutions Offered to SMEs via Digital Bridge	11	14	20

Digital Transformation and Innovation	2021	2022	2023
Ratio of Financial Transactions Realised through Individual Digital Channels (%)	88.40	92,10	95,10
Ratio of Digital Active Customers in Retail Active Customers (%)	72.90	76,80	83,10
Average Monthly Sessions in Digital Assistant Q (4th Quarter)	2,962,072	4,503,997	7,213,733
Average Number of Customers Creating Monthly Sessions on Digital Assistant Q (4th Quarter)	1,379,945	1,825,523	2,630,491
Average Monthly Number of Users Interacting (Asking or Answering Questions) with Digital Assistant Q (4th Quarter)	1,500,609	2,222,018	3,390,813
Number of Startups Invested in with QNBEYOND Ventures	2	3	2

Equal Opportunity, Diversity and Gender Equality	2021	2022	2023
Ratio of Female in Total Labour Force (%)	56.86	57.71	58.85
Ratio of Female Senior Management (GM, EVPs and Head of Internal Systems)	21.05	23.50	23.53
Ratio of Female in Senior Management Positions (Director and above)	27.19	27.59	32.76
Ratio of Female in Mid-Level Management (Department Manager and Manager)	44.78	46.23	47.30
Ratio of Female Members in the Board of Directors (%) (Excluding GM)	22.22	30.00	30.00
Ratio of Female IT/Engineering Workers (Information Technology and Engineering Roles such as Programming/ Coding, Research and Development)	35.07	35.90	36.63
Gender Pay Gap, Global Crude Average (%)	28.64	28.48	26.81
Ratio of Female Employees to Employees Promoted During the Year (%)	59.68	62.22	56.60

Environmental Impact of Operations	2021	2022	2023
Scope 1 Emissions (tCO_2e)	14,950	14,786	15,265
Scope 2 Emissions (tCO_2e)	0	0	0
Scope 3 Emissions (tCO_2e)	24,870	20,921	14,668
Emission Intensity per Employee (tCO_2 e/number of employees)	1.37	1.28	1.24
Amount of Water Consumed per Employee (lt)	42	45	42
Emissions by Consolidated Asset Size (tCO_2 e/million USD)	0.51	0.45	0.44
Recycled Waste Amount (tons)	-	92	111
Paper Consumption Amount (number of bales)	42,513	37,616	35,910
Participation Rate of Employees in Environmental and Energy Management Systems and Zero Waste Trainings (%)			88

Social and Community Investment	2021	2022	2023
Total Social Investment Amount (TL)	940,000	5,730,000	56,750,000
Total Number of Children Reached with Tiny Hands Big Dreams Platform	570,000	600,000	700,000
Total Hours Allocated to Volunteering Activities	1,881	1,586	1,500(*)
Number of Volunteer Finansçı	3,700	4,000	4,500
Total Number of Projects Implemented under the Tiny Hands Big Dreams Platform	50+	65+	80+

(*)Decreased due to the impact of the devastating earthquake disaster that occurred in Türkiye in February 2023.

Responsible Purchasing and Supply Chain	2021	2022	2023
Local Procurement Expenditure Ratio (%)	95.5	96.0	96.3

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Performance Tables

Occupational Health and Safety Data

Occupational Health and Safety (OHS) Committees	2023
Number of OHS Committees	4
Total Number of Members in OHS Committees	58
Number of Employee Representatives in OHS Committees	40

Occupational Health and Safety (OHS) Trainings	2023	
	Total hours of training provided	Total number of employees participating*
OHS Trainings (Basic)	7,586	4,536
Online OHS Trainings (OHS at Home)	5,884	11,768

(*)Number of employees who completed the training

Injury Rate[1]	2021	2022	2023
Direct Employment	0.148	0.131	0.532
Female	0.102	0.078	0.329
Male	0.046	0.052	0.203
Contractor Company Employees	0	0	0
Female	0	0	0
Male	0	0	0

