

Kuveyt Türk Katılım Bankası Anonim Şirketi

**Independent auditor's report, consolidated
financial statements and notes for the year
ended December 31, 2022**

*(Convenience translation of consolidated financial statements and independent auditor's
report originally issued in Turkish)*

REPORT ON CONSOLIDATED FINANCIAL INFORMATION

To the General Assembly of Kuveyt Türk Katılım Bankası A.Ş.

A) Audit of consolidated Financial Statements

1) Opinion

We have audited the accompanying consolidated financial statements of Kuveyt Türk Katılım Bankası A.Ş. (the “Bank”) and its subsidiaries (collectively referred as “the Group”), which comprise the consolidated statement of financial position as at December 31, 2022 consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and consolidated financial performance and consolidated its 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 Agency 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 Opinion

Our audit was conducted in accordance with “Regulation on independent audit of the Banks” published in the Official Gazette no.29314 dated April 2, 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards (“ISA”) which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matter

Key audit matters are those matters that, in our professional judgement, 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 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.

Key Audit Matter	How the matter is addressed in our audit
<p><i>Classification, measurement and impairment of financial assets within the scope of TFRS 9 “Financial Instruments” Standard and disclosures</i></p> <p>As disclosed in footnote 1.6 of Section 3; the Group measures expected credit losses for financial instruments by TFRS 9 “Financial Instruments Standards”. The rationale reasons for selecting TFRS 9 implementation and impairment of financial assets as key audit subjects are as follows:</p> <ul style="list-style-type: none"> - Financial assets within balance-sheet and off-balance-sheet subject to TFRS 9 expected credit losses measurement have significant balance in the financial statements - The applications TFRS 9 are complex and comprehensive - The classification of financial instruments based on the Group’s business models and the characteristics of contractual cash flows in line with TFRS 9 and requirement of important judgments to determine this business model and the characteristics of contractual cash flows - Risks related to the policies established by the management with the compliance and requirements of the legislation and other applications for the calculation of expected credit losses - The complexity and intensity of the control environment in the processes designed or reorganized for TFRS 9 - Estimations and assumptions used in expected credit losses are new, important and complex - Complex and comprehensive disclosure requirements of TFRS 9. 	<p>Our audit procedures in addition to our current audit procedures:</p> <ul style="list-style-type: none"> - Evaluation of the compliance of the accounting policies adopted with regard to TFRS 9, the Group's past performance, and local and global practices and notifications from regulatory authorities - Analysis and testing of processes, systems, and controls originated or re-designed in order to calculate expected credit losses by the Information Systems and Process Audit specialists - Evaluation of the key judgments, assumptions, methods used for calculation of expected credit loss determined by the management, and whether the data source is reasonable or not, and their compliance and standard requirements in light of industry and global practices - Testing criteria used for determining the contractual cash flows including profit share payments with regard to solely principal and principal balance of financial assets on a sample basis and evaluation of Group's business model - Evaluation of significant increase in credit risk, definition of default, definition of restructuring, probability of default, loss given default, exposure at default and macro-economic variables, and related basic and significant estimates and assumptions determined for calculation process of expected credit loss and whether these assumptions determined by financial risk management are in line with the Group’s historical performance, legislation, and reasonableness of the estimation process regarding future performance and investigation of credit risk portfolio on a sample basis - Evaluation of the accuracy and completeness of attributes of the data used for the calculation process of expected credit losses - Detailed testing of mathematical verification of expected credit losses’ calculation on a sample basis - Evaluating the judgments and estimates used for the individually assessed financial assets. - Evaluating the necessity and accuracy of the updates made or required updates after the modeling process - Auditing of disclosures related to TFRS 9.

4) Responsibilities of Management and Directors for the Consolidated Financial Statements

Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the BRSA Accounting and Reporting Legislation and for such internal control as management determines is necessary to enable the preparation of the financial statement that is 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

In an independent audit, the responsibilities of us as independent auditors are:

Our objectives are 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with BRSA Independent Audit Regulation and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 financial statements.

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of 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.)
- Obtain an understanding of 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's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentations.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entries 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 also provide those charged with government with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the matters in our auditor's report unless law or regulation precludes public disclosures 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) Report on Other Legal and Regulatory Requirements

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period 1 January – 31 December 2022 are not in compliance with the TCC and the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Additional paragraph for convenience translation to English

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the consolidated financial statements and IFRS.

The engagement partner who supervised and concluded this independent auditor's report is Emre Çelik.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Emre Çelik, SMMM
Partner

15 February 2023
Istanbul, Turkey

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**THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.
FOR THE YEAR ENDED 31 DECEMBER 2022**

Address of The Bank's Head Office : Büyükdere Cad. No: 129/1 34394 Esentepe Şişli / ISTANBUL
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The consolidated Year-End Financial Report prepared in accordance with the Communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- General Information About the Parent Bank
- Consolidated Financial Statements of The Parent Bank
- Explanations on Accounting Policies Applied in The Period
- Information on Financial Structure and Risk Management of The Group
- Disclosures and Explanations on Consolidated Financial Statements
- Other Explanations
- Independent Auditors' Report

The following are our subsidiaries, subsidiaries and jointly controlled subsidiaries whose financial statements are consolidated in the framework of this financial report.

	Subsidiaries	Subsidiaries	Jointly Controlled Subsidiaries	Investment Funds
1.	KT Sukuk Varlık Kiralama A.Ş.		Katılım Emeklilik ve Hayat A.Ş.	Kt Portföy Kuveyt Türk Yabancı Katılım Serbest Özel Fon
2.	KT Kira Sertifikaları Varlık Kiralama A.Ş.			Kt Portföy Birinci Katılım Serbest (TL) Fon
3.	Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.			Kt Portföy Birinci Katılım Serbest (Döviz-Avro) Özel Fon
4.	KT Bank AG.			KT Portföy Yönetimi A.Ş. Kobi Girişim Sermayesi Yatırım Fonu
5.	KT Portföy Yönetimi A.Ş.			KT Portföy Lonca Girişim Sermayesi Yatırım Fonu
6.	Neova Katılım Sigorta A.Ş.			KT Portföy Neova Katılım Serbest Özel (TL) Fon
7.				KT Portföy Neova Katılım Sigorta Özel Girişim Sermayesi Yatırım Fonu

The consolidated financial statements for the year-end period and related disclosures and footnotes that are subject to independent audit are prepared 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 and, unless stated otherwise, presented in thousands of Turkish Lira.

Hamad Abdulmohsen AL-MARZOUQ Chairman of the Board of Directors	Shadi Ahmed Yacoub ZAHRAN Chairman of the Audit Committee	Nadir ALPASLAN Member of the Audit Committee	
Mohamed Hedi MEJAI Member of the Audit Committee	Ufuk UYAN Chief Executive Officer	Ahmet KARACA Chief Financial Officer	Mehmed Tahir KAPLAN Budget and Reporting Group Manager

Contact information of the personnel in charge of the addressing of questions about this financial report:
Name-Surname/Position: Cemil AKBEK / Official and International Reporting Manager

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION ONE
GENERAL INFORMATION

1. History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status

Kuveyt Türk Katılım Bankası A.Ş. ("The Parent Bank") was incorporated with the approval of the Central Bank of the Republic of Turkey (CBRT) on 28 February 1989 and commenced its operations on 31 March 1989, with the name of Kuveyt Türk Evkaf Finans Kurumu A.Ş. To comply with the Banking Act 5411, the title of the Parent Bank has been changed to Kuveyt Türk Katılım Bankası A.Ş. with a change in the Articles of Association which was approved in the annual general meeting dated 26 April 2006. Main field of operation is, in addition to the the Parent Bank's equity, to collect funds from domestic and foreign customers through "Current Accounts" and "Profit/ Loss Sharing Accounts" and allocate such funds to the economy, to perform all kinds of financing activities in accordance with the regulations, to encourage the investments of all individuals and legal entities operating in agricultural, industrial, trading and service industries, participating into the operations of these entities or individuals and to form joint business partnerships and to perform all these activities in a non-interest environment. The Parent Bank and consolidated financial partnerships are together called "The Group".

2. Parent Bank structure, shareholders jointly or individually having direct or indirect control over the management and supervision of the Bank and the disclosures on any related changes in the current period, if any, and information about the Group that the Bank belongs to

As of 31 December 2022, 62.24% of the Parent Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by Wafra International Investment Company in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

3. Explanations regarding the chairman and the members of board of directors, audit committee members, general manager and assistant general managers and their shares in the parent bank

Name	Title	Date of the Assignment	Date of Audit Committee Assignments	Audit Committee End Date	Educational Degree	Ownership Percentage
Hamad A H D MARZOUQ	Head of the BOD	25/06/2014			Master	-
Shadi Ahmed YACOUB ZAHRAN	Member of BOD and chairman of the audit committee	25/09/2020	04/11/2020		Master	-
Nadir ALPASLAN	Vice President of BOD and member of Audit Committee	15/04/2011	24/12/2019		Bachelor	-
Salah A E ALMUDHAF	Member of BOD	07/10/2019			Bachelor	-
Burhan ERSOY	Member of BOD	18/06/2020			Bachelor	-
Mohamed Hedi MEJAI	Member of BOD and Audit Committee	25/03/2021	04/05/2021		Master	-
Ahmad S A A ALKHARJI	Member of BOD	26/03/2014	24/09/2014	09/09/2020	Master	-
Gehad Mohamed ELBENDARY ANANY	Member of BOD	25/09/2020	09/09/2020	04/11/2020	Bachelor	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999			Master	0.057%
Ahmet KARACA	Assistant General Manager, Financial Control.	12/07/2006			Master	0.001%
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003			Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003			Bachelor	0.004%
İrfan YILMAZ	Assistant General Manager, Banking Services	27/10/2005			Bachelor	0.020%
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Treasury and International Banking.	05/05/2005			Doctorate	0.008%
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010			Bachelor	0.001%
Aslan DEMİR	Assistant General Manager, Strategy	08/10/2012			Bachelor	0.006%
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012			Bachelor	0.005%
Abdurrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015			Bachelor	0.005%
Hüseyin Cevdet YILMAZ	Head of Risk, Control and Compliance Group	16/12/2003			Bachelor	0.001%

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.10% of the Parent Bank's share capital (31 December 2021 – 0.10%).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

4. Information on qualified parent bank

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	2,863,098	62.24%	2,863,098	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	861,086	18.72%	861,086	-
Total	3,724,184	80.96	3,724,184	-

As of 31 December 2022, the shareholding structure of Kuwait Finance House, the main shareholder of the Parent Bank, is as follows.

Name / Commercial Name	Share Amount
Kuwait Investment Authority	16.80%
The Public Institution for Social Security & Group	9.19%
The Public Authority for Minors Affairs	7.32%
Kuwait Awqaf Public Foundation	5.09%
Public Shares	61.60%
Total	100%

5. Explanations of the Parent Bank's services and field of operations

The Parent Bank's field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Parent Bank's core business is operating in accordance with the principles of interest-free banking as a participation parent bank by collecting funds through current and profit/loss sharing accounts and lending such funds to its customers.

As of 31 December 2022, the Group is operating through 449 domestic branches (31 December 2021 – 448) with 6,536 employees (31 December 2021 – 6,760). Summary of some of the Bank's operations described in the Articles of Association are as follows:

- To collect funds through "Current Accounts" and "Profit/Loss Sharing Accounts" and special fund pools in line with the regulations,
- To allocate funds to the economy and provide all kinds of cash, non-cash loans within the principles of non-interest banking,
- To offer financial and operational leasing,
- To handle all kinds of deposits and payments, including travelers' checks, credit cards and other payment instruments, provide member business services (POS), consulting, advisory, and safe deposit box services,
- To purchase financial instruments on money and capital markets in cash or installments, sell and mediate the sale and trade on the stock exchange in accordance with legislation and principles of non-interest banking,
- To purchase, acquire and construct any kind of real estate and if necessary, lease or transfer ownership to other persons,
- To act as a representative, deputy or agent for corporations and enterprises (including insurance companies),
- To provide socially responsible aid for the benefit of the community in the light of the legislations.

The Parent Bank's activities are not limited to the list above. If another transaction is decided to be beneficial to the Parent Bank, the transaction must be recommended by the Board of Directors, approved by the General Assembly and authorized by relevant legal authorities after whom it also needs to be approved by the Ministry of Trade since it constitutes an amendment of the Article of Association. Decisions that have been approved through all these channels will be included to the Article of Association. Disclosures on the differences between the Communiqué on the Preparation of Consolidated Financial Statements of Banks and the consolidation transactions made in accordance with the Turkish Accounting Standards and the entities subject to full or proportionate consolidation, deducted from equity or not included in these three methods: According to the Communiqué on the Preparation of the Consolidated Financial Statements of Banks, only While financial partnerships are included in the scope of consolidation, all financial and non-financial partnerships should be included in the scope of consolidation in accordance with Turkish Accounting Standards and Turkish Financial Reporting Standards.

6. Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between Parent Bank and its subsidiaries

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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- II. Consolidated statement of off-balance sheet items
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- IV. Consolidated statement of profit or loss and Other comprehensive income
- V. Consolidated statement of changes in shareholders' equity
- VI. Consolidated statement of cash flows
- VII. Profit distribution table of the parent bank

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2022
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

1. CONSOLIDATED BALANCE SHEET – ASSETS (STATEMENT OF FINANCIAL POSITION)

			Audited Current Period 31.12.2022			Audited Prior Period 31.12.2021		
			TL	FC	Total	TL	FC	Total
	ASSETS	Notes						
I.	FINANCIAL ASSETS (Net)		52,904,271	124,937,833	177,842,104	24,046,232	105,440,047	129,486,279
1.1.	Cash and Cash Equivalents		12,311,387	88,654,456	100,965,843	6,177,294	76,898,338	83,075,632
1.1.1.	Cash and Balances with Central Bank	(5.1.1.)	8,544,877	70,920,388	79,465,265	5,384,058	61,590,221	66,974,279
1.1.2.	Banks	(5.1.3.)	3,766,630	17,735,475	21,502,105	793,894	15,310,474	16,104,368
1.1.3.	Money Markets		-	-	-	-	-	-
1.1.4.	Expected Credit Loss (-)		120	1,407	1,527	658	2,357	3,015
1.2.	Financial Assets at Fair Value Through Profit or Loss		4,151,113	14,461,079	18,612,192	868,992	12,071,109	12,940,101
1.2.1.	Government Debt Securities		449,467	12,760,756	13,210,223	395,925	10,639,682	11,035,607
1.2.2.	Equity Instruments		518,748	-	518,748	-	-	-
1.2.3.	Other Financial Assets		3,182,898	1,700,323	4,883,221	473,067	1,431,427	1,904,494
1.3.	Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.4.)	35,980,517	21,604,612	57,585,129	16,194,017	15,877,745	32,071,762
1.3.1.	Government Debt Securities		35,912,851	18,716,677	54,629,528	16,083,932	15,622,265	31,706,197
1.3.2.	Equity Instruments		57,689	123,209	180,898	8,789	75,285	84,074
1.3.3.	Other Financial Assets		9,977	2,764,726	2,774,703	101,296	180,195	281,491
1.4.	Derivative Financial Assets		461,254	217,686	678,940	805,929	592,855	1,398,784
1.4.1.	Derivative Financial Assets at Fair Value Through Profit or Loss	(5.1.2.)	461,254	217,686	678,940	805,929	592,855	1,398,784
1.4.2.	Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.11.)	-	-	-	-	-	-
II.	FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)	(5.1.5.)	120,741,260	96,449,926	217,191,186	57,911,732	71,143,704	129,055,436
2.1.	Loans		111,911,757	75,593,160	187,504,917	59,228,283	60,573,031	119,801,314
2.2.	Leasing Receivables	(5.1.10.)	7,312,649	13,550,753	20,863,402	3,238,260	8,687,675	11,925,935
2.3.	Other Financial Assets Measured at Amortized Cost	(5.1.6.)	9,104,466	13,573,735	22,678,201	361,215	5,574,334	5,935,549
2.3.1.	Government Debt Securities		9,104,466	13,174,566	22,279,032	286,240	5,094,594	5,380,834
2.3.2.	Other Financial Assets		-	399,169	399,169	74,975	479,740	554,715
2.4.	Expected Credit Loss (-)		7,587,612	6,267,722	13,855,334	4,916,026	3,691,336	8,607,362
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(Net)	(5.1.16.)	117,719	-	117,719	240,891	-	240,891
3.1.	Held For Sale		117,719	-	117,719	240,891	-	240,891
3.2.	Related to Discontinued Operations		-	-	-	-	-	-
IV.	INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		167,017	-	167,017	112,938	-	112,938
4.1.	Investments in Associates (Net)	(5.1.7.)	-	-	-	-	-	-
4.1.1.	Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2.	Unconsolidated Associates		-	-	-	-	-	-
4.2.	Investment in Subsidiaries (Net)	(5.1.8.)	23,680	-	23,680	23,680	-	23,680
4.2.1.	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2.	Unconsolidated Non-Financial Subsidiaries		23,680	-	23,680	23,680	-	23,680
4.3.	Investment in Joint Ventures (Net)	(5.1.9.)	143,337	-	143,337	89,258	-	89,258
4.3.1.	Joint Ventures Valued Based on Equity Method		143,337	-	143,337	89,258	-	89,258
4.3.2.	Unconsolidated Joint Ventures		-	-	-	-	-	-
V.	TANGIBLE ASSETS (Net)	(5.1.12.)	1,582,752	68,702	1,651,454	1,017,685	66,857	1,084,542
VI.	INTANGIBLE ASSETS (Net)	(5.1.13.)	412,878	122,522	535,400	253,255	108,929	362,184
6.1.	Goodwill		-	-	-	-	-	-
6.2.	Other		412,878	122,522	535,400	253,255	108,929	362,184
VII.	INVESTMENT PROPERTIES (Net)	(5.1.14.)	165,730	-	165,730	63,598	-	63,598
VIII.	CURRENT TAX ASSETS		-	-	-	-	-	-
IX.	DEFERRED TAX ASSETS	(5.1.15.)	1,119,845	138,267	1,258,112	1,767,547	115,397	1,882,944
X.	OTHER ASSETS	(5.1.17.)	3,839,392	1,212,397	5,051,789	2,640,123	2,365,259	5,005,382
	TOTAL ASSETS		181,050,864	222,929,647	403,980,511	88,054,001	179,240,193	267,294,194

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

1. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY (STATEMENT OF FINANCIAL POSITION)

			Audited Current Period 31.12.2022			Audited Prior Period 31.12.2021		
	LIABILITIES	Notes	TL	FC	Total	TL	FC	Total
I.	FUNDS COLLECTED	(5.2.1.)	146,090,564	166,169,239	312,259,803	57,263,935	164,693,947	221,957,882
II.	FUNDS BORROWED	(5.2.3.)	611,751	27,222,891	27,834,642	204,154	3,419,828	3,623,982
III.	MONEY MARKETS		274,871	-	274,871	6,495,137	-	6,495,137
IV.	SECURITIES ISSUED (Net)	(5.2.4.)	2,294,758	-	2,294,758	3,632,174	-	3,632,174
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES		16,143	167,924	184,067	192,898	64,866	257,764
6.1.	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(5.2.2.)	16,143	167,924	184,067	192,898	64,866	257,764
6.2.	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(5.2.7.)	-	-	-	-	-	-
VII.	LEASE PAYABLES	(5.2.6.)	519,844	55,518	575,362	354,334	55,119	409,453
VIII.	PROVISIONS	(5.2.8.)	8,499,539	1,634,020	10,133,559	4,186,805	1,020,526	5,207,331
8.1.	Restructuring Provision		-	-	-	-	-	-
8.2.	Reserves for Employee Benefits		1,531,521	110,773	1,642,294	595,764	2,651	598,415
8.3.	Insurance for Technical Provision (Net)		5,386,707	-	5,386,707	2,714,630	-	2,714,630
8.4.	Other Provisions		1,581,311	1,523,247	3,104,558	876,411	1,017,875	1,894,286
IX.	CURRENT TAX LIABILITIES	(5.2.9.1.)	2,053,914	-	2,053,914	1,282,020	-	1,282,020
X.	DEFERRED TAX LIABILITIES		-	-	-	-	-	-
XI.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(5.2.10.)	-	-	-	-	-	-
11.1.	Held for Sale		-	-	-	-	-	-
11.2.	Related to Discontinued Operations		-	-	-	-	-	-
XII.	SUBORDINATED DEBT INSTRUMENTS	(5.2.11.)	-	11,424,892	11,424,892	-	8,100,496	8,100,496
12.1.	Loans		-	-	-	-	-	-
12.2.	Other Debt Instruments		-	11,424,892	11,424,892	-	8,100,496	8,100,496
XIII.	OTHER LIABILITIES	(5.2.5.)	4,312,078	1,862,230	6,174,308	2,232,154	2,606,960	4,839,114
XIV.	SHAREHOLDERS' EQUITY	(5.2.12.)	30,898,558	(128,223)	30,770,335	11,666,294	(177,453)	11,488,841
14.1.	Paid-in Capital		4,595,131	-	4,595,131	4,595,131	-	4,595,131
14.2.	Capital Reserves		26,399	-	26,399	26,399	-	26,399
14.2.1.	Share Premiums		24,525	-	24,525	24,525	-	24,525
14.2.2.	Share Cancellation Profits		1,874	-	1,874	1,874	-	1,874
14.2.3.	Other Capital Reserves		-	-	-	-	-	-
14.3.	Other Accumulated Comprehensive Income or Loss That Will Not Be Reclassified Through Profit or Loss		(294,407)	-	(294,407)	(52,112)	-	(52,112)
14.4.	Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		5,090,654	(65,971)	5,024,683	280,134	(74,654)	205,480
14.5.	Profit Reserves		5,674,664	-	5,674,664	3,411,612	-	3,411,612
14.5.1.	Legal Reserves		552,652	-	552,652	389,701	-	389,701
14.5.2.	Statutory Reserves		-	-	-	-	-	-
14.5.3.	Extraordinary Reserves		4,872,338	-	4,872,338	2,936,850	-	2,936,850
14.5.4.	Other Profit Reserves		249,674	-	249,674	85,061	-	85,061
14.6.	Profit or Loss		15,738,204	(62,252)	15,675,952	3,369,111	(102,799)	3,266,312
14.6.1.	Prior Years' Profits or Losses		859,978	(102,799)	757,179	30,610	(119,790)	(89,180)
14.6.2.	Current Period Net Profit or Loss		14,878,226	40,547	14,918,773	3,338,501	16,991	3,355,492
14.7.	Minority Shares	(5.2.13.)	67,913	-	67,913	36,019	-	36,019
	TOTAL LIABILITIES AND EQUITY		195,572,020	208,408,491	403,980,511	87,509,905	179,784,289	267,294,194

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS OF 31
DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

2. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

		Notes	Audited Current Period 31.12.2022			Audited Prior Period 31.12.2021		
			TL	FC	Total	TL	FC	Total
A.	COMMITMENTS AND CONTINGENCIES (I+II+III)		105,628,768	92,896,410	198,525,178	70,094,888	83,169,750	153,264,638
I.	GUARANTEES AND WARRANTIES	(5.3.1.)	18,278,371	12,539,159	30,817,530	8,913,959	8,471,915	17,385,874
1.1.	Letters of Guarantee		16,918,372	6,230,770	23,149,142	8,057,678	3,781,136	11,838,814
1.1.1.	Guarantees Subject to State Tender Law		524,697	19,615	544,312	267,372	19,827	287,199
1.1.2.	Guarantees Given For Foreign Trade Operations		842,590	48,079	890,669	445,301	49,329	494,630
1.1.3.	Other Letters of Guarantee		15,551,085	6,163,076	21,714,161	7,345,005	3,711,980	11,056,985
1.2.	Bank Loans		19,680	116,401	136,081	1,044	112,639	113,683
1.2.1.	Import Letter of Acceptances		19,680	116,401	136,081	1,044	112,639	113,683
1.2.2.	Other Bank Acceptances		-	-	-	-	-	-
1.3.	Letters of Credit		1,538	5,970,275	5,971,813	13,942	4,507,178	4,521,120
1.3.1.	Documentary Letters of Credit		902	2,300,601	2,301,503	-	1,979,005	1,979,005
1.3.2.	Other Letters of Credit		636	3,669,674	3,670,310	13,942	2,528,173	2,542,115
1.4.	Guaranteed Refinancing		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.	Other Endorsements		-	-	-	-	-	-
1.6.	Other Guarantees		1,338,781	221,713	1,560,494	841,295	70,962	912,257
1.7.	Other Warrantees		-	-	-	-	-	-
II.	COMMITMENTS	(5.3.1.)	73,375,034	5,635,953	79,010,987	58,403,315	4,865,677	63,268,992
2.1.	Irrevocable Commitments		18,469,526	5,635,953	24,105,479	9,395,375	4,865,677	14,261,052
2.1.1.	Forward Asset Purchase and Sales Commitments		814,447	5,576,192	6,390,639	1,340,772	4,807,250	6,148,022
2.1.2.	Share Capital Commitment to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3.	Loan Granting Commitments		2,156,966	-	2,156,966	1,007,332	-	1,007,332
2.1.4.	Securities Underwriting Commitments		-	-	-	-	-	-
2.1.5.	Commitments for Reserve Deposits Requirements		-	-	-	-	-	-
2.1.6.	Payment Commitments for Checks		2,368,988	-	2,368,988	1,750,116	-	1,750,116
2.1.7.	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.8.	Commitments for Credit Card Expenditure Limits		12,943,765	59,761	13,003,526	5,278,441	58,427	5,336,868
2.1.9.	Commitments for Credit Cards and Banking Services Promotions		-	-	-	957	-	957
2.1.10.	Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.11.	Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.12.	Other Irrevocable Commitments		185,360	-	185,360	17,757	-	17,757
2.2.	Revocable Commitments		54,905,508	-	54,905,508	49,007,940	-	49,007,940
2.2.1.	Revocable Loan Granting Commitments		54,905,508	-	54,905,508	49,007,940	-	49,007,940
2.2.2.	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS		13,975,363	74,721,298	88,696,661	2,777,614	69,832,158	72,609,772
3.1	Derivative Financial Instruments Held for Risk Management		-	-	-	-	-	-
3.1.1	Fair Value Hedges		-	-	-	-	-	-
3.1.2	Cash Flow Hedges		-	-	-	-	-	-
3.1.3	Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2	Held For Trading Transactions		13,975,363	74,721,298	88,696,661	2,777,614	69,832,158	72,609,772
3.2.1	Forward Foreign Currency Buy/Sell Transactions		2,445,222	4,124,168	6,569,390	1,732,559	2,929,682	4,662,241
3.2.1.1	Forward Foreign Currency Buy Transactions		2,429,047	979,581	3,408,628	1,426,726	944,285	2,371,011
3.2.1.2	Forward Foreign Currency Sell Transactions		16,175	3,144,587	3,160,762	305,833	1,985,397	2,291,230
3.2.2	Other Forward Buy/Sell Transactions		11,530,141	70,597,130	82,127,271	1,045,055	66,902,476	67,947,531
3.3	Other		-	-	-	-	-	-
B.	CUSTODY AND PLEDGES SECURITIES (IV+V+VI)		1,312,038,282	1,068,954,968	2,380,993,250	667,226,247	348,895,558	1,016,121,805
IV.	ITEMS HELD IN CUSTODY		39,623,059	627,887,032	667,510,091	20,834,179	34,556,759	55,390,938
4.1.	Customers' Securities Held		-	-	-	-	-	-
4.2.	Investment Securities Held in Custody		6,857,433	591,531,785	598,389,218	5,719,656	4,866,680	10,586,336
4.3.	Checks Received for Collection		29,772,990	1,200,703	30,973,693	13,271,444	2,766,870	16,038,314
4.4.	Commercial Notes Received for Collection		2,992,636	942,241	3,934,877	1,843,079	545,230	2,388,309
4.5.	Other Assets Received for Collection		-	-	-	-	-	-
4.6.	Assets Received for Public Offering		-	-	-	-	-	-
4.7.	Other Items Under Custody		-	-	-	-	-	-
4.8.	Custodians		-	34,212,303	34,212,303	-	26,377,979	26,377,979
V.	PLEDGED ITEMS		1,272,403,584	440,847,619	1,713,251,203	646,380,429	314,183,181	960,563,610
5.1.	Marketable Securities		3,206,824	149,703	3,356,527	401,159	-	401,159
5.2.	Guarantee Notes		100,977	7,556,173	7,657,150	101,097	5,361,650	5,462,747
5.3.	Commodity		41,494,368	2,365,162	43,859,530	22,137,974	669,993	22,807,967
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		304,239,836	8,876,771	313,116,607	165,337,287	6,452,977	171,790,264
5.6.	Other Pledged Items		923,361,579	421,899,810	1,345,261,389	458,402,912	301,698,561	760,101,473
5.7.	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED GUARANTEES AND WARRANTIES		11,639	220,317	231,956	11,639	155,618	167,257
	TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)		1,417,667,050	1,161,851,378	2,579,518,428	737,321,135	432,065,308	1,169,386,443

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 31
DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

3. CONSOLIDATED STATEMENT OF PROFIT OR LOSS (INCOME STATEMENT)

			Audited Current Period 01.01.2022- 31.12.2022	Audited Prior Period 01.01.2021- 31.12.2021
	INCOME AND EXPENSE TABLE	Notes		
I.	PROFIT SHARE INCOME	(5.4.1.)	37,817,930	13,452,120
1.1.	Profit Share on Loans		20,185,202	8,723,679
1.2.	Profit Share on Reserve Deposits		96,729	230,553
1.3.	Profit Share on Banks		790,886	222,398
1.4.	Profit Share on Money Market Placements		-	-
1.5.	Profit Share on Marketable Securities Portfolio		15,021,048	3,604,226
1.5.1.	Fair Value Through Profit or Loss		663,568	265,071
1.5.2.	Fair Value Through Other Comprehensive Income		12,125,481	3,083,751
1.5.3.	Measured at Amortized Cost		2,231,999	255,404
1.6.	Finance Lease Income		1,652,771	602,626
1.7.	Other Profit Share Income		71,294	68,638
II.	PROFIT SHARE EXPENSE (-)		11,877,968	5,384,372
2.1.	Expense on Profit Sharing Accounts	(5.4.4.)	10,093,471	3,376,303
2.2.	Profit Share Expense on Funds Borrowed	(5.4.2.)	1,109,555	533,675
2.3.	Profit Share Expense on Money Market Borrowings		95,798	535,629
2.4.	Expense on Securities Issued		476,187	884,948
2.5.	Profit Share Expense on Lease		102,957	53,817
2.6.	Other Profit Share Expense		-	-
III.	NET PROFIT SHARE INCOME (I - II)		25,939,962	8,067,748
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		847,472	508,093
4.1.	Fees And Commissions Received		2,797,569	1,256,790
4.1.1.	Non-Cash Loans		224,284	141,317
4.1.2.	Other	(5.4.13.)	2,573,285	1,115,473
4.2.	Fees And Commissions Paid (-)		1,950,097	748,697
4.2.1.	Non-Cash Loans		1,049	19
4.2.2.	Other	(5.4.13.)	1,949,048	748,678
V.	DIVIDEND INCOME	(5.4.3.)	3,111	6,042
VI.	NET TRADING INCOME / LOSS	(5.4.5.)	5,539,737	3,056,725
6.1.	Capital Market Transaction Gains/Losses		61,344	56,636
6.2.	Gains/Losses from Derivative Financial Instruments		3,182,381	1,306,798
6.3.	Foreign Exchange Gains/Losses		2,296,012	1,693,291
VII.	OTHER OPERATING INCOME	(5.4.6.)	4,431,673	2,460,399
VIII.	GROSS OPERATING PROFIT (III+IV+V+VI+VII+ VIII)		36,761,955	14,099,007
IX.	EXPECTED LOSS PROVISIONS (-)	(5.4.7.)	6,683,714	4,573,043
X.	OTHER PROVISIONS (-)	(5.4.7.)	636,411	173,622
XI.	PERSONNEL EXPENSES (-)	(5.4.8.)	3,529,779	1,698,855
XII.	OTHER OPERATING EXPENSES (-)	(5.4.8.)	6,837,919	3,028,664
XIII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)		19,074,132	4,624,823
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XV.	INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		54,079	27,947
XVI.	INCOME / (LOSS) ON NET MONETARY POSITION		-	-
XVII.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)	(5.4.9.)	19,128,211	4,652,770
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(5.4.10)	(4,177,588)	(1,279,103)
18.1.	Current Tax Provision		4,877,946	2,139,603
18.2.	Deferred Tax Income Effect (+)		1,366,013	155,118
18.3.	Deferred Tax Expense Effect (-)		2,066,371	1,015,618
XIX.	CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(5.4.11.)	14,950,623	3,373,667
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1.	Income on Non-Current Assets Held for Sale		-	-
20.2.	Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)		-	-
20.3.	Income on Other Discontinued Operations		-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1.	Expenses from Non-Current Assets Held for Sale		-	-
21.2.	Expenses from Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)		-	-
21.3.	Expenses from Other Discontinued Operations		-	-
XXII.	PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
23.1.	Current Tax Provision		-	-
23.2.	Deferred Tax Expense Effect (+)		-	-
23.3.	Deferred Tax Income Effect (-)		-	-
XXIV.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXV.	NET PROFIT/LOSS (XVII+XXII)	(5.4.12.)	14,950,623	3,373,667
25.1.	Group's Income/Loss		14,918,773	3,355,492
25.2.	Minority Interest Income/Loss (-)		31,850	18,175
	Earnings Per Share Income/Loss		-	-

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 31
DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

		Audited Current Period 01.01.2022 - 31.12.2022	Audited Prior Period 01.01.2021- 31.12.2021
I.	CURRENT PROFIT (LOSS)	14,950,623	3,373,667
II.	OTHER COMPREHENSIVE INCOME	4,576,908	95,368
2.1	Other Comprehensive Income Not Reclassified Through Profit or Loss	(242,295)	(854)
2.1.1	Property and Equipment Revaluation Increase/Decrease	-	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	(327,403)	(1,068)
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.1.5	Taxes Related to Other Comprehensive Income Items Not Reclassified Through Profit or Loss	85,108	214
2.2	Other Comprehensive Income Reclassified Through Profit Or Loss	4,819,203	96,222
2.2.1	Foreign Currency Translation Difference	519,553	637,347
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	6,277,572	(34,489)
2.2.3	Cash Flow Hedge Income/Loss	-	-
2.2.4	Foreign Net Investment Hedge Income/Loss	(545,567)	(646,097)
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	-	-
2.2.6	Taxes Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(1,432,355)	139,461
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	19,527,531	3,469,035

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

5. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

						Accumulated Other Income or Loss That Will Not Be Reclassified to Profit or Loss			Accumulated Other Income or Loss That Will Be Reclassified to Profit or Loss								
	Notes	Paid-in Capital	Share Premiums	Share cancellation profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Net Profit/Loss for the Period	Total Shareholders' Equity Less Minority Shares	Minority Shares	Total Shareholders' Equity
Prior Period (01/01/2021 – 31/12/2021)																	
I. Prior Period Ending Balance		4,595,131	24,525	1,874	-	-	(51,258)	-	486,343	(1,305)	(375,780)	1,996,805	(421,663)	1,746,138	8,000,810	30,004	8,030,814
II. Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)		4,595,131	24,525	1,874	-	-	(51,258)	-	486,343	(1,305)	(375,780)	1,996,805	(421,663)	1,746,138	8,000,810	30,004	8,030,814
IV. Total Comprehensive Income (Loss)		-	-	-	-	-	(854)	-	637,347	(24,248)	(516,877)	-	-	3,355,492	3,450,860	6,020	3,456,880
V. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid in Capital Inflation Adjustment Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Share		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase / Decrease by Other Changes		-	-	-	-	-	-	-	-	-	-	1,152	-	-	1,152	(5)	1,147
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	1,413,655	332,483	(1,746,138)	-	-	-
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Legal Reserves		-	-	-	-	-	-	-	-	-	-	1,413,655	(1,413,655)	-	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	1,746,138	(1,746,138)	-	-	-
Balance at end of the period (III+IV+.....+X+XI)	(5.2.11.)	4,595,131	24,525	1,874	-	-	(52,112)	-	1,123,690	(25,553)	(892,657)	3,411,612	(89,180)	3,355,492	11,452,822	36,019	11,488,841
Current Period (01/01/2022 – 31/12/2022)																	
I. Prior Period Ending Balance		4,595,131	24,525	1,874	-	-	(52,112)	-	1,123,690	(25,553)	(892,657)	3,411,612	(89,180)	3,355,492	11,452,822	36,019	11,488,841
II. Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes In Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)		4,595,131	24,525	1,874	-	-	(52,112)	-	1,123,690	(25,553)	(892,657)	3,411,612	(89,180)	3,355,492	11,452,822	36,019	11,488,841
IV. Total Comprehensive Income (Loss)		-	-	-	-	-	(242,295)	-	519,553	4,708,826	(409,176)	-	-	14,918,773	19,495,681	31,850	19,527,531
V. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid in Capital Inflation Adjustment Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Share		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase / Decrease by Other Changes		-	-	-	-	-	-	-	-	-	-	4,736	(817)	-	3,919	44	3,963
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	2,258,316	847,176	(3,355,492)	(250,000)	-	(250,000)
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	(250,000)	-	(250,000)
11.2 Transfers to Legal Reserves		-	-	-	-	-	-	-	-	-	-	2,258,316	(2,258,316)	-	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	3,355,492	(3,355,492)	-	-	-
Balances at end of the period (III+IV+.....+X+XI)	(5.2.11.)	4,595,131	24,525	1,874	-	-	(294,407)	-	1,643,243	4,683,273	(1,301,833)	5,674,664	757,179	14,918,773	30,702,422	67,913	30,770,335

(*) One of the subsidiaries of the group, Neova Katılım Sigorta A.Ş., T.C. In accordance with Article 6 of the "Regulation on Participation Insurance and Working Procedures and Principles" published by the Ministry of Treasury and Finance, it manages the risk fund, which is formed due to the contributions of the participants, and the fund of the shareholders separately. Accordingly, in the current period, there is no return/(expense) amount of the risk fund arising from participant contributions. The balance of the previous period is classified under the heading of "Other Liabilities" (31 December 2021: TL 12,155).

1. Accumulated revaluation increases/decreases of fixed assets,
2. Accumulated remeasurement gains/losses of defined benefit plans,
3. Other (accumulated amounts of other comprehensive income items that will not be reclassified to profit or loss and other comprehensive income from equity method investments)
4. Currency translation differences,
5. Accumulated revaluation and/or reclassification gains/losses of financial assets at fair value through other comprehensive income,
6. Other (Cash flow hedge gains/losses represent the share of other comprehensive income from equity method investments to be reclassified to profit/loss and the accumulated amounts of other comprehensive income items to be reclassified as other profit or loss.)

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31
DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

6. CONSOLIDATED STATEMENT OF CASH FLOWS

			Audited Current Period	Audited Prior Period
		Notes	01.01.2022 -31.12.2022	01.01.2021-31.12.2021
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating Profit Before Changes in Assets And Liabilities From Banking Operations		4,337,451	4,774,531
1.1.1	Profit Share Income Received		19,744,673	10,679,121
1.1.2	Profit Share Expense Paid		(10,021,400)	(5,325,219)
1.1.3	Dividends Received		3,111	6,042
1.1.4	Fees And Commissions Received		3,043,048	1,261,652
1.1.5	Other Income		3,228,976	3,127,762
1.1.6	Collections From Previously Written Off Loans		1,572,688	855,886
1.1.7	Payments to Personnel And Service Suppliers		(2,485,512)	(1,543,997)
1.1.8	Taxes Paid		(3,332,477)	(1,100,673)
1.1.9	Others		(7,415,656)	(3,186,043)
1.2	Changes in Assets And Liabilities From Banking Operations		16,993,724	976,943
1.2.1	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss		(3,492,870)	(154,156)
1.2.2	Net (Increase) Decrease in Due From Banks And Other Financial Institutions		(9,787,991)	(17,841,459)
1.2.3	Net (Increase) Decrease in Loans		(64,883,984)	(23,476,636)
1.2.4	Net (Increase) Decrease in Other Assets		10,539,452	5,119,157
1.2.5	Net Increase (Decrease) in Bank Deposits		102,331	876,177
1.2.6	Net Increase (Decrease) in Other Deposits		62,032,404	28,643,748
1.2.7	Net Increase (Decrease) in Financial Liabilities Measured at Financial Assets at Fair Value Through Profit or Loss		-	(149)
1.2.8	Net Increase (Decrease) in Funds Borrowed		17,903,116	(6,008,932)
1.2.9	Net Increase (Decrease) in Due Payables		-	-
1.2.10	Net Increase (Decrease) in Other Liabilities		4,581,266	13,819,193
I.	Net Cash Provided From / (Used in) Banking Operations		21,331,175	5,751,474
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net Cash Provided From / (Used in) Investing Activities		(21,558,804)	(6,801,211)
2.1	Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries		(30,420)	-
2.2	Cash Obtained From Sale of Jointly Controlled Operations, Associates And Subsidiaries		-	-
2.3	Fixed Assets Purchases		(895,469)	(399,571)
2.4	Fixed Assets Sales		591,853	521,626
2.5	Cash Paid For Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(18,045,597)	(14,388,598)
2.6	Cash Obtained From Sale of Financial Assets at Fair Value Through Other Comprehensive Income		9,061,711	4,792,530
2.7	Cash Paid For Purchase of Investment Securities		(18,347,606)	(979,285)
2.8	Cash Obtained From Sale of Investment Securities		6,341,276	3,774,636
2.9	Other		(234,552)	(122,549)
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net Cash Provided From / (Used in) Financing Activities		(1,627,650)	(1,055,887)
3.1	Cash Obtained From Funds Borrowed And Securities Issued		12,657,500	19,085,000
3.2	Cash Used For Repayment of Funds Borrowed And Securities Issued		(13,945,727)	(20,602,188)
3.3	Capital Increase		-	513,954
3.4	Dividends Paid		(250,000)	-
3.5	Payments For Finance Leases (*)		(89,423)	(52,653)
3.6	Other		-	-
IV.	Effect of Change in Foreign Exchange Rate on Cash And Cash Equivalents	(5.5.4)	14,094,110	27,297,784
V.	Net Increase (Decrease) in Cash And Cash Equivalents		12,238,831	25,192,160
VI.	Cash And Cash Equivalents at The Beginning of The Period	(5.5.1)	39,187,590	13,995,430
VII.	Cash And Cash Equivalents at The End of The Period	(5.5.1)	51,426,421	39,187,590

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED PROFIT DISTRIBUTION TABLE OF PARENT BANK FOR THE YEAR
ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

7. PROFIT DISTRIBUTION TABLE OF PARENT BANK

	Current Period 01.01.2022- 31.12.2022 (*)	Prior Period 01.01.2021 - 31.12.2021 (*)
I. Distribution of Current Period Profit		
1.1. Current Period Profit	18,069,333	3,547,366
1.2. Taxes and Dues Payable (-)	4,025,886	1,045,639
1.2.1. Corporate Tax (Income Tax)	4,879,989	2,000,422
1.2.2. Income Tax Withholding	-	-
1.2.3. Other Taxes and Dues Payable (**)	(854,103)	(954,783)
A. Net Profit for the Period (1.1-1.2)	14,043,447	2,501,727
1.3. Prior year's Losses (-)	-	-
1.4. First Legal Reserves (-)	-	-
1.5. Other Reserves (-)	-	-
B. Distributable Net Period Profit [(A-(1.3+1.4+1.5)]	14,043,447	2,376,641
1.6. First Dividend to Shareholders (-)	-	250,000
1.6.1. To Owners of Ordinary Shares	-	250,000
1.6.2. To Owners of Preferred Stocks	-	-
1.6.3. To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.6.4. To Profit Sharing Bonds	-	-
1.6.5. To Owners of the profit and loss Sharing Certificates	-	-
1.7. Dividend to Personnel (-)	-	-
1.8. Dividend to Board of Directors (-)	-	-
1.9. Second Dividend to Shareholders (-)	-	-
1.9.1. To Owners of Ordinary Shares	-	-
1.9.2. To Owners of Preferred Stocks	-	-
1.9.3. To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4. To Profit Sharing Bonds	-	-
1.9.5. To Owners of the profit/loss Sharing Certificates	-	-
1.10. Second Legal Reserves (-)	-	-
1.11. Statutory Reserves (-)	-	-
1.12. Extraordinary Reserves	-	1,935,664
1.13. Other Reserves	-	376
1.14. Special Funds	-	-
II. Distribution from Reserves	-	-
2.1. Distributed Reserves	-	-
2.2. Second Legal Reserves (-)	-	-
2.3. Dividends to Shareholders (-)	-	-
2.3.1. The Owners of Ordinary Shares	-	-
2.3.2. The Owners of Preferred Stocks	-	-
2.3.3. The Owners of Preferred Stocks (Preemptive Rights)	-	-
2.3.4. The Profit-Sharing Bonds	-	-
2.3.5. The Owners of the profit/loss Sharing Certificates	-	-
2.4. Share to Personnel (-)	-	-
2.5. Share to Board of Directors (-)	-	-
III. Earnings per Share	-	-
3.1. To Owners of Stocks	3.05	0.54
3.2. To Owners of Stocks (%)	305.29	54.39
3.3. To Owners of Preferred Stocks	-	-
3.4. To Owners of Preferred Stocks (%)	-	-
IV. Dividend per Share	-	-
4.1. To Owners of Stocks	-	0.05
4.2. To Owners of Stocks (%)	-	5
4.3. To Owners of Preferred Stocks	-	-
4.4. To Owners of Preferred Stocks (%)	-	-

(*) The profit distribution of the Bank is decided at the General Assembly meeting which is not yet held as of the date of the preparation of these financial statements.