Occupational Disease Rate (ODR)	2021	2022	2023
Direct Employment	0	0	0
Female	0	0	0
Male	0	0	0
Contractor Company Employees	0	0	0
Female	0	0	0
Male	0	0	0

Number of Occupational Diseases	2021	2022	2023
Direct Employment	0	0	0
Female	0	0	0
Male	0	0	0
Contractor Company Employees	0	0	0
Female	0	0	0
Male	0	0	0

Lost Day Rate (LDR)[2]	2021	2022	2023
Direct Employment	0.618	0.933	2.559
Female	0.434	0.706	1.495
Male	0.185	0.227	1.064
Contractor Company Employees	0	0	0
Female	0	0	0
Male	0	0	0

Number of People Reported for Work Accidents (Number of Injured People)	2021	2022	2023
Direct Employment	16	15	63
Female	11	9	39
Male	5	6	24

(1) Injury Rate: Number of Injuries/Working Hours*200,000 - Working Hours: Number of employees*8*Working Day
(2) Lost Day Rate: (Total Lost Days/Working Hours)*200,000 (Accident Severity Rate)
(3) Accident Frequency Rate: Number of Work Accidents/working hours*200,000

Number of Days of Absence Due to Accident	2021	2022	2023
Direct Employment	67	107	303
Female	47	81	177
Male	20	26	126
Contractor Company Employees	0	0	0
Female	0	0	0
Male	0	0	0

Absenteeism Rate (AR)	2021	2022	2023
Direct Employment	0	0	0
Female	0	0	0
Male	0	0	0
Contractor Company Employees	0	0	0
Female	0	0	0
Male	0	0	0

Number of Work-Related Deaths	2021	2022	2023
Direct Employment	0	0	0
Female	0	0	0
Male	0	0	0
Contractor Company Employees	0	0	0
Female	0	0	0
Male	0	0	0

Number of Fatal Cases	2021	2022	2023
Direct Employment	0	0	1
Female	0	0	0
Male	0	0	1
Contractor Company Employees	0	0	0
Female	0	0	0
Male	0	0	0

Number of Accidents	2021	2022	2023
Direct Employment	63	89	162
Female	33	50	84
Male	30	39	78
Contractor Company Employees	0	0	0
Female	0	0	0
Male	0	0	0

Accident Frequency Rate[3]	2021	2022	2023
Direct Employment	0.581	0.776	1.368
Female	0.305	0.436	0.709
Male	0.277	0.340	0.659

Number of People Working in Positions with High Occupational Disease Risk	2021	2022	2023
Direct Employment	0	0	0
Contractor Company Employees	0	0	0

Appendices

Performance Tables

Human Resources Data

Employee Demographics	2021	2022	2023
Total Number of Employees	10,944	11,426	11,747
Indefinite or Permanent Contract Employees	10,944	11,426	11,747
Male	4,721	4,832	4,834
Female	6,223	6,594	6,913
Employees with Fixed Term or Temporary Contracts	0	0	0
Male	0	0	0
Female	0	0	0
Full Time Employees	10,944	11,426	11,747
Male	4,714	4,829	4,834
Female	6,220	6,587	6,911
Part-Time Employees	10	10	2
Male	7	3	0
Female	3	7	2
Employee Distribution			
Number of Male Employees	4,721	4,832	4,834
Number of Female Employees	6,223	6,594	6,913
Female Employees on the Board of Directors	2	3	3
C-Suite / Female Employees in Senior Management (GM, EVPs and Head of Internal Systems)	4	4	4
Female Employees in Senior Management (Director and Above)	16	16	19
Female Employees in Middle Management (All Executive Titles Below "Director")	382	417	430
Female Employee Ratio (%)	57	58	59
Managers			
Board of Directors (Excluding CEO)	9	10	10
C-Suite / Senior Management Team (CEO, EVPs and Head of Internal Systems)	19	17	17
Senior Management Employees (Director and Above)	59	58	58
Middle Management Employees (All Executive Titles Below "Director")	853	902	909
Non-managerial Employees	10,032	10,466	10,780
Ratio of C-Suite Female Managers (%)	21.05	23.53	23.53
Employees by Age			
Between 18-30 Years	4,091	4,529	4,752
Between 31-50 Years	6,651	6,541	6,538
51 Years and Over	202	356	457