(**) Deferred tax benefit is presented under other tax and legal liabilities. Deferred tax benefit can not be included in the distributable profit, thus it is classified under extraordinary reserves.

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES IN THE RELATED PERIOD

1. Explanations on Basis of Presentation

1.1. The preparation of the consolidated financial statements and related notes and explanations in accordance with the Turkish accounting standards and regulation on accounting applications for banks and safeguarding of documents

The Parent Bank prepares its financial statements in accordance with the “Regulation on The Procedures And Principles For Accounting Practices And Retention of Documents By Banks” published in the Official Gazette dated 1 November 2006 with numbered 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Agency (“BRSA”) as well as the circulars and pronouncements published by the BRSA. For matters not regulated by the aforementioned legislations, the Bank prepares its financial statements in accordance with the BRSA Accounting and Financial Reporting Legislation, which comprises the terms of the Turkish Financial Reporting Standards issued by the Public Oversight Accounting and Auditing Standards Authority.

Additional paragraph for convenience translation

The differences between the standards set out by BRSA Accounting and Financial Reporting Legislation and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

1.2. Accounting policies and valuation principles applied in the preparation of consolidated financial statements:

The financial statements have been prepared on the historical cost basis except for the financial instruments at fair value through profit or loss, and the financial assets and liabilities at fair value through other comprehensive income that are measured at fair values.

The preparation of consolidated financial statements in conformity with BRSA Accounting and Financial Reporting Legislation requires the Group management to make assumptions and estimates with respect to the assets and liabilities on the balance sheet and contingent issues outstanding as of the balance sheet date. These assumptions and estimates mainly consist of calculations of the fair values of financial instruments and the impairment on assets. The assumptions and estimates are reviewed regularly and, when necessary, appropriate corrections are made, and the effects of such corrections are reflected on the income statement.

COVID-19 pandemic, which has emerged in China, has spread to various countries in the world, causing potentially fatal respiratory infections, negatively effects both regional and global economic conditions, as well as it causes disruptions in operations, especially countries that are exposed to the epidemic. As a result of the spread of COVID-19 around the world, several measures are still being taken in in our country as well as in the world in order to prevent the spread of the virus and measures are still being taken. In addition to the measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in our country and worldwide.

Since it is aimed to update the most recent financial information in the year-end financial statements prepared as of December 31, 2022, considering the magnitude of the economic changes due to COVID-19, the Parent Bank made certain estimates in the calculation of expected credit losses and disclosed them in third section footnote numbered 1.6 “Explanations on Expected Credit Loss”. In the upcoming periods, the Group will update its relevant assumptions are necessary and revise the realizations of past estimates.

TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of a hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. TAS 29 describes characteristics that may indicate that an economy is hyperinflationary, and it requires all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. Therefore, it is expected that TAS 29 will start to be applied simultaneously by all entities with the announcement of Public Oversight Accounting and Auditing Standards Authority to ensure consistency of the application required by TAS 29 throughout the country. However, the Authority has not published any announcement that determines entities would restate their financial statements for the accounting period ending on 31 December 2022 in accordance with TAS 29. In this context, TMS 29 is not applied and inflation adjustment has not been reflected in the financial statements as of December 31, 2022.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

Since January 2022, the tension between Russia and Ukraine has turned into a crisis and a hot conflict. The Group does not carry out any activities in the two countries that are subject to the crisis. Considering the geographies in which the Group carries out its activities, the economic effects of the crisis are closely followed by the Bank and taken into account while preparing its financial statements using the best estimation method.

1.3. Changes in accounting estimates, errors and classifications

If changes in accounting estimates are related to only one period, they are applied in the current period in which the change is made, and if they are related to future periods, they are applied both prospectively and in the future periods. Significant accounting errors are applied retrospectively and prior period financial statements are restated. There were no significant changes in the accounting estimates of the Group in the current year. Comparative information is rearranged when deemed necessary in order to comply with the presentation of the current period financial statements.

1.4. Preparation of the financial statements as regards to the current purchasing power of money

Until 31 December 2004, the financial statements of the Group were subject to inflation adjustments in accordance with Turkish Accounting Standard No: 29 "Financial Reporting in Hyperinflationary Economies" ("TAS 29"). As per the BRSA decision numbered 1623 and dated 21 April 2005 and the BRSA circular dated 28 April 2005 it was stated that the indicators for the application of inflation accounting were no longer applicable. Consequently, as of 1 January 2005, the inflation accounting has not been applied.

1.5. TFRS 3 explanations on business combinations standard

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Business combinations are accounted in accordance with TFRS 3 "Business Combinations" except for the assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

The interests of non-controlling shareholders in the acquire is initially measured at the non-controlling's proportion of the fair value of the assets, liabilities and contingent liabilities recognized.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

- Explanations regarding the accounting policy applied for the acquisition of Neova Katılım Sigorta A.Ş.

Following the necessary legal permissions on May 5, 2020, the Bank finalized the purchase of Neova Katılım Sigorta A.Ş. by completing the share transfer process. The Bank purchased 78,864,212 shares by paying TL 745,860 and increased the partnership share in Neova Katılım Sigorta A.Ş. from 7% to 100% by owning all the shares.

This acquisition has been evaluated as a merger of entities under common control and has been accounted for using the aggregation method (Pooling of interest). According to this method, the assets and liabilities of Neova Katılım Sigorta A.Ş. are included in the financial statements over the book values determined in accordance with TFRS at the merger date, and no goodwill has arisen in the financial statements as a result of the merger.

1.6 Disclosures regarding TFRS 9 Financial instruments

TFRS 9 "Financial Instruments", which is effective as of 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017. As of 1 January 2018, the application of TFRS 9 replaced "TAS 39: Financial Instruments: Recognition and Measurement." standard.

TFRS 9 also includes new principles for general hedge accounting which aims to harmonize hedge accounting with risk management applications. In the admission of the accounting policies, TFRS 9 presents the option of postponing the adoption of TFRS 9 hedge accounting and continuing to apply the hedge accounting provisions of TAS 39.

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2022

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All recognized financial assets that are within the scope of TFRS 9 are required to be initially measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and profit share on the principal amount outstanding, are generally measured at Fair Value Through Other Comprehensive Income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognized in profit or loss.

Dividends obtained from such investments are accounted in the financial statements as profit or loss unless they are evidently a part of the recoverable cost of investment. As a result of the combination of contractual cash flow characteristics and business models, the differences in the classification of financial assets are reflected in the financial statements compared to the current classification in TAS 39. During the first recognition of a financial asset into the financial statements, business model determined by the Parent Bank management and the nature of contractual cash flows of the financial asset are taken into consideration.

Classification and measurement of financial instruments

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent "solely payments of principal and profit share" (SPPI).

Upon initial recognition each financial asset shall be classified as either fair value through profit or loss ("FVTPL") amortized cost or fair value through other comprehensive income ("FVTOCI"). As for the classification and measurement of financial liabilities, the application of the existing terms of TAS 39 remain largely unchanged under TFRS 9.

Explanations on expected credit loss

As of 1 January 2018, the Parent Bank will recognize provisions for impairment in accordance with the TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.

Modeling studies were carried out on the principal components of the Expected Loan Loss calculation and the default probability (PD) models were developed on various loan portfolios. Credit portfolios are determined according to customer segments that form the basis of banking activities. The cyclical default probabilities generated by these models developed for use in the Internal Rating Based Approach (IDD) are translated into the Instantaneous Default Probabilities and these instantaneous default probabilities are used when calculating the Expected Loan Loss on TFRS 9 Calculation on Default (LGD) calculation reflects the legal deduction rates and the Bank's past collection performance on unsecured loans. Default Amount (EAD) corresponds to the balance used in cash at the reporting date for cash loans, non-cash loans and balance after application of the loan to commitment risks.

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Macroeconomic scenarios affect PD values. The expected credit loss amount is calculated by weighting 3 different scenarios as Base, Good and Bad scenarios. The probability of default of the debtors and the loss rates in default vary with each scenario.

As of December 31, 2022, the Group reflected the data obtained with the best estimation method to the estimates and judgements used in the calculation of expected credit losses, with the best estimation method, for the possible effects of the COVID-19 outbreak. In the light of the data, the Group revised its macroeconomic expectations in the calculation of expected credit loss, and the calculation made taking into account the change in PD with the update in the EDF model was reflected in the financial statements. Due to their nature, model updates are reflected in financial statements with a delay due to the macroeconomics effects of events that cause changes and occur at different times. For this reason, the Group establishes additional provisions for the Wholesale and Retail Trade, Construction, Construction, Contracting and Tourism sectors, which are considered to be more sensitive to the current macroeconomic and geopolitical conjuncture among the sectors with declining PD. The Bank maintains this approach as of December 2022. When deemed necessary, the Bank will review these assumptions according to the course of the pandemic in the future.

The forecast of expected credit losses is unbiased, probabilistic-weighted and includes supportable information about past events, current conditions, and predictions of future economic conditions.

The Group has established a '3-stage' impairment model based on the change in credit quality after initial recognition:

Stage 1: Includes financial assets not having significant increase in their credit risk from initial recognition till the following reporting date or financial assets having low credit risk at the reporting date. It is recognized 12-month expected credit losses for such financial assets.

Stage 2: Includes financial assets having significant increase in their credit risk subsequent to the initial recognition, but not having objective evidence about impairment. It is recognized lifetime expected credit losses for such financial assets.

In this context, the basic considerations that are taken into account in determining the significant increase in the credit risk of a financial asset and its transfer to Phase 2 are, but are not limited to, the following.

- Delayed by more than 30 days as of the reporting date
- Restructuring
- Close Monitoring
- Evaluation of distortion in Rating Note

The definition of the deterioration in the rating is the comparison of the credit rating at the opening date and the rating date at the reporting date by using the Parent Bank's internal rating-based credit rating models. If the rating calculated for the loan at the reporting date exceeds the specified threshold values, the rating is deemed as deterioration.

Stage 3: Includes financial assets having objective evidence about impairment at the reporting date. It is recognized life-time expected credit losses for such financial assets. The Parent Bank periodically evaluates the provisions of loans and other receivables in accordance with TFRS 9 retrospectively based on their results and, if deemed necessary, revises the basketing rules and the parameters used in the calculation of the related provision balances.

1.7 Revenue from TFRS 15 disclosures regarding the standard of revenue from customer contracts

TFRS 15 Revenue from Customer Contracts provides a single, comprehensive model and guidance on the recognition of revenue and is recorded in accordance with TFRS 15.

1.8 Explanations on TFRS 16 leases standard

The leasing transactions are presented by the lessor as assets (right-of-use assets) and liabilities from leasing transactions. TFRS 16 Standard eliminates the dual accounting model of leasing transactions on balance sheet and operational leasing transactions as direct expense except balance sheet.

Within the scope of TFRS 16, the Group reflects the existence of a lease obligation and a right of use to the financial statements at the date of initial application. The Group measures the leasing liability on the present value of the remaining lease payments, discounted at their present value using the alternative borrowing cost ratio at the date of initial application of the Parent Bank. In addition, the Bank measures the existence of the right to use of such right at an amount equal to the lease obligation, which is reflected in the statement of financial position immediately after the first application date, adjusted for the amount of all prepaid or accrued lease payments.

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As of 31 December 2022, the Group has usage assets amounting to TL 777,604 classified under tangible fixed assets and TL 835,980 lease obligations in the balance sheet. In year-end that ended as of the same date, a financial expense of TL 83,557 and depreciation expense of TL 165,744 occurred.

On 5 June 2020, Public Oversight Accounting and Auditing Standards Authority (“POA”) has changed to TFRS 16 “Leases” standard by publishing Privileges Granted in Lease Payments -"Amendments to TFRS 16 Leases" concerning Covid-19. With this change, tenants are exempted from whether there has been a change in the rental privileges in lease payments due to Covid-19. This change did not have a significant impact on the financial status or performance of the Group.

2. Explanations on strategy of using financial instruments and foreign currency transactions

The Group follows an asset-liability management strategy that mitigates risk and increases earnings by balancing the funds borrowed and the investments in various financial assets. The main objective of asset-liability management is to limit the Parent Bank’s exposure to liquidity risk, currency risk and credit risk while increasing profitability and strengthening the Parent Bank’s equity. The assets-liabilities committee (ALCO) manages the assets and liabilities within the trading limits on the level of exposure placed by the Executive Risk Committee.

Gains and losses arising from foreign currency transactions have been recorded in the period in which the transaction took place. Foreign currency denominated monetary assets and liabilities are valued with the period end exchange rates published by the Central Bank of Turkey converting them into Turkish Lira and valuation differences of foreign currencies have been recognized in the income statement under the net foreign exchange income/expense account.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial instruments into Turkish Lira are included in the income statement. There are no foreign currency differences capitalized by the Group.

3. Investments in Associates and Subsidiaries

Consolidated and Financial Statements " Turkey Accounting Standard for Consolidated Financial Statements" (TFRS 10) has been prepared in accordance with the provisions.

The method determined in the “Turkish Financial Reporting Standard for Consolidated Financial Statements” (“TFRS 10”) of the Group, in which the Parent Bank and Neova Katılım Sigorta A.Ş., the Parent Bank's subsidiary KT Portföy Yönetimi A.Ş. is the fund founder. has accounted for the mutual funds, which it controls in accordance with the procedures and principles, according to the full consolidation method.

Titles, locations of the headquarters, main operations and Group’s shares relating the consolidated entities are as follows:

Title	Address (City/Country)	Operation	31.12.2022	31.12.2021	Consolidation method
KT Bank AG	Frankfurt/Germany	Banking	100%	100%	Full consolidation
Neova Katılım Sigorta A.Ş.	Istanbul/Turkey	Financial Institution	100%	100%	Full consolidation
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Istanbul/ Turkey	Financial Institution	100%	100%	Full consolidation
KT Sukuk Varlık Kiralama A.Ş.	Istanbul/ Turkey	Financial Institution	100%	100%	Full consolidation
KT Portföy Yönetimi A.Ş.	Istanbul/ Turkey	Financial Institution	100%	100%	Full consolidation
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/ Turkey	Financial Institution	75%	75%	Full consolidation
Katılım Emeklilik ve Hayat A.Ş.	Istanbul/ Turkey	Financial Institution	50%	50%	Accounted with equity pick-up
Kt Portföy Kuveyt Türk Yabancı Katılım Serbest Özel Fon	Istanbul/Turkey	Investment Fund	100%	100%	Full consolidation
KT Portföy Birinci Katılım Serbest (TL) Fon	Istanbul/Turkey	Investment Fund	100%	100%	Full consolidation
KT Portföy Birinci Katılım Serbest (Döviz-Avro) Özel Fon	Istanbul/Turkey	Investment Fund	100%	100%	Full consolidation
KT Portföy Yönetimi A.Ş. Kobi Girişim Sermayesi Yatırım Fonu	Istanbul/Turkey	Investment Fund	100%	100%	Full consolidation
KT Portföy Lonca Girişim Sermayesi Yatırım Fonu	Istanbul/Turkey	Investment Fund	100%	100%	Full consolidation
KT Portföy Neova Katılım Serbest Özel (TL) Fon	Istanbul/Turkey	Investment Fund	100%	100%	Full consolidation
KT Portföy Yönetimi A.Ş. Neova Katılım Sigorta Özel Girişim Sermayesi Yatırım Fonu	Istanbul/Turkey	Investment Fund	100%	100%	Full consolidation

Parent Bank and the subsidiaries, the financial tables of which are consolidated along with the Parent Bank, are collectively referred as “the Group.”

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Consolidation basis of subsidiaries

Subsidiaries are entities whose capital and management are directly or indirectly controlled by the Parent Bank. Subsidiaries are consolidated by the full consolidation method, within the framework of significance on the basis of operational outcomes, assets sizes and equity sizes. The financial statements of the relevant subsidiaries are included in the consolidated financial statements as of the date that control is transferred to Parent Bank.

Control denotes any of the following circumstances: the Parent Bank directly or indirectly through subsidiaries has over 50% of the voting rights or, dominance over the voting rights as described afore does not exist but the Parent Bank owns the preferred shares, or; the Parent Bank has voting rights appropriating more than 50% percent of all voting rights due to the agreements signed with other shareholders, or; the Parent Bank has the authority to manage the operational and financial policies of the entity due to certain arrangements or agreements, or; the Parent Bank has the power to influence the majority of the votes within the Board of Directors or any other executive organ vested with similar rights, or; the Parent Bank by any means has the power to appoint or dismiss the majority of the Board of Directors.

In accordance with the full consolidation, all of the assets, liabilities, income, expense and off-balance sheet liabilities of the subsidiaries are consolidated with the assets, liabilities, income, expense and off-balance sheet liabilities of the Parent Bank. The carrying value of the Group's investment in each subsidiary is offset with the cost value of the subsidiary's capital owned by the Group. Balances regarding the transactions between the subsidiaries in the scope of the consolidation and the unrealized gains/losses are reciprocally offset. Minority shares within the net income of the consolidated subsidiaries are determined provided that the net income of the Group shall be calculated, and these minority shares are presented as a separate item in the income statement. Minority shares are presented under the equity in the consolidated balance sheet.

In the case where the accounting policies implemented by the subsidiary are different than the Parent Bank, the accounting policies are reconciled.

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4. Explanations on forward transactions and option contracts and derivative instruments

The Group enters into forward agreements to decrease its currency risk and to manage its foreign currency liquidity. The Group's derivative instruments are classified as 'hedging derivative financial asset' and 'derivative financial assets/liabilities at fair value profit/loss'. The Group classifies its derivative instruments as "Derivative Financial Instruments Held for Hedging Purposes" and "Derivative Financial Instruments Held for Trading" in accordance with TAS 39. Even though some derivative transactions economically hedge risk, since all necessary conditions for hedge accounting are not met, they are accounted for as "held for trading" within the framework of TAS 39 and are reflected in the "Derivative Financial Assets/liabilities at fair value profit/loss" account in the balance sheet. The Group has no derivative financial assets/liabilities for hedging purposes as of balance sheet date.

Fair values of foreign currency forward transactions and swaps are calculated by using the discounted cash flow model. Differences resulting from the changes in the fair values of derivatives held for trading are accounted under 'Trading Income/Loss' line in the income statement.

Embedded derivatives are separated from the host contract if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. Embedded derivatives are accounted as derivative instruments in-line with TAS 39. If the embedded derivatives are closely related with the host contract, embedded derivatives are accounted for in-line with the relevant standard applicable for the host contract.

The Group's cash flow hedging process has ended as of December 2022.

Benchmark Rate Reform - Stage 2, which introduces amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, effective from January 2021, was published in December 2020 and early application of the changes is permitted. With the amendments made, certain exceptions are provided in the basis used in determining the contractual cash flows and in the hedge accounting provisions. The changes came into effect from 1 January 2021. Loans given from items indexed to benchmark interest rates in the Parent Bank's financial statements and securities assets; Securities issued, derivative transactions and loans obtained through repo constitute liabilities. These changes do not have a significant impact on the Parent Bank's financial position or performance. As of 31 December 2022, the Group has no hedging transactions based on the benchmark interest rate.

5. Explanations on profit share income and expense

Profit share income is recognized in the income statement on an accrual basis by using the method of internal rate of return and is accounted under profit share income account in the financial statements. While applying the internal rate of return method, the Group amortizes the fees included in the account of the effective profit rate over the expected life of the financial instrument. If the financial asset is impaired and classified as a non-performing loan, profit accruals and rediscount calculations for these customers are continued within the scope of TFRS 9 Financial Instruments Standard.

The Group calculates expense accrual in accordance with the unit value calculation method on profit/loss sharing accounts and reflects these amounts in "Funds Collected" account on the balance sheet.

6. Explanations on fees and commission income and expenses

Other than fees and commission income and expenses received from certain banking transactions that are recorded as income or expense in the period they are collected, fees and commission income and expenses are recognized in the income statement depending on the duration of the transaction. 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

In accordance with the provisions of TAS, commission and fees collected in advance for loans granted are deferred and reflected to the income statement by using the internal rate of return method. Unearned portion of the commission and fees relating to the future periods are recorded to the "Unearned Revenues" account under "Other Liabilities" on the balance sheet.

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7. Explanations on financial assets

The Group classifies and accounts for its financial assets as ‘Fair Value Through Profit/Loss’, ‘Fair Value Through Other Comprehensive Income,’ or ‘Amortized Cost.’ Such financial assets are recognized and derecognized as per the terms of “Recognition and Derecognition in Financial Statements” under the section three of the “TFRS 9 Financial Instruments” regarding the classification and measurements of financial instruments, published in the Official Gazette numbered 29953 and dated 19 January 2017 by Public Oversight, Accounting and Auditing Standards Authority (“POA”). When financial assets are included in the financial statements for the first time, they are measured at fair value. Transaction costs are initially added to fair value or deducted from fair value at the initial measurement of financial assets other than the "Fair Value at Fair Value Through Profit or Loss".

The Group recognizes a financial asset in the financial statements only when it becomes a party to the contractual terms of a financial instrument. During the initial recognition of a financial asset, the business model determined by Parent Bank management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Parent Bank management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments are made to gains, losses or profit shares that were previously recorded in the financial statements.

7.1 Financial assets at fair value through profit/loss

Financial assets at fair value through profit/loss are financial assets that are managed within a business model other than the business model whose objective is achieved by holding contractual cashflows for collection and the business model whose objective is achieved by collecting and selling contractual cash flows. Also, in case that the contractual terms of financial assets do not give rise on specified dates to cash flows that are solely payments of principal and profit share on the principal amount, such assets are those that are, obtained with the aim of providing profit from the short-term price or other factor fluctuations in the market or are part of a portfolio aiming to obtain short-term profit, regardless of the reason of acquisition.