Recruitment and Circulation	2021	2022	2023
Recruitment of New Employees	2,120	3,283	3,033
Between 18-30 Years	1,973	3,030	2,710
Between 31-50 Years	147	251	320
51 Years and Over	0	2	3
Male	842	1,333	1,195
Female	1,278	1,950	1,838
Employee Turnover (Voluntary and Involuntary)	2,287	2,801	2,712
Between 18-30 Years	1,646	2,097	2,036
Between 31-50 Years	616	675	639
51 Years and Over	25	29	37
Male	983	1,218	1,193
Female	1,304	1,583	1,519

Employment and Circulation	2021	2022	2023
Employee Turnover Rate (%)	21	25	23
Employee Turnover (Voluntary)	1,575	2,009	2,031
Between 18-30 Years	1,264	1,652	1,690
Between 31-50 Years	295	344	329
51 Years and Over	16	13	12
Male	617	844	868
Female	958	1,165	1,163
Employee Turnover (Involuntary) (%)	14	18	17
Employees by Nationality			
Ratio of Turkish Citizens in Senior Management (%)	100	100	100
Ratio of Turkish Citizen Employees in Total Labour Force (%)	100	99.7	99.6
Total Number of Employees	10,921	11,394	11,705
Number of Turkish Citizen Female Employees	6,211	6,575	6,913
Number of Turkish Citizen Male Employees	4,710	4,819	4,792

Employee Development	2021	2022	2023
Total Training Hours Provided	579,866	775,917	805,269
Senior Management	558	3,625	530
Middle Management Employees	29,630	46,310	117,411
Non-Management Employees	549,677	725,982	687,328
Male	218,130	293,002	304,168
Female	361,736	482,914	501,101
Average Training Hours per Employee	53	68	69
Senior Management	23	63	25
Middle Management	33	51	30
Non-Management Employees	55	69	88
Male	46	60	63
Female	58	73	72
Total Number of e-Learning Hours Provided	30,395	71,273	84,816
Total Value Invested in Employee Learning and Development (TL)	26,124,526	44,510,336	107,715,941
Ratio of Employees Receiving Performance and Career Development Evaluations (%)	91	91	93
Middle Management	96	97	98
Non-Management Employees	90	90	91
Male	93	93	94
Female	89	89	90

Rights and Opportunities	2021	2022	2023
Maternity Leave			
Number of Employees entitled to Parental Leave	607	496	429
Male	187	191	155
Female	420	305	274
Number of Employees Taking Parental Leave	607	496	429
Male	187	191	155
Female	420	305	274
Number of Employees Returning to Work after Parental Leave (Return to Work)	602	489	428
Male	187	191	155
Female	415	298	273
Number of Employees Returning from Parental Leave and Still Employed Twelve Months After Returning to Work (Retention)	576	477	415
Male	173	181	147
Female	403	296	268
Return to Work Rate (%)	99,18	98,59	99,77
Retention Rate (%)	94,89	96,17	96,74