7.2 Financial assets at fair value through other comprehensive income

A financial asset is classified as at fair value through other comprehensive income when the asset is managed within a business model whose objective is achieved by collecting contractual cash flows and selling the financial asset, as well as when the contractual terms of the financial asset give rise on specified dates to cash flows are solely payments of principal and profit share on the principal amount.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition costs that reflect the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Profit share income calculated with effective profit share method regarding the financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. “Unrealized gains and losses,” which is 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 income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, or the impairment of the asset. “Unrealized gains and losses” are accounted under the “Accumulated other comprehensive income or expense to be reclassified through profit or loss” under shareholders’ equity.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, are carried at fair value, in the case that the securities have a quoted market price in an active market and/or the fair values of the securities can be reliably measured. In contrary case, the securities are carried at cost, less provision for impairment.

During initial recognition an entity can make an irrevocable election regarding the presentation of the subsequent changes in the fair value of the investment in an equity instrument, that is not held for trading purposes, in the other comprehensive income. In the case that the entity elects to present the changes as described, dividends arising from the investment is accounted in the financial statements as profit or loss.

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7.3 Financial assets measured at amortized cost

In the case that a financial asset is held within a business model whose objective is achieved both by collecting contractual cash flows and that the contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and profit share on the principal amount, the financial asset is classified as financial asset measured at amortized cost.

Financial Assets Measured at Amortized Cost; are financial assets, other than loans and receivables, which are held for the purpose of custody until maturity, with conditions necessary for such assets to be held until contractual maturity met, including funding ability; and which have fixed or determinable payments and fixed maturities. Financial assets measured at amortized cost are initially recognized at cost and subsequently measured at amortized cost using the internal rate of return method. Profit share income related to Financial Assets measured at amortized cost is reflected in the income statement.

7.4 Derivative financial assets

The major derivative instruments utilized by the Group are foreign currency swaps, cross currency swaps and currency forwards.

Payables and receivables arising from the derivative instruments are recorded in the off-balance sheet accounts at their contractual values.

Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, the fair value amounts are classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss." The fair value differences of derivative financial instruments are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transactions. The fair value of derivative instruments is calculated by considering the market value of the derivatives or by using the discounted cash flow model.

7.5 Loans

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Profit Share Rate (internal rate of return) Method".

8. Explanations on offsetting of financial assets and liabilities

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet when the Parent Bank has a legally enforceable right to offset the recognized amounts and there is an intention to collect/pay the related financial assets and liabilities on a net basis, or to realize the asset and settle the liability simultaneously.

9. Explanations on sale and repurchase agreements and lending of securities

Central Bank of the Republic of Turkey ("CBRT") made some changes on orders for open market transactions ("OMT") and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement, a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they are in need of funding or in attempt to evaluate the excess liquidity. In this context, OMT were carried out with the CBRT for the first time on 14 June 2013, by subjecting the Treasury Lease Certificates, which were included in assets, to the repurchase transactions. From this date, the Bank performs sale transactions of treasury lease certificates that are recognized in the assets of the balance sheet in return for conditional repurchasing by tendering to purchase auctions held by CBRT with various maturities; and thus raises funds.

As of 31 December 2022, the Group has repurchased agreement amounting to TL 274,872 (31 December 2021: 6,495,474).

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10. Explanations on assets held for sale and discontinued operations and related liabilities

As mandated by the Banking Act 5411 Article 57 “banks cannot participate in commercial real-estate and commodity trade with the exception of real-estate and commodity based agreements within the scope of Capital Markets Act No. 2499, and precious metal trade as seen appropriate by the board, and cannot participate in partnerships with firms whose main business activity is commercial real-estate, with the exception of real-estate investment partnerships and companies that finance mortgaged residential estates. The rules and procedures regarding the sales of real-estate and commodities that were acquired due to receivables and debtors’ obligations to the bank are determined by the board.”

Assets that meet the criteria for classification as assets held for sale are measured at the lower of the carrying amount of assets and fair value less any costs to be incurred for disposal. Assets held for sale are not amortized and presented in the financial statements separately. In order to classify an asset as held for sale, the sale should be highly probable, and the asset (or disposal group) should be available for immediate sale in its present condition. Highly saleable condition requires a plan by the management regarding the sale of the asset (or the disposal group) together with an active program for the determination of buyers as well as for the completion of the plan. Also, the asset (or the disposal group) should be actively in the market at a price consistent with its fair value. In addition, the sale is expected to be recognized as a completed sale within one year after the classification date and the necessary transactions and procedures to complete the plan should demonstrate the fact that there is remote possibility of making any significant changes in the plan or cancellation of the plan. Various events and conditions may extend the completion period of the disposal over one year. If such delay arises from any events and conditions beyond the control of the entity and there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or disposal group) can remain to be classified as assets (or disposal group) held for sale. Extension of the period necessary to complete the sale, does not avoid the classification of the related asset (or disposal group) to be classified as asset held for sale.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale. Discontinued operations are presented separately in the income statement. The Group has no discontinued operations.

11. Explanations on goodwill and other intangible assets

Intangible assets are stated at cost adjusted for inflation until 31 December 2004, less provision for impairment, if any, and accumulated amortization and amortized with straight-line method.

The other intangible assets of the Group comprise mainly computer software. The useful lives of such assets acquired prior to 2004 have been determined as 5 years and for the year 2004 and forthcoming years, as 3 years. The amortization period of the licenses is determined based on the duration of the license agreements.

There is no goodwill related to associates and subsidiaries.

12. Explanations on tangible assets

Fixed assets are stated at cost adjusted for inflation until 31 December 2004, less accumulated depreciation and provision for impairment, if any.

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

Property	2%
Movables, leased assets	6.67% - 20%

Depreciation is calculated on a pro-rata basis for the assets that have been placed in use for less than one year as of the balance sheet date. Leasehold improvements are depreciated over the term of the lease agreements by straight-line method.

If the recoverable amount (the higher of value in use and fair value) of a tangible asset is less than it is carrying value, impairment loss is provided and the carrying value is written down to its recoverable amount.

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

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Expenses for repair costs are capitalized if the expenditure increases economic life of the asset; other repair costs are expensed as incurred.

The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalized on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product, or to decrease the costs.

Property held for long-term rental yields and/or capital appreciation is classified as investment property. Investment properties are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the properties.

13. Explanations on leasing transactions

For contracts concluded prior to 1 January 2019, the Group assesses whether the contract has a lease qualification or include a lease transaction.

- (a) The right to obtain almost all of the economic benefits from the use of the leased asset and,
- (b) Whether the leased asset which has the right to manage its use is evaluated

As of 1 January 2019, that is the first application date of TFRS 16, the bank started to apply TFRS 16- Leases standard. At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments are discounted by using the Bank's alternative borrowing dividend. The Parent Bank has recognized the right to lease assets equal to the lease obligation by restating the previously paid or accrued lease payments.

The right of the use asset

The Group reflects the existence of a right of use and a lease obligation to the financial statements at the date the lease is commenced.

The right to use asset is recognized first by cost method and includes the following:

- (a) The first measurement amount of the lease obligation,
- (b) The amount obtained by deducting all rental incentives received from all lease payments made at or before the date of the rental.

When the Group applying cost method, the existence of the right of use:

- (a) Accumulated depreciation and accumulated impairment losses are deducted and
- (b) Measures the restatement of the lease obligation over the adjusted cost.

The Group applies the depreciation liabilities in TAS 16 Tangible Fixed Assets while depreciating the right of use asset.

The Group determines whether the right of use has been impaired and recognizes any identified impairment losses in accordance with TAS 36 – Impairment of Assets.

Lease obligation

At the effective date of the lease, the Group measures the leasing liability at the present value of the lease payments not paid at that time. Lease payments are discounted using the Group's alternative borrowing profit-share rate.

The profit on the lease liability for each period of the lease term is the amount found by applying a fixed periodic profit rate to the remaining balance of the lease liability. Periodic profit rate is the Group's borrowing profit rate.

After the beginning of a contract, the Group remeasures its lease liability to reflect changes in lease payments. The Group reflects the restatement amount of the lease obligation to the financial statements as revised in the presence of the right of use.

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14. Explanations on insurance technical provisions

TFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts. Contracts with significant insurance risk are considered insurance contracts. Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TAS 39 “Turkish Accounting Standard for Financial Instruments: Recognition and Measurement”.

Within the framework of the current insurance regulation, insurance technical provisions accounted by insurance companies for unearned Premium claims, unexpired risk reserver, outstanding claims and life-mathematical reserves are presented in the consolidated financial statements.

Unearned premium reserve is recognized on accrued premiums without discount or commission which extends to the next period or periods on a daily basis for the current insurance contracts.

If the outstanding claim reserve is established and confirmed by approximation and if there are unpaid or unidentified compensation amounts in both prior and current Accounting periods; it is separated for estimated yet unreported compensation amounts.

On the other hand, actuarial chan ladder method is used to estimate the reserve amount to be set aside in the current period by looking at the data of the past materialized losses. If the reserve amount found as a result of this method exceeds the amount of reserve for the amount of uncertain indemnity, additional reserve must be set aside for the difference.

Reinsurance companies recognize for the outstanding claims that is declared by the companies, accrued and determined on account.

Insurance companies of the Group cede premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted Insurance premiums ceded to reinsurers on contract that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

Cost which varies and are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortized over the period of contract, consistent with the earning of premium.

15. Insurance technical income and expense

In insurance companies, premium income is obtained after diminishing the shares transferred from arranged policy income to reassure.

Claims are recorded in expense on accrual basis. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reassurer’ shares of outstanding and paid claims are offset in the provisions.

16. Explanations on provisions and contingent liabilities

Provisions and contingent liabilities are accounted for in accordance with “Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets” (TAS 37).

Provisions are recognized when the Bank has a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

As per the “Matching Principle,” a provision is provided for the liabilities arising as a result of past events in the period they arise, if it is probable that the liability will be settled and a reliable estimate for the liability amount can be made.

When a reliable estimate of the amount of the obligation cannot be made or it is not probable that an outflow of resources will be required to settle the obligation, the obligation is considered as a “Contingent” liability and is disclosed in the related notes to the financial statements.

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17. Explanations on liabilities relating to employee benefits

17.1 Defined benefit plans

In accordance with existing social legislation, the group is required to make severance pay to each employee who has completed over one year of service with the group and who retires or quits the employment to receive old age or disability benefits, to fulfill the compulsory military service, because of the marriage (for females) or because of the other compulsive reasons as defined in the laws and whose employment is terminated due to reasons other than resignation or misconduct.

Liabilities amount which is related to “Turkish Accounting Standard on Employee Benefits” (“TAS 19”) is reflected accompanying financial statements and these liabilities are calculated by an independent actuary firm.

Group is accounted all actuarial profit and loss under Statement of other Comprehensive Income.

The Group’s employees are not members of any pension fund, foundations, union or other similar entities.

17.2 Defined contribution plans

The group pays defined contribution plans to publicly administered Social Security Funds for its employees as mandated by the Social Security Association. The Bank has no further payment obligations other than this contribution share. The contributions are recognized as employee benefit expense when they are due.

17.3 Short term benefits to employees

In accordance with “TAS 19”, vacation pay liabilities are defined as “Short Term Benefits to Employees” and accrued as earned.

Group management calculates bonus accrual if it foresees that the budgeted year-end figures approved by the Board of Directors are attainable.

18. Explanations on Taxation

Current Tax

With the Law No. 7394 on the Assessment of Immovable Properties Belonging to the Treasury and the Amendment of the Value Added Tax Law, which was published in the Official Gazette dated April 15, 2022 and numbered 31810 and entered into force, and the Article 26 of the Law on the Amendment of Some Laws and Decree Laws and the paragraph added to the provisional Article 13 of the Corporate Tax Law No. 5520, the Corporate Tax rate is 25% for corporate earnings for the taxation period of 2022 Apply will be implemented.

This rate is applied on taxable income which is calculated by adjusting the income before tax for certain disallowable expenses, tax exempt income and other allowances. No further tax is applicable unless the profit is distributed. In accordance with the tax legislation, as of July 1, 2022, the provisional tax rate will be paid at the rate of 25% on the quarterly bases, and the provisional taxes paid during the year are deducted from the corporate tax calculated on the annual corporate tax return of that year.

Withholding taxes is not applied to dividends distributed to companies’ resident in Turkey or companies who earn income in Turkey through their resident representatives in Turkey. With the Council of Minister’s decision numbered 2009/14593 and 2009/14594 which are published in official gazette numbered 27130 and dated 3 February 2009, some deduction rates in 15th and 30th articles of the corporate tax law numbered 5520 were re-determined. In accordance with this, dividends distributed to companies other than companies’ resident in Turkey or companies who earn income in Turkey through their resident representatives in Turkey are subject to 10% withholding taxes. Double tax treaty agreements are also taken into consideration during the application of withholding taxes on dividends distributed to real persons and to foreign-based taxpayers. Addition of profit to share capital is not considered as dividend distributed therefore no withholding taxes is applied.

For the purpose of issuance of certificate of leasing immovables to resource institutions, with the sale of asset leasing companies, the scope of Financial Leasing, Factoring and Financing Companies Law No.6361, dated 21 November 2012 in order to lease it back and in case of taking back at the end of the contract, with the sale of financial leasing companies and asset leasing by asset leasing companies, for profit from the sale of the immovable property inherited from the institution applies this rate as 100% and for the immovable is not compulsory to be in assets at least for a period of two years. But the mentioned immovable’s; except in case of failure to fulfill the obligations arising from the source institution, the lesser or leasing agreement, immovable in question by the asset leasing company, in case of selling a third person or institutions, these immovable’s with the carrying value before its transfer to resource institution or asset leasing in lesser

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or asset leasing company, in mentioned institutions taking into consideration the total amount of depreciation is taxable for corporation engaged in the sale.

Corporate tax returns are filed by the thirtieth day of the fourth month following the balance sheet date and taxes is paid in one installment by the end of that month.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. However, losses cannot be carried back to offset profits from previous periods. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

In Turkey, there is no procedure for a final and definite agreement on tax assessments.

With the “Law Amending the Tax Procedure Law and the Corporate Tax Law”, which was accepted on the agenda of the Turkish Grand National Assembly on January 20, 2022, the application of inflation accounting was postponed starting from the balance sheet dated on December 31, 2023.

Deferred Tax

For taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, as per the provisions of “Turkish Accounting Standard on Income Taxes” (“TAS 12”), the Group calculates deferred tax liability over all taxable temporary differences and deferred tax asset over taxable temporary differences, apart from the provisions for due to participation accounts Expected Credit Losses for 12-Months (Stage 1) and for due to participation accounts Lifetime Credit Losses (Stage 2) with significant increase in the credit risk after initial recognition, to the extent that is probable that taxable profit will be available in subsequent periods. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis. The tax effect regarding the items directly accounted in equity are also reflected in equity. Updated tax rates in the upcoming periods will be taken into account in the calculation of deferred tax assets and liabilities.

19. Explanations on Additional Disclosures on Borrowings

Borrowings other than funds collected are measured at amortized cost using the internal rate of return method after the initial recognition. The Group does not apply hedging techniques on related borrowings.

The Group has not issued convertible bonds.

20. Explanations on Share Certificates Issued

There is no significant amount of transaction costs on Bank about share certificates.

21. Explanations on Acceptances and Aailed Drafts

Acceptances and aailed drafts are realized simultaneously with the payment dates of the customers, and they are presented as commitments in off-balance sheet accounts.

22. Explanations on Government Grants

There are no government grants received by the Group.

23. Explanations on Segment Reporting

The Group conducts its activities in three separate segments: Corporate and Commercial Banking, Retail Banking, Treasury and International Banking. Each department serves with its own products and the results of the activities are monitored on the basis of these departments.

Segment reporting is disclosed in Section Four, Note 14.

24. Explanations on Other Matters

The Group has no disclosures on other matters.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

1. Explanations on Consolidated Equity Items

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 2022 the Group’s total capital has been calculated as TL 42,994,745 (31 December 2021: TL 19,958,724), capital adequacy ratio is 26.42% (31 December 2021: 22.34%).

Within the scope of the regulations dated 28 April 2022 and 21 December 2021 by the BRSA, it was allowed to calculate the amount based on credit risk with the exchange rates of the Central Bank for 31 December 2021 and to exclude these differences in the amount of equity to be used for the capital adequacy ratio if the net valuation differences of the securities in the portfolio of securities whose fair value difference is reflected in the other comprehensive income are negative.

The Parent Bank used these opportunities in its Capital Adequacy calculations as of December 31, 2022.

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1.1. Components of Consolidated Total Capital

	Current Period 31/12/2022 Amount	Prior Period 31/12/2021 Amount
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation After All Creditors	4,600,000	4,600,000
Share Premium	24,525	24,525
Reserves	5,674,663	3,411,612
Other Comprehensive Income According to TAS	5,307,706	482,295
Profit	15,675,952	3,266,312
Current Period Profit	14,918,773	3,355,492
Prior Period Profit	757,179	(89,180)
Minority Shares	67,913	36,019
Bonus Shares from Associates, Affiliates and Joint-Ventures Not Accounted in Current Period's Profit	-	-
Common Equity Tier I Capital Before Deductions	31,350,759	11,820,763
Deductions From Common Equity Tier I Capital	-	-
Valuation Adjustments Calculated As Per The Article 9. (I) Of The Regulation On Bank Capital	-	-
Current And Prior Periods' Losses Not Covered By Reserves, And Losses Accounted Under Equity According To TAS	25,400	16,538
Leasehold Improvements On Operational Leases	135,849	73,968
Goodwill Netted With Deferred Tax Liabilities	-	-
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	522,668	347,516
Net Deferred Tax Asset/Liability	138,267	115,397
Differences Arise When Assets And Liabilities Not Held At Fair Value, Are Subjected To Cash Flow Hedge Accounting	-	-
Total Credit Losses That Exceed Total Expected Loss Calculated According To The Regulation On Calculation Of Credit Risk By Internal Ratings Based Approach	-	-
Securitization Gains	-	-
Unrealized Gains And Losses From Changes In Bank's Liabilities' Fair Values Due To Changes In Creditworthiness	-	-
Net Amount Of Defined Benefit Plans	294,407	52,112
Direct And Indirect Investments Of The Bank On Its Own Tier I Capital	4,869	4,869
Shares Obtained Against Article 56, Paragraph 4 Of The Banking Law	-	-
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	-	-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital	-	-
Mortgage Servicing Rights Exceeding The 10% Threshold Of Tier I Capital	-	-
Net Deferred Tax Assets Arising From Temporary Differences Exceeding The 10% Threshold Of Tier I Capital	-	-
Amount Exceeding The 15% Threshold Of Tier I Capital As Per The Article 2, Clause 2 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks	-	-
The Portion Of Net Long Position Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Not Deducted From Tier I Capital	-	-
Mortgage Servicing Rights Not Deducted	-	-
Excess Amount Arising From Deferred Tax Assets From Temporary Differences	-	-
Other Items To Be Defined By The BRSA	-	-
Deductions From Tier I Capital In Cases Where There Are No Adequate Additional Tier I Or Tier II Capitals	-	-
Total Deductions From Common Equity Tier I Capital	1,121,460	610,400
Total Common Equity Tier I Capital	30,229,299	11,210,363

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ADDITIONAL TIER I CAPITAL BEFORE DEDUCTIONS		
Capital corresponding to privileged shares not included in the core capital and the related issuance premiums	-	-
Borrowing instruments deemed appropriate by the Authority and related issuance premiums	4,678,228	3,317,165
Borrowing instruments deemed appropriate by the Authority and the related issuance premiums (those covered by Provisional Article 4)	-	-
Additional Capital Before Discounts	4,678,228	3,317,165
Deductions From Additional Tier I Capital	-	-
Direct And Indirect Investments Of The Bank On Its Own Additional Tier I Capital (-)	-	-
Investments In Equity Instruments Issued By Banks Or Financial Institutions Invested In Bank's Additional Tier I Capital And Having Conditions Stated In The Article 7 Of The Regulation	-	-
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 (-)	-	-
Items To Be Deducted From Tier I Capital During The Transition Period		
Goodwill And Other Intangible Assets And Related Deferred Taxes Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
Net Deferred Tax Asset/Liability Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)	-	-
Deduction From Additional Tier I Capital When There Is Not Enough Tier II Capital (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	4,678,228	3,317,165
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	34,907,527	14,527,528
TIER II CAPITAL		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA	6,549,519	4,644,031
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (Covered By Temporary Article 4)	-	-
Provisions (Amounts Explained In The First Paragraph Of The Article 8 Of The Regulation On Bank Capital)	1,546,220	905,540
Total Deductions From Tier II Capital	8,095,739	5,549,571
Deductions From Tier II Capital	-	-
Direct And Indirect Investments Of The Bank On Its Own Tier II Capital (-)	-	-
Investments In Equity Instruments Issued By Banks And Financial Institutions Invested In Bank's Tier II Capital And Having Conditions Stated In The Article 8 Of The Regulation	-	-
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 And Tier II Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Tier I Capital (-)	-	-
Other Items To Be Defined By The BRSA (-)	-	-
Total Deductions From Tier II Capital	-	-
Total Tier II Capital	8,095,739	5,549,571
Total Equity (Total Tier I And Tier II Capital)	43,003,266	20,077,099