Appendices

Performance Tables

Customer and Product Data

SME Finance Loan Portfolio by Segment (TL Million) *	2021	2022	2023
Micro Enterprises	14,461	29,995	37,615
Small Enterprises	13,279	27,019	33,186
Medium-sized Enterprises	20,033	33,411	47,866
Total SME Loans	47,773	90,425	118,666
Number of SME Financing Customers	**2021**	**2022**	**2023**
Micro Enterprises	211,705	242,866	247,529
Small Enterprises	32,455	32,219	30,473
Medium-sized Enterprises	8,349	7,466	7,423
Total SME	252,509	282,551	285,425
Sustainable Products (USD)	**2021**	**2022**	**2023**
Green buildings (financing of the contractor or developer of a LEED, BREEAM etc. certified building)	588,021,728	539,949,186	510,956,531
Total renewable energy credits	136,805,191	110,548,671	86,897,730
Hydroelectricity	13,978,771	5,463,678	2,777,408
Wind	31,480,083	23,464,705	18,014,794
Solar Energy	91,346,336	81,620,288	66,105,528
Clean Transport	148,427,540	242,834,015	278,092,824
Other	0	50,000,000	43,333,333
Financial Inclusion	**2021**	**2022**	**2023**
Loan-to-Deposit Ratio for Total Corporate Loans (%)	208	188	170
Loan/Deposit Ratio for SMEs (%)	124	126	98
Credit Default Rate for All Corporate Loans (%)	4	3	2
Credit Default Rate for SMEs (%)	12	5	4
Income from Loans and Banking Products Targeting SMEs	374,883	702,287	1,781,771
Number of Transactions by Channel	**2021**	**2022**	**2023**
Internet	71,879,237	70,711,581	108,507,812
Mobile	698,993,068	1,367,821,094	2,207,114,023
Telephone	187,425,067	190,810,388	258,994,600
ATM	124,490,808	154,748,251	166,099,746
Branch	102,704,239	110,679,473	115,866,106
Digital Bridge Platform	**2021**	**2022**	**2023**
Number of Digital Solution Users	70,855	113,572	149,896
Sustainable Investment, Lending, Products and Services	**2021**	**2022**	**2023**
Share of Financed Renewable Energy Projects in Total Energy Projects Portfolio (%)	87	93	100
Site visits within the scope of environmental and social risk assessment	0	11	8

Other Data

	2021	2022	2023
Local Supply Cost Ratio (%)	95.5	96.0	96.3
Total Number of Suppliers Attended	1,599	1,905	1,968
Total Hours Allocated to Volunteering Activities	1,881	1,586	1,500(*)
Total Social Investments	940,000	5,730,000	56,750,000
Corporate Governance and Risk Management	**2021**	**2022**	**2023**
Confirmed Incidents of Bribery or Fraud (Number)	0	0	0
Independent Directors on the Board of Directors (%)	45.45	45.45	45.45
Ratio of Female in the Board of Directors (excluding GM) (%)	22	30	30
Capital Adequacy Ratio (CAR) (%)	15.91	15.11	16.66
Liquidity Coverage Ratio (LCR) (%)	145.5	166.8	173.7

(*) Decreased due to the impact of the devastating earthquake disaster that occurred in Türkiye in February 2023.

Environmental Data

	2021	2022	2023
Scope 1	14,950	14,786	15,265
Scope 2 (1)	0	0	0
Scope 3 (2) (from business travel and waste)(tC0$_2$e)	24,870	20,921	14,668 (5)
Total (Scope 1+ Scope 2) (tC0$_2$e)	14,950	14,660	15,265
Emissions per Employee (tCO$_2$e/Number of Employees)	1.37	1.28	1.24
Emissions by Consolidated Asset Size (tCO$_2$e/TL million)	0.04	0.02	0.01
Emissions by Consolidated Asset Size (tCO$_2$e/USD million)	0.51	0.45	0,44
Consolidated Emissions by Net Profit (tCO$_2$e/TL million)	3.83	0.86	0.46
Consolidated Emissions by Net Profit (tCO$_2$e/USD million)	34.21	14.20	11.17
USD/TL (period)	12.98	18.70	29.44
USD/TL (average)	8.94	16.56	24.29
Total Electricity Consumption (GJ) (2)	182,943	185,944	189,957
Total Electricity Consumption (kWh) (2)	50,817,463	51,651,164	52,765,982
Total Natural Gas Consumption (m^3) (2)	1,742,025	1,458,742	1,299,511
Coal Consumption (kg) (2)	17,980	8,500	5,523
Diesel Consumption (generator)(lt) (2)	59,810	49,017	53,658
Diesel Consumption (heating)(lt) (2)	19,504	18,613	14,464
City Water (m^3)	101,245	113,084	167,316
Drainage Water (m^3) (3, 4)	R12	R12	R12
Waste Water (m^3) (4)	101,245	113,036	167,316
Fuel Consumption of Company Vehicles (Diesel)	1,150,688	449,780	161,649
Fuel Consumption of Company Vehicles (Gasoline)	1,610,009	2,824,421	3,097,871
Paper Consumption (Number of A4 balls)	42,513	37,616	35,910
Total Waste Amount (ton)	26.15	35.71	23.75
Amount of Domestic Waste (ton)	10.80	11.00	11.30
Amount of Hazardous Waste (kg)	7,500	12,500	6,436
Fluorescent Lamp (ton)	0	0.30	0
Medical Waste Amount (ton)	0.40	0.50	0.60
Waste and Equipment Containing Dangerous Goods (ton)	-	2,600	1,318
Oil Filter (ton)	-	0.15	0.20
Motor Fluid (lt)	2.70	3.50	1.90
Antifreeze Fluid (lt)	-	2	2
Total Amount of Recycled Waste (ton)	60	92	111
Amount of Recycled Paper (ton)		61.50	74.40
Plastic (kg)	5	7	4.5
Metal (kg)	3	4	2.8
Glass (kg)	10	15	29.5