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Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted Against The Articles 50 And 51 Of The Banking Law (-)	-	-
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 (-)	7,898	11,607
Other Items To Be Defined By The BRSA (-)	623	106,768
Items To Be Deducted From The Sum Of Tier I And Tier II Capital (Capital) During The Transition Period		
The Portion Of 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 Not Deducted From Tier I Capital, Additional Tier I Capital Or Tier II Capital As Per The Temporary Article 2, Clause 1 Of The Regulation (-)	-	-
The Portion Of Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital Not Deducted From Additional Tier I Capital Or Tier II Capital As Per The Temporary Article 2, Clause 1 Of The Regulation (-)	-	-
The Portion Of Net Long Position Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital, Of The Net Deferred Tax Assets Arising From Temporary Differences And Of The Mortgage Servicing Rights Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 2, Paragraph (1) And (2) And Temporary Article 2, Clause 1 Of The Regulation (-)	-	-
CAPITAL		
Total Capital (Total Of Tier I Capital And Tier II Capital)	42,994,745	19,958,724
Total Risk Weighted Assets	162,710,986	89,353,714
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	18.58	12.55
Tier I Capital Ratio (%)	21.45	16.26
Capital Adequacy Ratio (%)	26.42	22.34
BUFFERS		
Bank-Specific Total CET1 Capital Ratio	2.52	2.50
Capital Conservation Buffer Ratio (%)	2.50	2.50
Systemic Significant Bank Buffer Ratio (%)	0.02	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According To The Article 4 Of Capital Conservation And Counter-Cyclical Capital Buffers Regulation	14.08	8.05
Amounts Lower Than Excesses As Per Deduction Rules		
Remaining 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	-	-
Remaining Total Of Net Long Positions Of The Investments In Tier I Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Or Less Of The Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets Arising From Temporary Differences	-	-
Limits For Provisions Used In Tier II Capital Calculation		
General Loan Provisions For Exposures In Standard Approach (Before Limit Of One Hundred And Twenty Five Per Ten Thousand)	6,500,534	6,298,549
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets	1,546,220	905,540
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach	-	-
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach, Limited By 0.6% Risk Weighted Assets	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
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	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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Information on debt instruments to be included in equity calculation:			
Issuer	KT One Company Limited	KT AT One Company Limited	KT21 T2 Company Limited
Instrument Code (CUSIP, ISIN vb.)	XS2028862998	XS2227803819	XS2384355520
Legislation to which the Instrument is subject	BRSA regulation on Shareholders ' Equity	BRSA regulation on Shareholders ' Equity	BRSA regulation on Shareholders ' Equity
Consideration In Equity Calculation			
Subject to consideration application reduced by 10% from 1/1/2015	Not Being Subject	Not Being Subject	Not Being Subject
Validity on a consolidated or unconsolidated basis or both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis
Instruments Type	Subordinated Sukuk (Additional Tier I Capital)	Subordinated Sukuk (Additional Tier I Capital)	Subordinated Sukuk (Tier II Capital)
Amount taken into account in equity calculation (as of last reporting date-TL million)	3,743	936	6,550
Nominal value of the Instrument (TL million))	3,743	936	6,550
The account in which the Instrument is followed accounting	3470003	3470003	3470003
Export date of the Instrument	16/07/2019	28/09/2020	16/09/2021
Maturity structure of the Instrument (demand/term))	Demand	Demand	10 Years and 3 Months Term
Initial maturity of the Instrument	5 Years (Due Date: 16/07/2024)	5 Years (Due Date: 29/09/2025)	5 Years and 3 Months (Due Date: 16/12/2026)
Whether the issuer has the right to refund subject to BRSA approval	Yes	Yes	Yes
Date of repayment option, contingent repayment options and amount to be paid back	16/07/2024 – Complete	29/09/2025 – Complete	16/12/2026 -Complete
Subsequent repayment option dates	16/07/2024	29/09/2025	16/12/2026
Dividend payments			
Fixed or variable dividend payments	Fixed Dividend payments	Fixed Dividend payments	Fixed Dividend payments
Dividend ratio and index value for dividend ratio	9.13%	9.95%	6.125%
Whether there are any restrictions that stop paying dividends	None	None	None
The ability to be completely optional, partially optional or mandatory	Mandatory	Mandatory	Mandatory
Whether there is an element to encourage repayment, such as a dividend rate hike	None	None	None
Non-accumulative or cumulative property	Noncumulative	Noncumulative	Noncumulative
Ability to convert to stock			
Trigger events/events that would cause conversion if converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Fully or partially convert property if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
If it can be converted to stock, the conversion rate	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Forced or optional conversion property, if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Types of convertible Instruments if convertible to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Issuer of the debt instrument to be converted if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Value reduction feature			
Trigger events/events to cause reduction if value reduction is enabled	No Value Reduction	No Value Reduction	No Value Reduction
If it has a value reduction feature, it has a total or partial value reduction feature	No Value Reduction	No Value Reduction	No Value Reduction
If the value reduction property is continuous or transient	No Value Reduction	No Value Reduction	No Value Reduction
If the value can be temporarily reduced, the value increment mechanism	No Value Reduction	No Value Reduction	No Value Reduction
In the case of liquidation, which is in the order in respect of the right of receivables (the instrument which is located just above this instrument of borrowing))	Tier - 1	Tier - 1	Tier - 2
Whether or not the provisions of Articles 7 and 8 of the regulation on the shareholders ' equity of the banks are not met	None	None	None
Which of the conditions contained in Articles 7 and 8 of the regulation on the shareholders ' equity of the banks are not met	None	None	None

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1.2 Approaches applied to assess the adequacy of internal capital requirement in terms of current and future activities

Internal evaluation process is established for continuously evaluating and maintaining the types, components and distribution of the adequate level of capital in order to provide for various risks exposed to or to be exposed to. The final purpose of the evaluation process of the internal capital requirement, is to define and evaluate all the risks included or not in the calculations of the legal capital requirements, within the frame of the activities of the Parent Bank, and to provide the availability of adequate capital in order to cover these risks and the application of the risk management techniques. The results obtained in this evaluation process by taking into consideration, the Parent Banks' growth strategy, assets-liabilities structure, funding sources, liquidity position, foreign currency position, the effect of the price and market fluctuations on the capital, which are among the variables of the economy, aim to provide the continuity of the mentioned capital adequacy level at the determined level in compliance with the Banks' risk profile and risk appetite.

Within this scope, capital structure is reviewed as based on the frame of the activities and risks exposed to, and the internal capital requirement, probable to occur within the direction of targets and strategies of the Group is evaluated. This evaluation includes interest rate risk, concentration risk, liquidation risk, reputation risk, residual risk, country risk and strategic risk arising of the banking books as well as market, credit and operational risks. Capital requirement internal evaluation is evaluated to be a developing process and the development areas for the future period are determined and plans are prepared.

2. Explanations and disclosures related to consolidated credit risk

Credit risk means the risks and damages to arise as a result of partial or complete non-fulfillment of the obligations timely by non-compliance of the counter party with the requirements of the agreement concluded with the Group.

With regards to the credit risk, the debtor or the group of debtors is subjected to risk limitation. The upper limit of the rate of the credits granted to the companies in one sector to the total credits is determined annually by the Board of Directors and is updated as required.

The credit risk which the Group is subjected to outside of Turkey is followed up by the Board of Directors within the frame of the determined limits on the basis of countries and regions. Within this scope, the total risk which the Group had taken in the foreign country or region, the total of the credit risk taken by the banks residing abroad and/or their branches in Turkey, the total risks of the credits generated to the people residing abroad or with foreign nationally, the risk total taken over the corporate customers and/or banks to which the partners residing in Turkey but of which the principal shareholder or shareholders reside in another country, had given guarantee and in required cases, the risk total taken by the Bank in Turkey should be followed up.

The risks and limits arising of the treasury transactions and customer based commercial transactions are followed up daily. Moreover, the control of the limits allocated as based on the degrees of the correspondent banks and the maximum risk that the Group can take within its equities are also performed daily. The risk limits relevant to the transactions performed daily are determined and the risk intensity relevant to off the balance sheet transactions are being followed up.

As provided for in the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for the Loans, the credit worthiness of the debtors of the loans and the other receivables are followed up at regular intervals, in case of early determination of a probable repayment problem, the credit limits redefined, and additional guarantees are taken and this way the prevention of the bank's loss is aimed. The account statement documents for the loan generations are taken as defined in the legislation. The guarantees are taken within the frame of the relevant legislation, by consideration of the quality of the credit and the financial structure of the company and as based on the allocation decision taken by the credit committee

Futures and option contracts and other similar contract positions are not held.

The indemnified non-cash loans are subject to the same risk weight as the unpaid credits, in accordance with the "Regulation on the Procedures and Principles for the Determination of the Qualifications of Credits and Other Receivables in Banks and the Provisions to be Forded". Renewed and restructured loans are monitored in accordance with the methods set out in the relevant legislation.

Foreign trade financing and inter-banks loan transactions are performed by a wide network of correspondents and the country risks, limits, correspondent risks and limits are regularly evaluated within this scope.

There is no important credit risk concentration when evaluated together with the financial activities of the other financial institutes.

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The Parent Bank's top 100 and 200 cash loan customers represents 23% and 30% of the total cash loan portfolio, respectively.

The Parent Bank's top 100 and 200 non-cash loan customers represent 26% and 36% of the total non-cash loan portfolio, respectively.

The Parent Bank's top 100 and 200 cash and non-cash loan customers represent 20% and 27% of the total cash and non-cash loan portfolio, respectively.

Risk Classifications	Current Period Risk Amount (*)	Average Risk Amount (**)
Conditional and unconditional receivables from central governments or Central Banks	125,739,825	100,110,517
Conditional and unconditional receivables from regional or local governments	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-
Conditional and unconditional receivables from multilateral development banks	483,369	437,742
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	25,287,842	26,715,713
Conditional and unconditional receivables from corporates	60,718,301	56,783,089
Conditional and unconditional receivables from retail portfolios	29,833,608	24,758,239
Conditional and unconditional receivables secured by mortgages	37,852,401	32,353,658
Past due receivables	126,806	176,260
Receivables defined under high-risk category by BRSA	9,751,076	4,510,382
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	-	846,325
Stock Investments	555,590	240,055
Other Receivables	13,969,150	13,108,375
Total	304,317,968	260,040,355

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

(**) Average risk amounts are the arithmetical average of the amounts in monthly reports prepared starting from the date of publication of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Bank.

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Risk Classifications	Prior Period Risk Amount (*)	Average Risk Amount (**)
Conditional and unconditional receivables from central governments or Central Banks	76,644,948	63,360,327
Conditional and unconditional receivables from regional or local governments	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-
Conditional and unconditional receivables from multilateral development banks	334,877	294,440
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	21,172,808	16,968,880
Conditional and unconditional receivables from corporates	39,938,304	35,654,143
Conditional and unconditional receivables from retail portfolios	19,784,497	15,067,183
Conditional and unconditional receivables secured by mortgages	25,204,771	23,111,487
Past due receivables	148,417	179,549
Receivables defined under high-risk category by BRSA	316,338	205,010
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	105,266	258,611
Stock Investments	112,938	92,767
Other receivables	11,422,427	8,847,381
Total	195,185,591	164,039,778

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

(**) Average risk amounts are the arithmetical average of the amounts in monthly reports prepared starting from the date of publication of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Bank.

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2.1. Profile of significant exposures in major regions

Current Period (*)	Conditional and unconditional receivables from central governments to Central Banks	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables from retail portfolios	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined under high-risk category by BRSA	Investments similar to collective investment funds	Stock Investments	Other Receivables	Total
Domestic	125,739,825	-	4,945,907	53,481,495	27,666,701	37,403,049	126,305	9,746,827	-	-	-	259,110,109
European Union Countries	-	-	1,931,876	6,449,606	2,118,955	133,175	384	-	-	-	-	10,633,996
OECD Countries (**)	-	-	2,341,868	2,954	4,662	23,243	28	-	-	-	-	2,372,755
Off-Shore Regions	-	-	406,361	427,104	1,792	215,235	-	-	-	-	-	1,050,492
USA, Canada	-	-	8,569,389	119	1,929	8,601	-	-	-	-	-	8,580,038
Other Countries	-	483,369	7,092,441	357,023	39,569	69,098	89	-	-	-	-	8,041,589
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	555,590	-	555,590
Undistributed Assets / Liabilities (***)	-	-	-	-	-	-	-	-	-	-	13,969,150	13,969,150
Total	125,739,825	483,369	25,287,842	60,718,301	29,833,608	37,852,401	126,806	9,746,827	-	555,590	13,969,150	304,313,719

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

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

(***) Includes assets and liability items that cannot be allocated on a consistent basis.

(****) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.”

Prior Period (*)	Conditional and unconditional receivables from central governments to Central Banks	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables from retail portfolios	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined under high-risk category by BRSA	Investments similar to collective investment funds	Stock Investments	Other Receivables	Total
Domestic	76,644,948	-	10,774,374	35,219,026	18,519,722	25,006,530	148,257	308,548	105,266	-	-	166,726,672
European Union Countries	-	-	1,051,381	4,557,709	1,217,316	39,988	79	5,157	-	-	-	6,871,630
OECD Countries (**)	-	-	3,163,663	19,716	3,241	11,612	17	85	-	-	-	3,198,334
Off-Shore Regions	-	-	1,973	61,673	2,905	89,582	-	-	-	-	-	156,133
USA, Canada	-	-	5,500,448	88	1,164	1,142	-	127	-	-	-	5,502,969
Other Countries	-	334,877	680,969	80,092	40,149	55,917	64	2,421	-	-	-	1,194,488
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	112,938	-	112,938
Undistributed Assets / Liabilities (***)	-	-	-	-	-	-	-	-	-	-	11,422,427	11,422,427
Total	76,644,948	334,877	21,172,808	39,938,304	19,784,497	25,204,771	148,417	316,338	105,266	112,938	11,422,427	195,185,591

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

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

(***) Includes assets and liability items that cannot be allocated on a consistent basis.

(****) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.”

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2.2. Risk profile by sectors or counterparties

Current Period	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from Corporates	Conditional and unconditional receivables from retail receivables	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in high-risk category by BRSA	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	TL	FC	Total (*)
Agriculture	-	-	-	-	-	-	857,452	518,198	945,389	416	102,852	-	-	-	-	-	895	1,793,071	632,131	2,425,202
Farming and Stockbreeding	-	-	-	-	-	-	759,938	324,617	777,700	202	95,661	-	-	-	-	-	797	1,418,770	540,145	1,958,915
Forestry	-	-	-	-	-	-	88,971	189,986	164,297	214	6,481	-	-	-	-	-	87	358,051	91,985	450,036
Fishery	-	-	-	-	-	-	8,543	3,595	3,392	-	710	-	-	-	-	-	11	16,250	1	16,251
Manufacturing	-	-	-	-	-	-	25,364,069	7,021,829	9,812,004	38,272	4,185,208	-	-	-	-	-	4,927	22,528,939	23,897,370	46,426,309
Mining and Quarrying	-	-	-	-	-	-	4,998,887	1,315,043	1,495,762	1,001	634,572	-	-	-	-	-	881	3,911,071	4,535,075	8,446,146
Production	-	-	-	-	-	-	14,718,251	5,294,426	7,404,399	37,145	3,417,325	-	-	-	-	-	3,283	17,587,021	13,287,808	30,874,829
Electricity, Gas and Water	-	-	-	-	-	-	5,646,931	412,360	911,843	126	133,311	-	-	-	-	-	763	1,030,847	6,074,487	7,105,334
Construction	-	-	-	-	-	-	11,229,238	2,721,475	5,327,220	44,839	1,082,695	-	-	-	-	-	5,881	11,554,134	8,857,214	20,411,348
Services	125,739,825	-	-	483,369	-	25,287,842	13,516,509	8,635,419	10,274,509	33,526	4,099,946	-	-	-	-	533,689	10,867,074	92,258,547	107,213,161	199,471,708
Wholesale and Retail Trade	-	-	-	-	-	-	7,805,220	5,333,772	6,505,517	24,960	2,968,178	-	-	-	-	-	31,686	15,912,588	6,756,745	22,669,333
Accommodation and Dining	-	-	-	-	-	-	112,007	230,492	424,080	456	38,637	-	-	-	-	-	23,824	579,663	249,833	829,496
Transportation and Telecom.	-	-	-	-	-	-	2,680,542	1,798,580	1,439,336	3,872	424,482	-	-	-	-	-	113,878	3,059,398	3,401,292	6,460,690
Financial Institutions	125,739,825	-	-	483,369	-	24,939,645	652,189	5,923	79,163	1	15,222	-	-	-	-	20,000	10,693,218	67,800,288	94,828,267	162,628,555
Real Estate and Rental Services	-	-	-	-	-	348,197	1,313,236	393,541	695,345	2,126	245,522	-	-	-	-	50	650	1,712,086	1,286,581	2,998,667
Professional Services	-	-	-	-	-	-	18,642	4,720	50	-	-	-	-	-	-	-	1	380	23,033	23,413
Educational Services	-	-	-	-	-	-	16,690	68,556	144,804	1,145	6,673	-	-	-	-	-	210	194,894	43,184	238,078
Health and Social Services	-	-	-	-	-	-	917,983	799,835	986,214	966	401,232	-	-	-	-	513,639	3,607	2,999,250	624,226	3,623,476
Others	-	-	-	-	-	-	9,751,033	10,936,687	11,493,279	9,753	280,375	-	-	-	-	21,901	3,090,373	34,320,568	1,262,833	35,583,401
Total	125,739,825	-	-	483,369	-	25,287,842	60,718,301	29,833,608	37,852,401	126,806	9,751,076	-	-	-	-	555,590	13,969,150	162,455,259	141,862,709	304,317,968

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

(**) Stands for the risk categories listed in Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.

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Prior Period	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from Corporates	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in high-risk category by BRSA	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	TL	FC	Total (*)
Agriculture	-	-	-	-	-	-	548,818	393,655	579,950	1,604	-	-	-	-	-	-	-	1,090,509	433,518	1,524,027
Farming and Stockbreeding	-	-	-	-	-	-	485,173	277,018	474,008	539	-	-	-	-	-	-	-	856,329	380,409	1,236,738
Forestry	-	-	-	-	-	-	59,601	115,524	104,369	1,065	-	-	-	-	-	-	-	227,450	53,109	280,559
Fishery	-	-	-	-	-	-	4,044	1,113	1,573	-	-	-	-	-	-	-	-	6,730	-	6,730
Manufacturing	-	-	-	-	-	-	14,942,704	5,577,283	5,850,903	34,121	-	-	-	-	-	-	-	12,041,892	14,363,119	26,405,011
Mining and Quarrying	-	-	-	-	-	-	2,367,192	945,298	941,727	862	-	-	-	-	-	-	-	2,277,535	1,977,544	4,255,079
Production	-	-	-	-	-	-	8,544,368	4,257,947	4,535,381	33,103	-	-	-	-	-	-	-	9,254,802	8,115,997	17,370,799
Electricity, Gas and Water	-	-	-	-	-	-	4,031,144	374,038	373,795	156	-	-	-	-	-	-	-	509,555	4,269,578	4,779,133
Construction	-	-	-	-	-	-	8,431,186	2,002,176	3,588,137	52,893	-	-	-	-	-	-	-	7,179,835	6,894,557	14,074,392
Services	76,644,948	-	-	334,877	-	21,172,808	9,499,769	6,257,192	6,585,825	45,711	-	-	-	-	105,266	112,938	-	44,569,201	76,190,133	120,759,334
Wholesale and Retail Trade	-	-	-	-	-	-	6,112,113	4,193,997	4,380,325	30,592	-	-	-	-	-	-	-	9,567,785	5,149,242	14,717,027
Accommodation and Dining	-	-	-	-	-	-	73,555	151,560	252,944	5,063	-	-	-	-	-	-	-	300,753	182,369	483,122
Transportation and Telecom.	-	-	-	-	-	-	1,497,214	1,022,960	732,934	5,310	-	-	-	-	-	-	-	1,648,568	1,609,850	3,258,418
Financial Institutions	76,644,948	-	-	334,877	-	21,172,808	1,572	6,163	54,520	-	-	-	-	-	105,266	112,938	-	30,370,743	68,062,349	98,433,092
Real Estate and Rental Services	-	-	-	-	-	-	954,653	279,514	456,951	2,407	-	-	-	-	-	-	-	1,004,410	689,115	1,693,525
Professional Services	-	-	-	-	-	-	14,605	176	65	-	-	-	-	-	-	-	-	246	14,600	14,846
Educational Services	-	-	-	-	-	-	59,327	50,169	103,802	1,676	-	-	-	-	-	-	-	163,104	51,870	214,974
Health and Social Services	-	-	-	-	-	-	786,730	552,653	604,284	663	-	-	-	-	-	-	-	1,513,592	430,738	1,944,330
Others	-	-	-	-	-	-	6,515,827	5,554,191	8,599,956	14,088	316,338	-	-	-	-	-	11,422,427	16,406,854	16,015,973	32,422,827
Total	76,644,948	-	-	334,877	-	21,172,808	39,938,304	19,784,497	25,204,771	148,417	316,338	-	-	-	105,266	112,938	11,422,427	81,288,291	113,897,300	195,185,591

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

(**) Stands for the risk categories listed in Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.

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2.3. Analysis of maturity-bearing exposures according to remaining maturities:

Risk Categories (*) – Current Period	Time to Maturity				
	1 month	1–3 months	3–6 months	6–12 months	Over 1 year
Conditional and unconditional receivables from central governments or Central Banks	12,869,590	-	2,057,298	19,231,043	91,581,894
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	483,369
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	19,328,483	4,541,384	192,583	212,063	1,013,329
Conditional and unconditional receivables from corporates	17,247,003	4,631,891	5,986,696	9,093,806	23,758,905
Conditional and unconditional receivables from retail portfolios	9,518,469	3,118,734	2,720,153	6,353,464	8,122,789
Conditional and unconditional receivables secured by mortgages	3,263,270	2,936,920	3,657,354	8,477,500	19,517,357
Past due receivables	-	-	-	-	-
Receivables defined under high-risk category by BRSA	476,490	1,270,693	2,048,033	5,084,235	871,625
Collateralized securities	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Stock Investments	-	-	-	-	555,590
Other Receivables	12,426,557	106	194	579	1,541,714
Total	75,129,862	16,499,728	16,662,311	48,452,690	147,446,572

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

(**) Stands for the risk categories listed in Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.

Risk Categories (*) – Prior Period	Time to Maturity				
	1 month	1–3 months	3–6 months	6–12 months	Over 1 year
Conditional and unconditional receivables from central governments or Central Banks	15,722,410	-	-	315,286	19,656,442
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	334,877
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	2,590,072	320,980	5,151,695	151,918	491,253
Conditional and unconditional receivables from corporates	3,473,418	2,993,443	12,018,425	4,413,148	16,989,706
Conditional and unconditional receivables from retail portfolios	2,474,528	2,243,669	3,294,199	3,095,794	8,388,977
Conditional and unconditional receivables secured by mortgages	1,527,158	1,533,238	1,930,398	3,778,266	16,435,710
Past due receivables	-	-	-	-	-
Receivables defined under high-risk category by BRSA	217,482	4,567	-	2,042	92,247
Collateralized securities	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-
Investments similar to collective investment funds	1,099	3,067	103	491	100,506
Stock Investments	-	-	-	-	112,938
Other Receivables	-	-	-	-	-
Total	26,006,167	7,098,964	22,394,820	11,756,945	62,602,656

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

(**) Stands for the risk categories listed in Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.

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2.4 Exposure Categories

In compliance with the 7th Article of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks, determination of the risk weights in calculation of the risk weighted sums is performed based on the credit ratings provided by the rating companies.

The ratings of an international credit rating agency are used for the Banks and Corporate Receivables asset class, which is limited to the receivables that are resident abroad. Receivables from banks are analyzed in two separate receivable classes according to their original maturity. If the original maturity is 3 months or less, they are assigned to “Short Term Receivables from Banks and Intermediary Institutions”, if it is more than 3 months it is assigned to “Receivables from Banks and Intermediary Institutions”. The banks and institutions established within the country are evaluated as unrated.

The ratings given by the international credit rating agency are used to determine the risk weighted asset class. The ratings of the credit rating agency are being used for Banks and Corporate Receivables asset class limited to the counterparties which are resident abroad.

		Exposure Categories			
Credit Quality Grade	Fitch Rating Risk	Exposures from Banks and Brokerage Houses			Exposures to Corporates
		Exposures to Central Governments or Central Banks Exposure Categories	Receivables With Original Maturity Less Than 3 Months	Receivables with Original Maturity greater than 3 Months	
1	AAA AA+ AA AA-	0%	20%	20%	20%
2	A+ A A-	20%	20%	50%	50%
3	BBB+ BBB BBB-	50%	20%	50%	100%
4	BB+ BB BB-	100%	50%	100%	100%
5	B+ B B-	100%	50%	100%	150%
6	CCC+ CCC CCC- CC C D	150%	150%	150%	150%
Unrated	Unrated	100%	20% (*)	50% (*)	100%

(*) This is used under the condition of not being less than the implemented one in the centralized management of the Parent Bank's located country.

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2.5 Credit risk using the standard approach

2.5.1. Credit risk exposed and credit risk mitigation effects

		CCF and CRM		CCF and CRM		RWA and RWA density	
		Receivable before		Receivable post			
	Risk Classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Receivables from central governments and Central Banks	125,655,685	-	131,387,254	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-
4	Receivables from multilateral development banks	483,369	-	483,369	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	23,866,875	2,595,880	23,866,875	614,899	8,103,588	33
7	Receivables from corporate	53,244,712	16,009,589	48,016,593	7,108,851	49,977,422	91
8	Retail receivables	25,639,336	20,747,575	25,344,315	4,095,175	20,481,733	70
9	Receivables secured by residential property	14,235,671	2,054,708	14,176,397	925,347	5,046,033	33
10	Receivables secured by commercial property	20,100,432	5,586,778	19,959,937	2,590,952	13,778,503	61
11	Non-performing receivables	126,806	-	118,146	-	59,785	51
12	Receivables in high-risk categories	9,751,075	-	9,751,076	-	19,504,054	200
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-
16	Other receivables	13,969,150	-	13,969,150	-	5,314,957	38
17	Stock investments	555,590	-	555,590	-	555,590	100
18	Total	287,628,701	46,994,530	287,628,702	15,335,224	122,821,665	

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2.5.2. Exposures by asset classes and risk weights

Risk Classes / Risk Weights (Current Period)		0%	10%	20%	50%	75%	100%	150%	200%	Others*	Total risk amount (post-CCF and CRM)
1	Receivables from central governments and Central Banks	131,387,254	-	-	-	-	-	-	-	-	131,387,254
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	483,369	-	-	-	-	-	-	-	-	483,369
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	219,747	-	16,390,219	6,092,527	-	1,779,281	-	-	-	24,481,774
7	Receivables from corporate	3,694,266	-	1,817,195	-	-	49,613,983	-	-	-	55,125,444
8	Retail receivables	2,055,309	-	342,416	-	26,514,063	527,702	-	-	-	29,439,490
9	Receivables secured by residential property	606,034	-	183,101	-	-	-	-	-	14,312,609	15,101,744
10	Receivables secured by commercial property	1,239,320	-	684,943	13,970,222	-	6,656,404	-	-	-	22,550,889
11	Non-performing receivables	613	-	67	115,389	-	2,077	-	-	-	118,146
12	Receivables in high-risk categories	731	-	1,061	-	-	-	149,245	9,573,407	26,632	9,751,076
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
16	Stock investments	-	-	-	-	-	555,590	-	-	-	555,590
17	Other receivables	8,609,473	-	55,900	-	-	5,303,777	-	-	-	13,969,150
18	Total	148,296,116	-	19,474,902	20,178,138	26,514,063	64,438,814	149,245	9,573,407	14,339,241	302,963,926

* 35% Risk Weight is classified in the others section.

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Risk Classes / Risk Weights (Prior Period)		0%	10%	20%	50%	75%	100%	150%	200%	Others*	Total risk amount (post-CCF and CRM)
1	Receivables from central governments and Central Banks	75,608,995	-	-	-	-	-	-	-	-	75,608,995
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	334,877	-	-	-	-	-	-	-	-	334,877
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	10,508	-	13,208,157	6,105,200	-	472,002	-	-	-	19,795,867
7	Receivables from corporate	490,782	-	485,918	-	-	35,034,247	-	-	-	36,010,947
8	Retail receivables	423,918	-	459,819	-	18,657,937	65,931	-	-	-	19,607,605
9	Receivables secured by residential property	82,853	-	119,246	-	-	-	-	-	10,793,262	10,995,361
10	Receivables secured by commercial property	174,229	-	182,733	8,752,980	-	4,895,306	-	-	-	14,005,248
11	Non-performing receivables	12,761	-	383	108,569	-	2,738	-	-	-	124,451
12	Receivables in high-risk categories	4,870	-	1,820	-	-	-	309,648	-	-	316,338
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	82,130	-	4,189	612	-	18,335	-	-	-	105,266
16	Stock investments	-	-	-	-	-	112,938	-	-	-	112,938
17	Other receivables	8,828,137	-	29,609	-	-	2,564,681	-	-	-	11,422,427
18	Total	86,054,060	-	14,491,874	14,967,361	18,657,937	43,166,178	309,648	-	10,793,262	188,440,320

* 35% Risk Weight is classified in the others section.

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2.6. Risk amounts according to risk weights

Current Period Risk Weights	0%	10 %	20%	25%	35%	50%	75%	100%	150%	200%	Other Risk Classes	Deductions from Equity
Exposur es before Credit Risk Mitigatio n	134,968,274	-	16,446,119	-	15,161,018	21,483,431	29,170,455	75,983,553	151,037	-	9,600,039	1,129,981
Exposur es after Credit Risk Mitigatio n	148,296,116	-	19,474,902	-	14,312,609	20,178,138	26,514,063	64,438,814	149,245	-	9,600,039	1,129,981
Prior Period Risk Weights	0%	10%	20%	25%	35%	50%	75%	100%	150%	200%	Other Risk Classes	Deductions from Equity
Exposures before Credit Risk Mitigation	80,679,312	-	13,241,955	-	11,041,484	15,314,386	19,678,584	48,168,258	316,338	-	-	499,381
Exposures after Credit Risk Mitigation	86,054,060	-	14,491,874	-	10,793,262	14,967,361	18,657,937	43,166,178	309,648	-	-	499,381

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2.7. Information by major sectors and type of counterparties

Impaired Loans; are the credits that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness according to TFRS 9 Financial Instruments. For such credits, “expected credit loss provisions” are allocated as TFRS 9 suggests.

Past Due Loans; are the credits that overdue up to 90 days but not impaired. For such credits, “general provisions” are allocated within the scope of TFRS 9.

Current Period (**)	Loans		Provisions
	Impaired Loans		
	Significant Increase in Credit Risk (Stage II)	Default (Stage III)	Expected Credit Loss Provisions (*)
Agriculture	374,129	24,744	227,557
Farming and Stockbreeding	353,411	9,884	209,345
Forestry	19,537	14,860	17,807
Fishery	1,181	-	405
Manufacturing	3,444,363	603,126	1,636,990
Mining and Quarrying	556,423	63,017	365,174
Production	2,031,556	535,408	1,138,720
Electricity, Gas and Water	856,384	4,701	133,096
Construction	2,669,030	1,244,179	2,365,947
Services	4,452,784	1,263,133	2,777,970
Wholesale and Retail Trade	2,049,445	871,657	1,458,356
Accommodation and Dining	324,797	179,083	301,782
Transportation and Telecommunication	570,923	101,692	231,594
Financial Institutions	30,880	7,701	11,778
Real Estate and Rental Services.	1,045,601	52,131	593,334
Professional Services	-	-	-
Educational Services	90,950	16,256	86,040
Health and Social Services	340,188	34,613	95,086
Others	1,325,184	137,595	954,112
Total	12,265,490	3,272,777	7,962,576

(*) Provisions for expected credit loss include Stage II and Stage III provisions.

(**) Leasing receivables are not included.

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	Loans		Provisions
	Impaired Loans		
Prior Period (**)	Significant Increase in Credit Risk (Stage II)	Default (Stage III)	Expected Credit Loss Provisions (*)
Agriculture	245,611	33,900	177,971
Farming and Stockbreeding	231,260	14,129	156,508
Forestry	13,065	19,771	21,041
Fishery	1,286	-	422
Manufacturing	2,338,746	561,557	1,668,420
Mining and Quarrying	631,093	155,218	507,855
Production	1,533,057	396,355	1,116,386
Electricity, Gas and Water	174,596	9,984	44,179
Construction	2,526,686	1,187,755	1,781,507
Services	3,276,685	1,150,166	2,405,780
Wholesale and Retail Trade	1,618,844	699,548	1,254,951
Accommodation and Dining	225,960	147,909	285,463
Transportation and Telecommunication	450,777	95,547	192,239
Financial Institutions	33,439	5,529	5,974
Real Estate and Rental Services.	623,331	48,889	432,205
Professional Services	9	-	1
Educational Services	76,365	113,883	164,186
Health and Social Services	247,960	38,861	70,761
Others	1,049,410	149,137	261,990
Total	9,437,138	3,082,515	6,295,668

(*) Provisions for expected credit loss include Stage II and Stage III provisions.

(**) Leasing receivables are not included.

2.8. Movements in value adjustments and provisions

Current Period (****)	Opening Balance	Provisions for period	Provision Reversals (***)	Other Adjustments (****)	Closing Balance
Stage 3 Provisions (*)	2,788,381	1,277,618	(950,653)	(556)	3,114,790
Stage 1&2 Provisions (**)	5,818,981	5,406,096	(494,744)	-	10,730,333

Prior Period	Opening Balance	Provisions for period	Provision Reversals (***)	Other Adjustments (****)	Closing Balance
Stage 3 Provisions (*)	2,524,317	1,282,918	(610,807)	(408,047)	2,788,381
Stage 1&2 Provisions (**)	2,924,384	3,290,124	(395,527)	-	5,818,981

(*) Represents Stage 3 Expected Loss Provision.

(**) Represents Stage 1 and Stage 2 Expected Loss Provision.

(***) Includes provision reversals and exchange rate differences.

(****) Represents loans written off from assets.

(*****) It does not include provisions for non-cash loans.

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2.9. Risk involved in counter cyclical capital buffer calculation

Current Period

Country	RWAs of Banking Book for Private Sector Lending	RWA of calculated within Trading Accounts	Total
Turkey	100,683,307	-	100,683,307
Germany	7,658,552	-	7,658,552
Marshall Islands	420,812	-	420,812
Albania	68,473	-	68,473
Malta	94,940	-	94,940
England	10,424	-	10,424
Qatar	10,234	-	10,234
Italy	57,760	-	57,760
Saudi Arabia	10,255	-	10,255
Russia	207,949	-	207,949
Other	63,885	-	63,885

Prior Period

Country	RWAs of Banking Book for Private Sector Lending	RWA of calculated within Trading Accounts	Total
Turkey	57,304,734	-	57,304,734
Germany	5,724,699	-	5,724,699
Marshall Islands	107,017	-	107,017
Albania	51,878	-	51,878
Malta	34,672	-	34,672
England	24,936	-	24,936
Iraq	23,554	-	23,554
Italy	21,535	-	21,535
Saudi Arabia	7,107	-	7,107
Russia	4,992	-	4,992
Other	42,048	-	42,048

2.10. Information of cash and noncash loans according to parent bank risk rating system

The Bank calculates the probability of delinquency and internal rating notes for the portfolio of Corporate/Commercial/SME loans based on statistical methods in Turkish Commercial Code. Ratings are shown the table below as of 31 December 2022.

	Cash Loans	Non-Cash Loans	Total
High Quality	50.30%	65.72%	52.39%
Medium Quality	34.11%	26.11%	33.03%
Average	12.92%	7.71%	12.21%
Below Average	2.67%	0.46%	2.37%

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3. Explanations on consolidated currency risk

Foreign currency risk represents the Group's exposure to loss due to the changes in foreign currency exchange rates. All foreign currency assets, liabilities and foreign currency forward transactions are considered in calculation of capital to be employed for foreign currency risk according to standard method. The "standard method" and the "value at risk method" used in legal reporting are used to measure the exchange rate risk of the Group. Measurements made under the standard method are carried out on a monthly basis and measurements made under the risk-exposed Value Method are carried out on a daily basis.

The Parent Bank monitors daily the designated limits set by the Board of Directors and additionally observes the possible value changes in foreign currency positions. The limits are determined and followed both for the net foreign currency position and for the cross-exchange rate risk within the position. As a tool of foreign currency risk management, foreign currency forward transactions are used when necessary to mitigate the risk.

As of 31 December 2022, the Group has a net foreign currency long position of TL 15,916,283 (31 December 2021 – TL 584,272 short position) comprising of TL 13,326,434 balance sheet short position (31 December 2021 - TL 304,773 long position) and TL 2,589,849 off balance sheet long position (31 December 2021 – TL 2,589,849 long position).

The announced current foreign exchange buying rates of the Parent Bank as of 31 December 2022 and the previous five working days are as follows (full TL):

	26/12/2022	27/12/2022	28/12/2022	29/12/2022	30/12/2022	Balance Sheet Valuation Rate
USD	18.67259	18.69928	18.70615	18.71196	18.71291	18.71291
EUR	19.83804	19.91131	19.90802	19.9085	19.9579	19.9579
GBP	22.52728	22.54021	22.54633	22.51929	22.53989	22.53989
CHF	20.01507	20.11357	20.14419	20.22298	20.26697	20.26697
JPY	0.14041	0.1404	0.13971	0.14002	0.14181	0.14181

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days preceding the balance sheet date are as follows (full TL):

	Monthly Average FC Purchase Rate
USD	18.65590
EUR	19.75405
GBP	22.70897
CHF	20.02083
JPY	0.12841

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Consolidated Currency risk of the Group

Current Period	EUR	USD	Other FC (***)	Total
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey (***)	14,578,557	27,060,503	29,280,817	70,919,877
Banks (****)	1,055,840	1,971,417	14,707,322	17,734,579
Financial assets at fair value through profit and loss	71,435	1,981,262	12,408,382	14,461,079
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	7,455,892	14,148,720	-	21,604,612
Loans and finance lease receivables (*)	42,239,157	42,405,765	35,751	84,680,673
Subsidiaries, associates and joint ventures	-	-	-	-
Financial assets at amortized cost	702,348	12,865,434	-	13,567,782
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	67,305	1,397	-	68,702
Intangible assets	122,484	38	-	122,522
Other assets	1,177,447	165,851	5,543	1,348,841
Total Assets	67,470,465	100,600,387	56,437,815	224,508,667
Liabilities				
Current account and funds collected from Banks via participation accounts	1,483,526	193,007	503,472	2,180,005
Current and profit-sharing accounts FC	32,480,459	73,955,679	57,553,096	163,989,234
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	5,278,186	33,369,597	-	38,647,783
Marketable securities issued	-	-	-	-
Miscellaneous payables	631,758	823,645	68,858	1,524,261
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (****)	533,189	1,505,190	212,722	2,251,101
Total Liabilities	40,407,118	109,847,118	58,338,148	208,592,384
Net balance sheet position	27,063,347	(9,246,731)	(1,900,333)	15,916,283
Net off-balance sheet position	(27,365,245)	11,592,084	2,446,727	(13,326,434)
Financial derivative assets	1,715,162	25,332,901	6,437,465	33,485,528
Financial derivative liabilities	29,080,407	13,740,817	3,990,738	46,811,962
Non-cash loans (**)	4,390,498	7,471,331	677,328	12,539,157
Prior Period				
Total assets	66,317,591	76,648,637	37,688,877	180,655,105
Total liabilities	36,135,292	92,777,624	51,157,917	180,070,833
Net balance sheet position	30,182,299	(16,128,987)	(13,469,040)	584,272
Net off-balance sheet position	(31,148,919)	17,466,057	13,528,864	(153,998)
Financial derivative assets	461,079	22,428,894	14,352,732	37,242,705
Financial derivative liabilities	31,609,998	4,962,837	823,868	37,396,703
Non-cash loans (**)	3,261,176	4,935,753	274,986	8,471,915

- (*) Includes foreign currency indexed loans amounting to TL 1,798,529 (31 December 2021 – TL 2,009,070) followed as TL on the balance sheet and expected credit loss amounting to TL 6,262,129.
- (**) Does not have any effect to the net off-balance sheet position.
- (***) Precious metals are included in "Other FC" column. Includes the expected loss provisions amounting to TL 142 in the balance sheet.
- (****) Other liabilities at fair value through TL 3,899 in the calculation of profit / loss of securities are not included in the foreign currency risk of impairment provisions. It also includes a provision for foreign currency indexed loans amounting to TL 227,120.
- (*****) Includes provisions for expected losses amounting to TL 1,407 were deducted from the cash values and the relevant lines from the Central Bank and Banks accounts.

Foreign currency amounts that are not included in the currency risk table due to the legislation related to calculation of foreign currency net position to equity standard ratio, are explained by their gradation in the financial statements below;

- Derivative financial assets held for trading TL 217,686 (31 December 2021 – TL 592,855)
- Prepaid expenses: TL 1,823 (31 December 2021 – 1,303 TL)
- Derivative financial liabilities held for trading: TL 167,924 (31 December 2021 – TL 64,866)
- Marketable securities of FC revaluation reverse: TL 56,643 (31 December 2021 - TL (65,917)
- Derivative financial liabilities held for hedging: None (31 December 2021 - None)

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Receivables/Payables related to derivative financial instruments include foreign currency purchase/sale transactions and forward precious metal purchases that are amounting to;

- Forward foreign currency purchase transactions TL 2,626,196 (31 December 2021 – TL 1,788,778)
- Forward foreign currency sale transactions: TL 2,949,996 (31 December 2021 – TL 3,018,472)
- Precious metal purchase transactions: TL 4,086,434 (31 December 2021 – TL 13,177,082)
- Precious metal sale transactions: TL 2,111,460 (31 December 2021 – TL 52,347)

Currency risk sensitivity

The Group is mainly exposed to foreign currency risk in EURO, USD and GOLD.

The following table shows the Group's sensitivity to 10% change in both USD, Euro and Gold exchange rate.

	% changes on foreign currency	Effects on Profit / Loss		Effects on equity	
		Current Period	Prior Period	Current Period	Prior Period
USD	10%	234,535	123,774	305,250	194,489
EURO	10%	(30,190)	(101,898)	(26,251)	(97,959)
Gold	10%	57,443	16,064	57,443	16,064

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4. Explanations related to stock position risk

4.1 Relation of risks with gains accounted under equity and analyzing according to their aims including strategic reasons and the accounting policies applied and general information about valuation techniques with assumptions in this application, the elements that manipulate valuation and important changes

The Group's non-quoted securities are accounted for fair value. When the fair value cannot be reliably measured, the cost method is used.

4.2. Carrying value of share investments, for fair value and quoted securities, comparison with market value if market value is significantly different from fair value

Current Period		Comparison	
Equity Securities Investments	Carrying Value	Fair Value	Market Value
Securities at Fair Value Through Other Comprehensive Income	180,898	-	180,898
Quoted Securities	-	-	-
Investments in Associates	-	-	-
Quoted Securities	-	-	-
Investment in Subsidiaries	23,680	-	-
Quoted Securities	-	-	-
Other	143,337	-	-
Quoted Securities	-	-	-
<hr/>			
Prior Period		Comparison	
Equity Securities Investments	Carrying Value	Fair Value	Market Value
Securities at Fair Value Through Other Comprehensive Income	84,074	-	84,074
Quoted Securities	-	-	-
Investments in Associates	-	-	-
Quoted Securities	-	-	-
Investment in Subsidiaries	23,680	-	-
Quoted Securities	-	-	-
Other	89,258	-	-
Quoted Securities	-	-	-

4.3 Realized gains/losses, revaluation surplus, unrealized gains/losses on equity securities and results included in core and supplementary capitals

None.

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5. Consolidated liquidity risk management and liquidity coverage ratio

The liquidity risk of the Parent Bank is the risk of being unable to fulfill its payment obligations on time due to not having enough cash sources or cash inflows to finance its cash outflows fully and on time due to cash flow instabilities. It has been evaluated in two main categories:

Funding Liquidity Risk: It is a kind of risk which does not meet the any unexpected loss and non defaulting debts and liabilities.

Market Liquidity Risk: It is a kind of risk which consists of the position that cannot be sold without affecting market price due to insufficient market depth or market conditions' deterioration or that cannot be completed with the position of market price for any reasons.

Liquidity risk is managed by the Asset - Liability Committee (ALC) and related business units within the framework of the Liquidity Risk Policy and risk appetite approved by the Board of Directors. In liquidity risk management, the measures to be taken and the practices to be carried out are determined by taking into account normal economic conditions and stress conditions. The Parent Bank defines liquidity risk, measures risks with liquidity risk measurement methods in accordance with international standards, monitors them and periodically presents them to the interested parties. Liquidity risk stress tests are performed during monthly periods. An emergency funding plan (liquidity contingency plan) has been created to regulate the procedures and principles for the Parent Bank to maintain and maintain adequate liquidity levels under stress conditions.

The Parent Bank's liquidity risk ratios are well above the legal limits. The Parent Bank maintains its liquidity buffer at high levels, taking into account periods when liquidity risk may increase. Due to this approach, it is evaluated that the negative effects of the COVID-19 pandemic on the global level do not have a significant impact on the Parent Bank's liquidity needs.

5.1 Information on risk capacity of the Group, Responsibilities and structure of liquidity risk management, the Bank's internal liquidity risk reporting, communication between the Board of Directors and business lines on liquidity risk strategy, policy and application

The applications and responsibilities related to the liquidity risk has been determined according to the Treasury Liquidity and Market Management Policies and Practices approved by Board of Directors. The Group's liquidity and funding policy is to own sufficient liquidity reserve and funding opportunities to meet its liabilities even in cases of stress, resulting from the market conditions or other conditions specific to the Bank.

The Group has a strong capital structure and is supported by its main shareholder is Kuwait Finance House; also its current and participation accounts are spread to the base and are stable, and its sources of foreign borrowing are diversified. Hence, by the virtue of the aforementioned facts, the Bank has a high risk capacity. In addition, the Liquidity Coverage Ratio of the Group which insures its cash outflows with the high-quality liquid assets is deemed high. The Bank also has limits available for use at Central Bank of Turkey and other financial institutions.

Indicators regarding the liquidity position are analyzed and liquidity risk is evaluated at the ALCO meetings attended by the senior management. Furthermore, the Board of Directors are informed through the Audit Committee.