(1) Scope 2 emissions are calculated as "0" since electricity consumption is IREC certified.
(2) Total of three Head Office Buildings, Regional Directorates and all branches.
(3) Rain water is collected in the irrigation tanks of the Kristal Tower Irrigation tanks of the Head Office building and used for vehicle washing and garden irrigation. The volume of the tank is 10 tonnes and the number of filling and emptying is not a separate water clock. cannot be calculated (R12=Recovery).
(4) Withdrawn water = discharged water (domestic, not including industrial wastewater).
(5) Category 15 has been excluded. Details related to the calculation for Category 15 are provided on page 70.

Appendices

Global Reporting Initiative (GRI) Standards Content Index

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	Requirement(s) Omitted	Reason	Explanation
General Disclosures					
GRI 2: General Disclosures 2021	2-1 Organizational details	About QNB Finansbank, p.12-15			
	2-2 Entities included in the organization's sustainability reporting	About the Report, p.4-5			
	2-3 Reporting period, frequency and contact point	About the Report, p.4-5; Contact - Back Cover			
	2-4 Restatements of information	GRI Content Index: There is no restated information in the report.			
	2-5 External assurance	Independent Assurance Report, p.518-521			
	2-6 Activities, value chain and other business relationships	About QNB Finansbank, p.12-15			
	2-7 Employees	Transformation of Finansçı, p.104-119; Performance Tables, Human Resouces Data, p.526-527			
	2-9 Governance structure and composition	Board Structure, p.130-141			
	2-10 Nomination and selection of the highest governance body	Board Structure, p.130-141			
	2-11 Chair of the highest governance body	About QNB Finansbank, p.16-19			
	2-12 Role of the highest governance body in overseeing the management of impacts	Board of Directors, p.130-141			
	2-13 Delegation of responsibility for managing impacts	Sustainability Governance, p.54-55; Corporate Governance, p.136-141			
	2-14 Role of the highest governance body in sustainability reporting	Sustainability Governance, p.54-55			
	2-15 Conflicts of interest	QNB Finansbank Conflicts of Interest Policy			
	2-16 Communication of critical concerns	Stakeholder Engagement and Communication, p.58-59			
	2-17 Collective knowledge of the highest governance body	About QNB Finansbank, p.16-23			
	2-18 Evaluation of the performance of the highest governance body	About QNB Finansbank, p.16-23			
	2-19 Remuneration policies	Employee Loyalty and Rewarding, p.116-118			
	2-20 Process to determine remuneration	Remuneration and Financial Rights, p.136			
	2-21 Annual total compensation ratio	GRI Content Index: QNB Finansbank does not disclose this information due to confidentiality.	2-21 a; 2-21 b; 2-21 c	Confidentiality constraints	
	2-22 Statement on sustainable development strategy	Message from the Management, p.6-9; Our Value Creation, p.46-47			

For the Content Index - Essentials Service, GRI Services reviewed that the GRI content index is clearly presented, in a manner consistent with the Standards, and that the references for disclosures 2-1 to 2-5, 3-1 and 3-2 are aligned with the appropriate sections in the body of the report.