For the management of liquidity risk, the Risk Management Department follows the funding and liquidity risks, market conditions, in the participating accounts, the distribution of different currencies, maturity, cost and expected future cash flow requirements (particularly with regard to large deposits). Reports on the liquidity gap analysis prepared weekly by Budget and Management Reporting and monitored by the Asset and Liability Committee. These units also estimate the possible liquidity needs of the Group in case of urgent situations and generate action plans based on these estimates. Risk Management Department follows the limits on liquidity risk determined by the Board of Directors. Risk Management Department, in addition to these, is implementing monthly liquidity stress tests to measure the effects of negative scenarios on liquidity position of the Group. The Treasury Group Management manages the liquidity risk and funding risk in order to prevent insufficiencies of funding relating to any time or any source and makes reports related with the liquidity position to Asset and Liability Committee regularly. Official and International Reporting Directorate tracks the liquidity coverage ratio and the results are reported to the BRSA.

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5.2. Information on the centralization degree of liquidity management and funding strategy and the functioning between the Group and the Group's subsidiaries

The Group's liquidity management is performed by the Asset and Liability Management. Depending on the Parent Bank's consolidated subsidiaries are subject to liquidity risk is managed in-house, but the necessary communication and coordination within the Assistant General Manager in charge of Treasury and International Banking are provided.

5.3 Information on the Group's funding strategy including the policies on funding types and variety of maturities

Group spread to the base of current and participation accounts and that a stable, long-term diversification and aims to be the source of the funds used. Ratio of liquid assets to total assets ratio and risk indicators related to liquidity, credit and the ratio of funds, issues such as the concentration in collected funds are being closely monitored.

5.4 Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Groups's total liabilities

Almost all liabilities of the Group are denominated in Turkish Lira, American Dollar, Euro or Gold. The TL denominated liquidity of the Group is managed through the open market transactions implemented by the Central Bank of the Turkish Republic and interbank operations. Liabilities denominated in TL are used in order to fund assets that are denominated in TL, assets denominated in TL are generated through foreign exchange based funds with swap operations if necessary. Foreign currency funds are provided with the foreign sourced credits denominated in foreign currency and sukuk-financial certificates issued. Liquidity denominated in foreign currency is kept at the interbank operations and accounts of the corresponding bonds within the limits. Liabilities denominated in Gold are kept at the required reserve accounts of the Central Bank of the Turkish substantially.

5.5. Information on liquidity risk mitigation techniques

Liquidity risk is mitigated by using techniques such as maintaining high quality liquid asset buffer to cover possible fund outflows, diversification of funding sources so far as possible and inclusion to the base, homogenizing the maturity distribution of repayments as far as possible, obtaining limits from funding institutions to use when necessary and ensuring that a determined portion of funding sources are comprised of deposits. In addition, core deposit analysis is performed and concentration on collected funds are closely monitored.

5.6. Information on the use of stress tests

In order to analyze the source of the possible liquidity insufficiencies and whether conformably move exists on existing off-balance sheet and balance sheet positions relevant with liquidity risk expectation, 3 types liquidity stress tests are applied by Risk Management Directorate. These includes stress test scenarios are special to the Group, related with the overall market or scenarios take in consideration both of the situations. Stress tests related with liquidity risk are repeated at monthly periods. Results are tracked with key risk indicators and monitored by Senior Management.

5.7. General information about the contingency funding plan

Necessary strategy and procedures for the management of possible liquidity crisis are determined with the Contingency Funding Plan, which is approved and reviewed every year by the Executive Risk Committee. The actions to be taken favor the benefits of depositors, creditors of the Bank and shareholders. Indicators of Contingency Funding Plan were determined, in case of unexpected progress at the liquidity situation occur or at situations trigger of other indicators, plan is put into use. After Liquidity Contingency Plan is put into use, Liquidity Contingency Management Committee is responsible from the determination of actions to be taken.

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5.8 Analysis of financial liabilities by remaining contractual maturities

The following table is prepared before the Group's liabilities are undiscounted and based on the earliest date to the payment. Adjustment column shows the items that give rise to probable cash exit according to contractual terms at later period. The items that are mentioned are included the maturity analysis however they are not included in the balance sheet value of financial liabilities at the balance sheet.

	Up to 1 months	1-3 months	3-12 months	1-5 years	Above 5 years	Total	Adjustments	Balance Sheet Value
31 December 2022								
Funds Collected	239,257,320	49,764,205	21,666,000	1,565,553	6,725	312,259,803	-	312,259,803
Other Fundings	10,131,936	12,973,943	2,494,129	10,255,291	7,151,256	45,609,682	(3,747,021)	39,259,534
Debts from lease transaction	24,174	39,712	148,426	449,929	128,435	790,676	(215,314)	575,362
Securities issued	827,836	1,250,432	524,859	-	-	2,603,127	(308,369)	2,294,758
Funds from repo transaction	124,892	150,040	-	-	-	274,932	(61)	274,871
Total	250,366,158	64,178,332	24,833,414	12,270,773	7,286,416	361,538,220	(4,270,765)	354,664,328
31 December 2021								
Funds Collected	198,990,478	12,844,375	8,754,151	1,363,777	5,101	221,957,882	-	221,957,882
Other Fundings	145,384	1,021,332	1,096,848	7,617,647	5,355,148	15,236,359	(3,511,881)	11,724,478
Debts from lease transaction	15,461	26,669	106,080	351,803	81,153	581,166	(171,713)	409,453
Securities issued	2,209,487	1,489,930	-	-	-	3,699,417	(67,243)	3,632,174
Funds from repo transaction	6,505,472	-	-	-	-	6,505,472	(10,335)	6,495,137
Total	207,866,282	15,382,306	9,957,079	9,333,227	5,441,402	247,980,296	(3,761,172)	244,219,124

Maturity analysis for guarantees and contingencies

	Demand	Up to 1 months	1-3 months	3-12 months	1-5 years	Above 5 years	Unallocated	Total
31 December 2022								
Letters of Guarantee	10,452,869	642,366	1,684,954	6,747,321	3,383,749	237,883	-	23,149,142
Bills of Exchange and Bank Acceptances	19,527	31,176	56,994	28,384	-	-	-	136,081
Letters of Credit	2,004,863	638,430	1,773,661	1,451,733	103,126	-	-	5,971,813
Other guarantees	76,758	320,786	589,750	567,358	5,842	-	-	1,560,494
Pre-financings given as guarantee	-	-	-	-	-	-	-	-
Total	12,554,017	1,632,758	4,105,359	8,794,796	3,492,717	237,883	-	30,817,530
31 December 2021								
Letters of Guarantee	5,943,716	150,932	753,786	3,141,516	1,741,609	107,255	-	11,838,814
Bills of Exchange and Bank Acceptances	11,063	28,513	43,712	30,395	-	-	-	113,683
Letters of Credit	1,312,914	483,662	1,094,602	1,409,737	220,205	-	-	4,521,120
Other guarantees	868,813	-	4,908	32,646	5,890	-	-	912,257
Pre-financings given as guarantee	-	-	-	-	-	-	-	-
Total	8,136,506	663,107	1,897,008	4,614,294	1,967,704	107,255	-	17,385,874

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Contractual maturity analysis of derivative instruments

31 December 2022	Up to 1 months	1-3 months	3-12 months	1-5 years	5 years and over	Total
Derivatives financial assets held for trading						
Foreign exchange derivatives:						
Entry	41,861,185	895,687	1,138,553	748,351	-	44,643,776
Exit	41,737,740	863,061	1,014,484	437,600	-	44,052,885
Hedging purposes financial assets						
Foreign exchange derivatives:						
Entry	-	-	-	-	-	-
Exit	-	-	-	-	-	-
Total Cash Inflow	41,861,185	895,687	1,138,553	748,351	-	44,643,776
Total Cash Outflow	41,737,740	863,061	1,014,484	437,600	-	44,052,885
31 December 2021	Up to 1 months	1-3 months	3-12 months	1-5 years	5 years and over	Total
Derivatives financial assets held for trading						
Foreign exchange derivatives:						
Entry	21,499,096	11,714,093	2,172,566	1,507,265	-	36,893,020
Exit	21,133,880	11,666,551	2,028,973	887,348	-	35,716,752
Hedging purposes financial assets						
Foreign exchange derivatives:						
Entry	-	-	-	-	-	-
Exit	-	-	-	-	-	-
Total Cash Inflow	21,499,096	11,714,093	2,172,566	1,507,265	-	36,893,020
Total Cash Outflow	21,133,880	11,666,551	2,028,973	887,348	-	35,716,752

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5.9 Liquidity coverage ratio

Current Period		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	94,960,857	78,081,043	88,514,401	71,634,587
CASH OUTFLOWS		-	-	-	-
2	Retail deposits and deposits from small business customers, of which:	99,249,224	23,220,871	8,995,739	2,322,087
3	Stable deposits	18,583,668	-	929,183	-
4	Less stable deposits	80,665,556	23,220,871	8,066,556	2,322,087
5	Unsecured wholesale funding, of which:	66,748,880	49,629,381	40,259,996	31,468,073
6	Operational deposits	-	-	-	-
7	Non-operational deposits	50,714,038	36,118,762	24,225,154	17,957,454
8	Unsecured funding	16,034,842	13,510,619	16,034,842	13,510,619
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	40,020,979	37,012,500	40,020,979	37,012,500
11	Outflows related to derivative exposures and other collateral requirements	38,650,195	35,641,716	38,650,195	35,641,716
12	Outflows related to restructured financial Instruments	1,370,784	1,370,784	1,370,784	1,370,784
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	44,609,968	11,760,708	4,427,963	824,667
16	TOTAL CASH OUTFLOWS	-	-	93,704,677	71,627,327
CASH INFLOWS			-	-	-
17	Secured receivables	-	-	-	-
18	Unsecured receivables	56,949,221	39,759,567	43,422,629	31,875,515
19	Other cash inflows	40,502,895	36,679,035	40,502,895	36,679,035
20	TOTAL CASH INFLOWS	97,452,116	76,438,602	83,925,524	68,554,550
				Upper Limit Applied Value	
21	TOTAL HQLA			88,514,401	71,634,587
22	TOTAL NET CASH OUTFLOWS			23,426,169	17,906,832
23	LIQUIDITY COVERAGE RATIO (%)			377.84	400.04

(*) The average calculated for the last three months of the liquidity coverage ratio calculated by taking the monthly simple arithmetic average.

The table below presents highest, lowest and average liquidity coverage ratios for the last 3 months of 2022:

	Highest	Date	Lowest	Date	Average
TL+FC	406.28	12/2022	351.88	12/2022	377.88
FC	440.20	10/2022	365.95	12/2022	399.34

The liquidity coverage rate is calculated by the proportion of high-quality liquid assets held by the Group to its one-month maturity cash outflows. Important balance sheet items that determine the rate; Compulsory provisions held by the CBRT, repo / non-repurchase securities, institutional qualified participation accounts, funds from abroad and receivables from banks. These items have more impact on the liquidity coverage ratio than the liquidity assets and net cash outflows because they have a high share of the current cointegration, high concentration and variability over time.

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Liquidity risk management and liquidity coverage ratio (continued)

<i>Prior Period</i>		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	64,936,772	52,416,818	62,919,223	50,399,269
CASH OUTFLOWS					
		-	-	-	-
2	Retail deposits and deposits from small business customers, of which:	68,880,158	15,157,013	6,612,422	1,647,541
3	Stable deposits	15,782,818	-	857,744	-
4	Less stable deposits	53,097,340	15,157,013	5,754,678	1,647,541
5	Unsecured wholesale funding, of which:	42,839,618	33,599,404	26,050,311	20,955,633
6	Operational deposits	-	-	-	-
7	Non-operational deposits	30,292,008	22,666,483	13,502,701	10,022,712
8	Unsecured funding	12,547,610	10,932,921	12,547,610	10,932,921
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	29,307,494	27,424,727	29,307,494	27,424,727
11	Outflows related to derivative exposures and other collateral requirements	29,225,451	27,424,727	29,225,451	27,424,727
12	Outflows related to restructured financial Instruments	82,043	-	82,043	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	20,634,803	6,315,493	2,008,144	371,179
16	TOTAL CASH OUTFLOWS	-	-	63,978,371	50,399,080
CASH INFLOWS					
		-	-	-	-
17	Secured receivables	-	-	-	-
18	Unsecured receivables	31,030,251	18,570,377	23,653,369	16,915,639
19	Other cash inflows	30,032,712	26,177,091	30,032,712	26,177,091
20	TOTAL CASH INFLOWS	61,062,963	44,747,468	53,686,081	43,092,730
				Upper Limit Applied Value	
21	TOTAL HQLA			62,919,223	50,399,269
22	TOTAL NET CASH OUTFLOWS			15,994,593	12,599,770
23	LIQUIDITY COVERAGE RATIO (%)			393.38	400.00

(*) The average calculated for the last three months of the liquidity coverage ratio calculated by taking the monthly simple arithmetic average.

The table below presents highest, lowest and average liquidity coverage ratios for the last 3 months of 2021:

Prior Period:

	Highest	Date	Lowest	Date	Average
TL+FC	465.04	10/2021	348.31	12/2021	398.48
FC	470.80	10/2021	292.07	12/2021	402.87

The liquidity coverage ratio is calculated by the ratio of the high-quality liquid assets of the Group to the net cash outflows within the one-month maturity window. Important balance sheet items which are influential over the ratio may be specified as required reserves held in the presence of TC Central Bank, securities not subject to repo/assurance, institutional qualified participation accounts, funds of foreign origins and receivables from banks. These items have a higher influence over the liquidity coverage ratio as their amounts have a higher share of liquid assets and net cash outflows, their consideration rate is higher, and they may show variability over time.

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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	Over 5 years	Unallocated (***)	Total
Assets								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	33,328,113	46,137,152	-	-	-	-	(203)	79,465,062
Banks (*)	20,230,595	4,292	1,066,122	201,096	-	-	(1,324)	21,500,781
Financial assets at fair value through profit and loss	-	905	185,073	1,127,504	14,970,948	365,397	1,962,365	18,612,192
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	19,920	133,844	2,548,331	21,323,760	24,531,217	8,892,143	135,914	57,585,129
Loans (**)	(70,125)	30,203,305	32,349,911	75,647,190	57,853,961	9,056,167	(10,517,214)	194,523,195
Loans measured at amortised cost	-	-	661,334	56,922	17,160,539	4,799,406	(10,210)	22,667,991
Other assets (***)	2,144,735	1,543,807	4,982	-	1,258,112	-	4,674,525	9,626,161
Total assets	55,653,238	78,023,305	36,815,753	98,356,472	115,774,777	23,113,113	(3,756,147)	403,980,511
Liabilities								
Current account and funds collected from banks via participation accounts	2,242,434	25	-	-	-	-	-	2,242,459
Current and profit sharing accounts	163,581,216	73,433,645	49,764,205	21,666,000	1,565,553	6,725	-	310,017,344
Funds provided from other financial institutions	-	10,174,509	12,876,325	1,883,257	7,758,533	6,566,910	-	39,259,534
Money market borrowings	-	124,831	150,040	-	-	-	-	274,871
Marketable securities issued	-	595,278	1,198,234	501,246	-	-	-	2,294,758
Miscellaneous payables	2,759,982	324,217	-	-	-	-	-	3,084,199
Other Liabilities (****)	-	3,254,326	2,157,490	135,782	282,398	39,571	40,937,779	46,807,346
Total Liabilities	168,583,632	87,906,831	66,146,294	24,186,285	9,606,484	6,613,206	40,937,779	403,980,511
Net liquidity gap	(112,930,395)	(9,883,526)	(29,330,541)	74,170,187	106,168,293	16,499,907	(44,693,925)	-
Prior period								
Total assets	48,840,471	54,870,969	27,489,286	49,074,437	81,041,959	6,708,099	(731,027)	267,294,194
Total liabilities	136,461,897	76,303,029	17,439,662	9,540,418	6,161,289	4,690,879	16,697,020	267,294,194
Net liquidity gap	(87,621,426)	(21,432,060)	10,049,624	39,534,019	74,880,670	2,017,220	(17,428,047)	-

(*) Expected losses are netted off with provision.

(**) It also includes receivables from lease transactions. Loans granted are presented net of expected loss provisions.

(***) Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets, investments in associates and subsidiaries, stationary supplies and prepaid expenses are included under unallocated assets.

(****) The unallocated other liabilities consist of equity and provisions balances.

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6. Explanations on consolidated leverage ratio

6.1 Disclosure of leverage ratio template

The leverage ratio table prepared in accordance with the communiqué “Regulation on Measurement and Assessment of Leverage Ratios of Banks” published in the Official Gazette no. 28812 dated 5 November 2013 is presented below.

	On-balance sheet assets (*)	Current Period	Prior Period
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	399,281,673	242,597,555
2	(Assets deducted in determining Tier I Capital)	(901,684)	(592,935)
3	Total on-balance sheet risks (sum of lines 1 and 2)	398,379,989	242,004,620
	Derivative financial instruments and credit derivatives		
4	Replacement cost associated with all derivative instruments and credit derivatives	612,546	1,374,232
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	429,157	624,826
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	1,041,703	1,999,058
	Securities or commodity financing transactions (SCFT)		
7	Risks from SCFT assets (excluding on-balance sheet)	5,199,746	2,231,136
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	5,199,746	2,231,136
	Other off-balance sheet transactions		
10	Gross notional amounts of off-balance sheet transactions	107,965,469	80,445,071
11	(Adjustments for conversion to credit equivalent amounts)	(49,406,445)	(44,108,586)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	58,559,024	36,336,485
	Capital and total risks		
13	Tier I Capital	33,064,369	13,397,322
14	Total risks (sum of lines 3, 6, 9 and 12)	463,180,462	282,571,299
	Leverage ratio		
15	Leverage ratio	7.14	4.74

(*) Amounts in the table are three-month average amounts.

As of the Group's consolidated balance sheet date, the leverage ratio calculated based on the arithmetic average of the values found at the end of the month in the previous three months was 7.14% (31 December 2021 - 4.74%). The main reason for the change compared to the previous period is that the increase in capital, on-balance sheet assets and derivative financial assets and credit derivatives items is higher than other items. Accordingly, capital increased by 147% from profit for the period, while on-balance sheet risk increased by 65%, off-balance sheet items increased by 61%. Accordingly, there is an increase of 240 basis points in the leverage ratio in the current period compared to the previous period.

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7. Explanations on consolidated fair values of financial assets and liabilities

The table summarizes the book value and fair value of the financial assets and liabilities that were not accounted by the values in Group's financial statements. Book value is the sum of the acquisition value and accumulated profit share accruals.

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial assets				
Banks	21,502,105	16,104,368	21,502,105	16,104,368
Financial Assets at Fair Value Through Other Comprehensive Income	57,585,129	32,071,762	57,585,129	32,071,762
Financial Assets Valued at Amortized Cost	22,678,201	5,935,549	24,976,781	5,932,941
Loans and Lease Receivables	205,095,541	128,644,734	203,759,007	127,500,496
Financial liabilities				
Current account and funds collected from banks via participation accounts.	2,242,459	1,978,965	2,242,459	1,978,965
Other current and profit-sharing accounts	310,017,344	219,978,917	310,017,344	219,978,917
Money market borrowings	274,871	6,488,859	274,840	6,495,137
Funds provided from other financial institutions	39,259,534	11,724,478	39,476,852	11,528,956
Issued securities	2,294,758	3,632,174	2,591,164	3,554,920
Other Liabilities	6,174,308	4,839,114	6,174,307	4,839,114
Leasing payables	575,362	409,453	575,362	409,453

The estimated fair value of the loans is calculated by discounting future cash flows by using current market rates of profit share. The fair value of financial assets and liabilities carried at amortized cost other than loans, available for sales financial assets and funds provided from other financial institutions approximates to their book values since they are short term in nature and their effective profit share rates are similar with current effective profit rates.

8. Explanations on the activities carried out on behalf and account of other persons

The Group does not perform purchases, sales and custody services in the name of others. The Group has no fiduciary-based transactions.

9. Explanations on hedge accounting practices

None (31 December 2021 – None).

10. Explanations on consolidated risk management

Risk Management System refers to the Board of Directors, the Audit Committee, the Risk Management Committee, Asset-Liability Committee ("ALCO") and the Risk Management Department ("RMD") which has been composed in order to manage systemic risks that the Parent Bank is exposed. The Board of Directors is the owner of the Parent Bank's Risk Management System and ensures the establishment of an effective, sufficient and appropriate risk management system as well as the continuity of the system. The main objective of the Parent Bank's Risk Management System is to identify, measure, monitor and control the risks that the Bank is exposed to, by determining the policies, limits and procedures to control, to monitor, and if necessary to change the risk-return structure of the Bank's future cash flows and the level & the quality of related activities.

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10.1. Explanations on Risk Management and Risk Weighted Amounts

10.1.1. GBA – Bank’s risk management approach

What kind of an interaction does the Parent Bank’s risk profile has with the management board’s risk appetite and how does the business model determine the Parent Bank’s risk profile and how it interacts with it (i.e., Key risks regarding the business model and each one of these risks’ effect on the explanations).

Kuveyt Türk’s business model fundamentally consisted of two main operating areas. These main areas are current accounts in accordance with the non-interest banking rules, collecting funds through profit/loss participation accounts and providing the usage of funds to its clients through these funds and equity. The business model of the Bank occurs an exposure of some significant risks. These significant risks are evaluated and identified by the Parent Bank’s Internal Capital Competence Evaluation Process. Parent Bank’s risk strategy for all significant risks is formed in writing. Parent Banks are required to form a structure which is composed of the policies and processes regarding determining the risk appetite and following its units’ compliance because of the regulation regarding the Parent Banks Internal Systems and Internal Capital Competence Evaluation Process, numbered 29057 and published by the Official Gazette on 11 July 2014. In order to comply with this regulation Risk Appetite Policy is published by the Risk Management Leadership and approved by the Board of Directors. In accordance with the Parent Bank’s Risk Appetite Policy, risk levels and risk limits of each kind of risks which appeared important are collectively determined to achieve the Parent Bank’s goals and to actualize the Parent Bank’s strategies by taking the risk capacity of the Parent Bank into consideration. Bank’s risk strategy and risk limits are determined by the Board of Directors.

The units which perform the risk measurement and management are carrying out their businesses independently from execution units. Fundamentally, control and management activities devoted to credit, market, liquidity, operational and other significant risk types are occurred. Due to the business model, Risk Management Leadership strategically contribute to the Parent Bank to identify, follow, measure and manage all risks which the Parent Bank may expose. Credit Risk Management and Modelling unit which is one of the units which constitutes the Risk Management Leadership, carries out the risk measurement and management works regarding the credit risks. Market Risk, Operational Risk, Risk and Capital Planning Department which is another unit which carries out its businesses under the Risk Management Leadership, coordinates the Parent Bank’s capital planning works and manage risks regarding the market, operations, liquidity and other important risk types.