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	Requirement(s) Omitted	Reason	Explanation
GRI 2: General Disclosures 2021	2-23 Policy commitments	About QNB Finansbank, p.14-15; Vision, Mission, Purpose and Values, p.24-25; QNB Finansbank Employees Code of Conduct Procedure; QNB Finansbank Environmental and Social Risk Management Policy; QNB Finansbank Sustainability Policy; QNB Group Sustainability Policy			
	2-24 Embedding policy commitments	Message from the Chairperson, p.6-7; Message from the CEO, p.8-9; Corporate Governance, p.128			
	2-25 Processes to remediate negative impacts	Corporate Governance, p.128-129			
	2-26 Mechanisms for seeking advice and raising concerns	Corporate Governance, p.128-129; Stakeholder Engagement and Communication, p.58-59; Transformation of Finansçı, p.110-118			
	2-27 Compliance with laws and regulations	Corporate Governance Compliance Report, p.163-169			
	2-28 Membership	Initiatives Supported in the Field of Sustainability, p.60-61; Social and Community Investments, p.122-123; Corporate Memberships, p.516			
	2-29 Approach to stakeholder engagement	Materiality Assessment, p.52-53; Stakeholder Engagement and Communication, p.58-59			
	2-30 Collective labour contract	GRI Content Index: There is no employee covered by a collective bargaing agreement			
Priorities					
Material Topics					
GRI 3: Material Topics 2021	3-1 Process to determine material topics	QNB Finansbank Sustainability Roadmap, p.48-49; Materiality Assessment, p.52-53			
	3-2 List of material topics	Materiality Assessment, p.52-53			
Customer Experience and Satisfaction					
GRI 3: Material Topics 2021	3-3 Management of material topics	QNB Finansbank Sustainability Roadmap, p.48-49; Materiality Assessment, p.52-53; Customer Experience and Satisfaction, p.80			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy and Data Security, p.84			
Talent Attraction, Employee Development and Engagement					
GRI 3: Material Topics 2021	3-3 Management of material topics	QNB Finansbank Sustainability Roadmap, p.48-49; Materiality Assessment, p.52-53; Human Resources Approach and Management, p.110			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Career Opportunities at QNB Finansbank for University Students, p.111; Performance Tables, Human Resouces Data, p.526-527			
	401-3 Parental leave	Equal Opportunity, Diversity and Gender Equality, p.106-110; Performance Tables, Human Resouces Data, p.526-527			

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Global Reporting Initiative (GRI) Standards Content Index

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	Requirement(s) Omitted	Reason	Explanation
Talent Attraction, Employee Development and Engagement					
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Employee Engagement and Rewarding, p.116-118; Occupational Health and Safety, p.119			
	403-2 Hazard identification, risk assessment, and incident investigation	Employee Engagement and Rewarding, p.116-118; Occupational Health and Safety, p.119			
	403-3 Occupational health services	Employee Engagement and Rewarding, p.116-118; Occupational Health and Safety, p.119			
	403-4 Worker participation, consultation, and communication on occupational health and safety	Employee Engagement and Rewarding, p.116-118; Occupational Health and Safety, p.119			
	403-5 Worker training on occupational health and safety	Employee Engagement and Rewarding, p.116-118; Occupational Health and Safety, p.119			
	403-6 Promotion of worker health	Employee Engagement and Rewarding, p.116-118; Occupational Health and Safety, p.119			
	403-8 Workers covered by an occupational health and safety management system	Employee Engagement and Rewarding, p.116-118; Occupational Health and Safety, p.119			
	403-9 Work-related injuries	Employee Engagement and Rewarding, p.116-118; Occupational Health and Safety, p.119			
	403-10 Work-related ill health	Employee Engagement and Rewarding, p.116-118; Occupational Health and Safety, p.119			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Talent Development and Management, p.112-115			
	404-2 Programs for upgrading employee skills and transition assistance programs	Talent Development and Management, p.112-115			
	404-3 Percentage of employees receiving regular performance and career development reviews	Performance Management, p.112			
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	GRI Content Index: In accordance with Law No. 5188 on Private Security Services and the provisions of the regulation regarding the implementation of this Law, persons whose Private Security Identity Card will expire must take this training. The validity period of the ID Card is 5 years. Accordingly, 128 Private Security Officers received the relevant training in 2023. On 31.12.2023, the number of Private Security Officers was 649 and 19.72% of them attended the renewal training.			
Business Continuity					
GRI 3: Material Topics 2021	3-3 Management of material topics	QNB Finansbank Sustainability Roadmap, p.48-49; Materiality Assessment, p.52-53; Business Continuity, p.98-99			
Financial Inclusion and Financial Literacy					
GRI 3: Material Topics 2021	3-3 Management of material topics	QNB Finansbank Sustainability Roadmap, p.48-49; Materiality Assessment, p.52-53; Financial Inclusion and Financial Literacy, p.85-87			
Digital Transformation and Innovation					
GRI 3: Material Topics 2021	3-3 Management of material topics	QNB Finansbank Sustainability Roadmap, p.48-49; Materiality Assessment, p.52-53; Digital Transformation and Innovation, p.92-95			
Responsible Financing, Products, Services and Sustainable Investments on Integrating ESG Criteria					
GRI 3: Material Topics 2021	3-3 Management of material topics	QNB Finansbank Sustainability Roadmap, p.48-49; Materiality Assessment, p.52-53; Products and Services Supporting the Transformation Economy, p.74-77			
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Environmental and Social Risk Management System, p.72-73			
	203-2 Significant indirect economic impacts	International Collaborations, p.74			
Equal Opportunity, Diversity, and Gender Equality					
GRI 3: Material Topics 2021	3-3 Management of material topics	QNB Finansbank Sustainability Roadmap, p.48-49; Materiality Assessment, p.52-53; Equal Opportunity, Diversity and Gender Equality, p.106-109			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Equal Opportunity, Diversity and Gender Equality, p.106-109			
	405-2 Ratio of basic salary and remuneration of women to men	Talent Attraction and Recruitment, p.111			
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Equal Opportunity, Diversity and Gender Equality, p.106-109			
Environmental Impact of Operations					
GRI 3: Material Topics 2021	3-3 Management of material topics	QNB Finansbank Sustainability Roadmap, p.48-49; Materiality Assessment, p.52-53			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Energy Efficiency and Renewable Energy, p.101; Performance Tables, Environmental Data, p.529			
	302-3 Energy intensity	Energy Efficiency and Renewable Energy, p.101; Performance Tables, Environmental Data, p.529			
	302-4 Reduction of energy consumption	Energy Efficiency and Renewable Energy, p.101; Performance Tables, Environmental Data, p.529			
	302-5 Reductions in energy requirements of products and services	Energy Efficiency and Renewable Energy, p.101; Performance Tables, Environmental Data, p.529			
GRI 303:Water and Effluents 2018	303-1 Interactions with water as a shared resource	Water Efficiency, p.101; Performance Tables, Environmental Data, p.529			
	303-2 Management of water discharge-related impacts	Water Efficiency, p.101; Performance Tables, Environmental Data, p.529			
	303-3 Water withdrawal	Water Efficiency, p.101; Performance Tables, Environmental Data, p.529			
	303-4 Water discharge	Water Efficiency, p.101; Performance Tables, Environmental Data, p.529			
	303-5 Water consumption	Water Efficiency, p.101; Performance Tables, Environmental Data, p.529			

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Global Reporting Initiative (GRI) Standards Content Index

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	Requirement(s) Omitted	Reason	Explanation
Environmental Impact of Operations					
GRI 305: Emissions 2016	305-1 Scope 1 Emissions	Carbon Footprint, p.102; Performance Tables, Environmental Data, p.529			
	305-2 Scope 2 Emissions	Carbon Footprint, p.102; Performance Tables, Environmental Data, p.529			
	305-3 Scope 3 Emissions	Carbon Footprint, p.102; Performance Tables, Environmental Data, p.529			
	305-4 Emissions intensity	Carbon Footprint, p.102; Performance Tables, Environmental Data, p.529			
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Waste Management, p.100-101; Performance Tables, Environmental Data, p.529			
	306-2 Management of significant waste-related impacts	Waste Management, p.100-101; Performance Tables, Environmental Data, p.529			
	306-3 Waste generated	Waste Management, p.100-101; Performance Tables, Environmental Data, p.529			
	306-4 Waste diverted from disposal	Waste Management, p.100-101; Performance Tables, Environmental Data, p.529			
Social and Community Investment					
GRI 3: Material Topics 2021	3-3 Management of material topics	QNB Finansbank Sustainability Roadmap, p.48-49; Materiality Assessment, p.52-53			
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Social and Community Investments, p.122-126			
Responsible Procurement and Supply Chain					
GRI 3: Material Topics 2021	3-3 Management of material topics	QNB Finansbank Sustainability Roadmap, p.48-49; Materiality Assessment, p.52-53			
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Responsible Purchasing and Supply Chain, p.103			
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Responsible Purchasing and Supply Chain, p.103			
	308-2 Negative environmental impacts in the supply chain and actions taken	Responsible Purchasing and Supply Chain, p.103			
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	QNB Finansbank Employees Code of Conduct Procedure			
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	QNB Finansbank Sustainability Policy, Precious Metals Responsible Supply Chain Compliance Policy			

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION	Requirement(s) Omitted	Reason	Explanation
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	QNB Finansbank Sustainability Policy, Precious Metals Responsible Supply Chain Compliance Policy			
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Responsible Purchasing and Supply Chain, p.103			
	414-2 Negative social impacts in the supply chain and actions taken	Responsible Purchasing and Supply Chain, p.103			
Corporate Governance and Risk Management					
GRI 3: Material Topics 2021	3-3 Management of material topics	QNB Finansbank Sustainability Roadmap, p.48-49; Materiality Assessment, p.52-53			
Legal Compliance and Business Ethics					
GRI 3: Material Topics 2021	3-3 Management of material topics	QNB Finansbank Sustainability Roadmap, p.48-49; Materiality Assessment, p.52-53			
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	Legal Compliance and Business Ethics, p.161-162			
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	GRI Content Index: In 2023, 1 anti-competition lawsuit was filed and 56 files were concluded in favour of the Bank			
Sustainable Financial Performance					
GRI 3: Material Topics 2021	3-3 Management of material topics	QNB Finansbank Sustainability Roadmap, p.48-49; Materiality Assessment, p.52-53			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	QNB Finansbank's 2023 Performance Evaluation, p.34-45			
	201-2 Financial implications and other risks and opportunities due to climate change	International Collaborations, p.74-75			
	201-3 Defined benefit plan obligations and other retirement plans	Transformation of the Finansçı, p.104-119 QNB Finansbank Sustainability Policy			
Cybersecurity and Customer Privacy					
GRI 3: Material Topics 2021	3-3 Management of material topics	QNB Finansbank Sustainability Roadmap, p.48-49; Materiality Assessment, p.52-53; Confidentiality of Customer Information and Data Security, p.84			
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Data Protection and Management, p.84-85; Legal Compliance and Business Ethics, p.161-162, QNB Finansbank Anti-Bribery and Corruption Policy			
	205-2 Communication and training about anti-corruption policies and procedures	Data Protection and Management, p.84-85; Legal Compliance and Business Ethics, p.161-162, QNB Finansbank Anti-Bribery and Corruption Policy			
	205-3 Confirmed incidents of corruption and actions taken	Data Protection and Management, p.84-85; Legal Compliance and Business Ethics, p.161-162, QNB Finansbank Anti-Bribery and Corruption Policy			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Data Protection and Management, p.84-85; Legal Compliance and Business Ethics, p.161-162, Customer Privacy and Data Security, p.84; QNB Finansbank Information Security and Cyber Security Policy			

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