Parent Bank has a credit predominant active structure due to its main business model. Reflecting the Bank’s business model, total actives, predominantly consisted of dues regarding receivables from leasing and cash loans. The Parent Bank predominantly aims to grow sustainably by funding the real sector’s financing and increasing the credit amount by taking the risk-return balance into the consideration. Within the frame of its business model, the main risk type which the Parent Bank exposed/predicts to be exposed damage is credit risk. The significant risks within the scope of Parent Bank’s credit risks are as follows;

- Credit Risk states the possibility of loan loss which the Parent Bank may expose due to the partial or total nonpayment of its credit client on time in accordance with the contract made between the credit client and the Bank.
- Counterparty credit risk refers to the default risk of the counterparty of the transaction before the last payment in the cash flow of this transaction of which brings on obligation to both sides.
- Concentration risk covers risks arising from concentration between different types of risk or on an individual risk basis which may result in large losses that could threaten the Parent Bank’s ability to maintain its core operations or its financial structure or which could cause significant changes in the Parent Bank’s risk profile.

The Parent Bank is exposed to market risk due to its treasury transactions and other financial operating. However, correspondingly with the risk appetite, the bank takes care to ensure that its market risk-generating assets have high credit rating and liquidity, and it does not carry a speculative foreign exchange position in order to hedge foreign exchange risk.

The Parent Bank is exposed to operational risk due to its operating, processes carried out, human resources, systems and external resources. Operational risks in the bank are managed under the supervision of the Board of Directors within the framework of identifying, evaluating, monitoring and reducing/controlling the risks. The current risk management is considered to be in line with the size of the bank, considering the level and importance of the risk.

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Explanations on risk reporting processes provided to the board of directors and senior management, in particular the scope and main content of the reporting,

Timely and comprehensive reporting of risks exposed within the scope of Risk management activities and risks arising from transactions carried out with the risk group of the Parent Bank is carried out by the head of Risk Management. The Parent Bank produces regular reports from the risk measurement models it uses and analyzes the reports. Risk measurement and risk monitoring results are reported to the Board of directors or to the Risk Committee and senior management regularly and on time by the Risk Management Presidency.

The reports prepared include the level and development of significant risks and their effects on capital needs, the compliance of assumptions used in risk measurement and evaluation systems, the adequacy of the level of capital that the parent bank should hold for all important risks, its compliance with legal and internal capital targets and ratios, the need for future capital and changes to be made in, business continuity plans, etc. includes information.

The parent bank organizes a report on risk measurement, capital and liquidity planning and risk management capabilities under the scope of ICAAP at least once a year and in any case as of the end of the year.

10.1.2. Overview of risk weighted amounts

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 31/12/2022	Prior Period 31/12/2021	Current Period 31/12/2022
1	Credit risk (excluding counterparty credit risk)	122,821,665	71,764,319	9,825,733
2	Standardised approach	122,821,665	71,783,798	9,825,733
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	875,913	659,413	70,073
5	Standardised approach for counterparty credit risk	875,913	659,413	70,073
6	Internal model method	-	-	-
7	Basic risk weight approach to internal model's equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	19,479	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies – 1250% risk weighting Approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization exposures in banking book	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB supervisory formula approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	21,968,861	5,574,076	1,757,509
17	Standardised approach	21,968,861	5,574,076	1,757,509
18	Internal model approaches	-	-	-
19	Operational risk	17,044,547	11,336,427	1,363,564
20	Basic indicator approach	17,044,547	11,336,427	1,363,564
21	Standardised approach			
22	Advanced measurement approach			
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)			
24	Floor adjustment			
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	162,710,986	89,353,714	13,016,879

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10.1.3. Differences and matching between asset and liabilities' carrying values in financial statements and in capital adequacy calculation

Current Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards					
		Carrying values in legal consolidation prepared as per TAS	Credit Risk	Counterparty Credit Risk	Securitization Positions	Market Risk	No subject to capital requirements or subject to dedication from capital
Assets							
Cash and Balances with Central Bank of Turkey	79,465,265	79,465,265	79,465,265	-	-	-	-
Banks	21,502,105	21,502,105	21,502,105	-	-	-	-
Receivables From Money Markets	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	18,612,192	18,612,192	-	-	-	18,612,192	-
Financial Assets at Fair Value Through OCI	57,585,129	57,585,129	57,585,129	-	-	-	-
Financial Assets Measured at Amortized Cost	22,678,201	22,678,201	22,678,201	-	-	-	-
Derivative Financial Assets	678,940	678,940	-	678,940	-	-	-
Expected Loss Provisions (-)	13,856,861	13,856,861	3,114,791	-	-	-	10,742,070
Loans	187,504,917	187,504,917	188,091,946	-	-	-	-
Lease Receivables	20,863,402	20,863,402	20,863,402	-	-	-	-
Factoring Receivables	-	-	-	-	-	-	-
Property And Equipment Held For Sale Purpose And Related To Discontinued Operations (Net)	117,719	117,719	117,719	-	-	-	-
Subsidiaries	23,680	23,680	23,680	-	-	-	-
Jointly Controlled Entities (Joint Ventures) (Net)	143,337	143,337	143,337	-	-	-	-
Tangible Assets (Net)	1,651,454	1,651,454	1,651,454	-	-	-	135,849
Intangible Assets (Net)	535,400	535,400	535,400	-	-	-	522,668
Investment Properties (Net)	165,730	165,730	165,730	-	-	-	-
Current Tax Asset	-	-	-	-	-	-	-
Deferred Tax Asset	1,258,112	1,258,112	1,258,112	-	-	-	-
Other Assets	5,051,789	5,051,789	5,051,789	-	-	-	-
Total Assets	403,980,511	403,980,511	396,018,478	678,940	-	18,612,192	- 10,083,553
Liabilities							
Funds Collected	312,259,803	312,259,803	-	-	-	-	312,259,803
Borrowings	27,834,642	27,834,642	-	-	-	-	27,834,642
Debt to money markets	274,871	274,871	-	274,871	-	-	-
Securities Issued (Net)	2,294,758	2,294,758	-	-	-	-	2,294,758
Financial Liabilities at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Derivative Financial Liabilities	184,067	184,067	-	-	-	-	184,067
Lease Payables	575,362	575,362	-	-	-	-	575,362
Provisions	10,133,559	10,133,559	-	-	-	-	10,133,559
Current Tax Liabilities	2,053,914	2,053,914	-	-	-	-	2,053,914
Deferred Tax Liabilities	-	-	-	-	-	-	-
Subordinated Debt Instruments	11,424,892	11,424,892	-	-	-	-	11,424,892
Other Liabilities	6,174,308	6,174,308	-	-	-	-	6,174,308
Equity	30,770,335	30,770,335	-	-	-	-	30,770,335
Total Liabilities	403,980,511	403,980,511	-	274,871	-	-	403,705,640

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10.1.4 Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	Total	Items subject to credit risk framework	Items subject to securitization framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
1- Carrying Value of Assets in Accordance with TAS (as in template 1B)	403,980,511	396,018,478	-	678,940	18,612,192
2- Carrying Value of Liabilities in Accordance with TAS (as in template 1B)	-	-	-	274,871	-
3- Total net amount	403,980,511	396,018,478	-	953,811	18,612,192
4- Off-balance sheet amounts	198,525,178	15,335,224	-	1,269,903	88,696,661
5- Differences in valuations	-	-	-	-	-
6 Differences due to different netting rules (other than those already included in row 2)	-	-	-	-	-
7- Differences due to consideration of provisions	-	-	-	-	-
8- Differences due to prudential filters	-	(108,389,776)	-	-	-
9-Risk Amounts	602,505,689	302,963,926	-	2,223,714	107,308,853

10.2. General qualitative information on credit risk

10.2.1. How the business model translates into the components of the group's credit risk profile

The business model of the Group basically consists of two main business fields: collecting funds by means of current accounts and profit/loss participation accounts subject to the interest-free banking rules and using those funds and equity funds to make funds available to customers. Because of these main business fields, the group's assets have a credit-weighted structure. Reflecting this business model, its total assets are cash credit-weighted and financial leasing receivable-weighted. The group lends funds to finance the real sector in general and increases its volume of credits by taking into account its risk-return balance to achieve sustainable growth.

The risk profile of the Group indicates the types of risks to which it is exposed or expects to be exposed, and its risk level by type of risk. The largest type of risk to which the Group is exposed or expects to be exposed within its current and target business model is the credit risk. Since the risk of concentration is one of the most important components of the credit risk, concentration limits were set by sector for the concentration risk. Internal limits are set for cash, non-cash and total credits for each of 20 different sectors. Limits were set for monitoring Defaulted Credit Exposures in mentioned sectors and for taking corrective measures. With regard to concentration of the credit risk, internal limits were set for the top 10, 20, 30, 40, 50 and 100 debtor/credit risk groups. Furthermore, country limits were set to avoid concentration in countries selected as part of the sovereign risk process.

10.2.2. Criteria and approach used for defining credit risk policy and for setting credit risk limits

The main purpose of the credit risk policy is to measure the counterparty risk undertaken as part of a credit transaction, to monitor the risk against the legal limits and the Parent Bank's internal limits, to research new techniques and applications for measuring and controlling the risk, to monitor overdue receivables, to analyze the reason of overdue, and to take measures to prevent such reasons from repeating. The term 'credit risk' refers to the potential loss the Bank might be exposed to because of credit borrowers' partial or full default of the credit agreements they signed with the bank. This term also includes the loss of market value because of the breakdown of the counterparty's financial position. This term includes both on-balance sheet and off-balance sheet transactions.

Risk limits are set by openly relating it with the Bank's volume on consolidated and non-consolidated basis within the financial system as part of its risk appetite structure. In this context the appetite for risk approved by the Board of Directors are divided between and allocated to other levels considered necessary by type of risk. The uses of the limits are closely monitored, and overdrafts are reported to the executive management for ensuring the necessary measures to be taken.

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10.3. Structure and organization of the credit risk management and control function

Risk Control and Compliance Group works under the Risk Committee reporting to the Board of Directors. Risk Control and Compliance Group Manager and Risk Management Department Manager working under the former are in charge of and responsible for the strategies and policies approved by the Board of Directors and for performing the other tasks assigned by the Risk Committee. Credit Risk Management and Modeling Unit is one of the units comprising the Risk Management Department performs the risk measurement and management tasks concerning the credit risk.

10.4. Relations between the credit risk management, risk control, compliance and internal audit functions

The units within the scope of internal systems have been established within the organizational structure of the Parent Bank depending on the Board of Directors. The Board of Directors has transferred its duties and responsibilities related to risk management, internal control and compliance to the Risk Committee consisting of three members of the board of directors. The Risk Management Department, the Internal Control Department and the Compliance Department carry out their activities under the supervision and coordination of the Risk Committee. The Board of Directors carries out its duties and responsibilities related to internal audit through the Audit Committee, which consists of three members of the Board of Directors. The Chairman of the Board of Inspectors performs internal audit activities under the supervision and coordination of the Audit Committee.

The internal control function of the Parent Bank is performed by the Internal Control Department. Internal Control System has been founded in such a manner to be capable and efficient to mitigate, manage, monitor and control the exposure risks of the Parent Bank in accordance with the Parent Bank's organizational structure and business fields as well as changing circumstances, and covers all domestic and international branches, head office, consolidated subsidiaries and all business activities of the Parent Bank. The internal control system and internal control activities of the Parent Bank are designed by the Internal Control Department in cooperation with the relevant management executives and are performed at a sufficient and efficient extent.

Compliance Department is in charge of managing the Parent Bank's compliance risk and taking it under control in an efficient way, forecasting and preventing the risk in question, and ensuring the Parent Bank's activities to comply with the applicable laws and regulations.

Risk Management Department performs the tasks of determining, measuring and managing the exposure risks of the Parent Bank. An efficient risk management system infrastructure has been established for credit risk management tasks, credit policy, and risk management activities falling within the credit risk policy. The internal credit risk limits set by the Board of Directors are measured and reported at regular intervals to the Risk Committee.

Audit Department is in charge of assuring the Board of Directors and the executive management that the Parent Bank's business activities are performed in accordance with the Banking Law, other applicable laws and regulations and the internal strategies, policies, principles and targets of the bank, and that the internal control and risk management systems are efficient and sufficient.

10.5. Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the Board of Directors

Risk Management Report for the Executive Management, which is the basic report presented to the Board of Directors and the executive management, is prepared quarterly. The report in question contains the basic subjects described below.

Quality of the assets are analyzed in accordance with the classification specified in the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside and the assets are compared with those of the previous fiscal period to monitor the sustainability of the asset quality. The report describes the credit risk limits and the figures realized in the relevant fiscal period. Credits lent in 20 different economic sectors are monitored by cash, non-cash and total credits.

Credit shares and development trends of the economic sectors are monitored. The risk limits set in accordance with the Parent Bank's appetite for risk and the figures realized are explained. Observed key risk indicators include the ratio of credit risk-weighted items over the total assets, the ratio of the total gross amount of defaulted credits over the total financing (cash credits) portfolio and their distribution by sector, distribution of guarantees by guaranteed group, the ratio of the top 10/20/30/40/50/100 risks over the total financing (cash and non-cash credits) portfolio, and the ratio of write-off.

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Distribution of cash credits by maturity term is monitored. Detailed information is given about the top 10 customers against whom internal or legal proceedings were filed, their limits, risks, guarantees and provisions, description of their sectors and their state are described. The trend of restructured credits is monitored. Also, loans to risk group of the Parent Bank are reported.

Sovereign ratings, limits and used limits are monitored and compared with the previous fiscal year.

The Parent Bank creates credit portfolios in accordance with its internal segment structure. These segments are divided into sub-segments. Risks realized for cash, non-cash and total credits are monitored by each of these portfolios.

Real estate price indexes are analyzed to monitor whether the values of the real estates received as guarantees for the funds lent have increased or decreased. These real estates are also monitored by subcategory in accordance with the classification of regions published by the Turkish Central Bank. They are also compared with the House Price Index of Turkey published by the Turkish Central Bank.

Credit quality of assets

Current Period		Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation		Provisions / depreciation and impairment	Net amount
		Defaulted	Non-Defaulted		
1	Loans	3,272,778	205,682,570	3,114,791	205,840,557
2	Debt securities	-	80,581,550	318,220	80,263,330
3	Off-balance sheet exposures (*)	608,718	55,834,541	604,897	55,838,362
4	Total	3,881,496	342,098,661	4,037,908	341,942,249

(*) Accruals of derivative transactions are presented as net amounts under impairments.

Prior Period		Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation		Provisions / depreciation and impairment	Net amount
		Defaulted	Non-Defaulted		
1	Loans	3,082,515	129,014,884	2,788,381	129,309,018
2	Debt securities	-	38,298,950	291,639	38,007,311
3	Off-balance sheet exposures (*)	527,586	30,379,913	522,426	30,385,073
4	Total	3,610,101	197,693,747	3,602,446	197,701,402

(*) Accruals of derivative transactions are presented as net amounts under impairments.

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	3,082,515	2,970,254
2	Loans and debt securities that have been defaulted since the last reporting period	1,763,506	1,376,194
3	Receivables back to non-defaulted status	-	-
4	Amounts written off	556	408,047
5	Other changes	(1,572,687)	(855,886)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) (*)	3,272,778	3,082,515

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10.6. Qualitative disclosures related to the credit quality of assets

10.6.1 Scope and definitions of “overdue” and “provision allocated” receivables for accounting purposes and the differences of definitions between “overdue” and “provision allocated”, if any

Overdue receivables: Overdue receivables and provision allocated receivables are determined according to the Communique on Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves. Provision for receivables: All financial instruments other than those covered by TFRS 9 and whose fair value is reflected in the profit / loss.

10.6.2. The part of the overdue receivables (past 90 days) for which provision is not allocated and reasons for this application

All loans that have completed the delay process determined in accordance with the legal regulations within the relevant month in the Parent Bank are automatically taken into follow-up accounts and are subject to special provision. In very exceptional cases and due to a court decision, the delay process is stopped, and the Bank's loan amount in this context is insignificant as of December 31, 2022.

10.6.3. Definitions of the methods used when determining the provision amount

TFRS 9 requires a 12-month expected credit loss provision for all financial assets in Stage 1 and the expected credit loss for all other financial assets. 12-month expected credit loss represents the portion of the expected credit loss from probable default events within 12 months after the reporting date. Lifetime losses are losses from all possible default events during the expected life of the financial instrument after the reporting date. Lifetime refers to the maturity of the financial instrument. In non-maturity financial instruments, the bank calculates the behavioral maturity and uses this to calculate the expected loan loss. The ECLs are calculated at each instrument level by taking into account the projected cash flows, the PD (Probability of default), the LGD (Loss given default), the CCR (Credit Conversion Rate) and the discount rate. In small, very unimportant and unrated portfolios, the ECL can be estimated on a collective basis.

10.6.4. Definition of restructured receivables

The financial terms in existing financial difficulties may be amended to facilitate payment of the debt, and the original loan terms that were previously signed can be changed according to the borrower's new financing power and structure when the loan cannot be repaid, or a potential non-repayment is encountered. In order for a loan to be considered as restructured, the debtor must be in financial difficulty and the debtor must be provided with the concession requirements for changing the loan conditions.

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10.6.5. Breakdown of exposures by geographical areas, industry and ageing

Distribution of cash receivables by sectors is as follows

Sector	Current Period – Cash Loan Amount	Prior Period – Cash Loan Amount
Individual	18,447,448	14,874,360
Other Services	14,886,244	8,771,465
Education	400,231	419,228
Real Estate and Brokerage	1,639,912	1,133,739
Financial Services	8,776,437	10,938,898
Food, Beverage, Tobacco	8,873,358	4,254,884
Government	611,470	1,915,895
Production	11,881,349	6,363,595
Construction (Commitment)	21,692,244	15,743,711
Construction (Build-and-sell)	8,686,670	5,110,897
Public Services (Electricity, Water & Gas)	12,286,427	9,207,506
Mining & Chemistry	14,799,796	7,440,687
Machinery Equipment	3,077,452	1,645,501
Automotive	9,786,185	4,152,816
Oil, Gas and Oil Products	659,423	481,438
Health	3,715,487	2,080,281
Agriculture	3,305,211	776,903
Textile	17,471,262	10,747,052
Wholesale & Retail	37,855,932	21,442,487
Tourism	967,581	592,941
Transportation & Warehouse	8,548,200	3,632,965
Total	208,368,319	131,727,249

Distribution of cash receivables by geographical regions is as follows.

Region	Current Period – Cash Loan Amount	Prior Period – Cash Loan Amount
Akdeniz Region	14,032,394	8,885,628
Dogu Anadolu Region	3,141,895	1,992,872
Ege Region	11,889,273	5,796,850
Güneydogu Anadolu Region	13,691,167	7,766,209
İç Anadolu Region	32,052,175	20,384,485
Karadeniz Region	6,129,271	3,334,466
Marmara Region	109,115,078	66,450,397
Foreign	18,317,066	17,116,342
Total	208,368,319	131,727,249

The maturity distribution of cash receivables is as follows.

Maturity Distribution	Current Period – Cash Loan Amount	Prior Period – Cash Loan Amount
1-3 years	114,603,175	59,544,343
3-5 years	45,582,444	35,736,437
5 years and more	26,022,119	20,970,367
Up to 1 year	20,412,291	14,413,860
Defaulted	1,748,290	1,062,242
Total	208,368,319	131,727,249

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10.6.6. Provisions based on geographical and sectoral concentration and written off amounts

Current Period - Sector	Non-Performing Loans	Provisions	Write-Offs (*)
Agriculture	24,744	24,103	-
Farming and Stockbreeding	9,884	9,482	-
Forestry	14,860	14,621	-
Fishery	-	-	-
Manufacturing	603,126	552,747	-
Mining and Quarrying	63,017	61,595	-
Production	535,408	486,577	-
Electricity, Gas and Water	4,701	4,575	-
Construction	1,244,179	1,193,862	-
Services	1,263,133	1,218,675	-
Wholesale and Retail Trade	871,657	839,597	-
Accommodation and Dining	179,083	178,244	-
Transportation and Telecommunication	101,692	96,150	-
Financial Institutions	7,701	7,663	-
Real Estate and Rental Services	52,131	48,916	-
Professional Services	-	-	-
Educational Services	16,256	14,573	-
Health and Social Services	34,613	33,532	-
Other	137,596	125,404	556
Total	3,272,778	3,114,791	556

Prior Period - Sector	Non-Performing Loans	Provisions	Write-Offs
Agriculture	33,900	30,204	16,621
Farming and Stockbreeding	14,129	12,827	13,796
Forestry	19,771	17,377	2
Fishery	-	-	2,823
Manufacturing	561,557	490,917	103,295
Mining and Quarrying	155,218	140,135	15,618
Production	396,355	341,057	86,202
Electricity, Gas and Water	9,984	9,725	1,475
Construction	1,187,755	1,107,079	112,898
Services	1,150,166	1,034,267	155,568
Wholesale and Retail Trade	699,548	621,122	110,210
Accommodation and Dining	147,909	137,120	2,386
Transportation and Telecommunication	95,547	85,323	33,408
Financial Institutions	5,529	5,503	-
Real Estate and Rental Services	48,889	44,636	902
Professional Services	-	-	-
Educational Services	113,883	106,375	1,148
Health and Social Services	38,861	34,188	7,514
Other	149,137	125,914	19,665
Total	3,082,515	2,788,381	408,047

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Current Period - Geographic Region	Non-performing loans	Provisions	Write-Offs
Marmara Region	1,748,348	1,676,396	-
Güneydogu Anadolu Region	193,785	172,960	-
Iç Anadolu Region	807,159	763,876	-
Akdeniz Region	170,272	163,472	-
Ege Region	195,324	186,784	-
Dogu Anadolu Region	62,527	59,239	-
Karadeniz Region	33,059	30,564	-
Foreign	62,304	61,500	556
Total	3,272,778	3,114,791	556

Prior Period - Geographic Region	Non-performing loans	Provisions	Write-Offs (*)
Marmara Region	1,667,765	1,478,442	278,636
Güneydogu Anadolu Region	137,832	132,291	15,193
Iç Anadolu Region	824,963	768,159	38,553
Akdeniz Region	175,919	162,414	22,065
Ege Region	165,289	154,071	23,998
Dogu Anadolu Region	69,691	61,411	15,132
Karadeniz Region	33,950	31,107	4,209
Foreign	7,106	486	10,261
Total	3,082,515	2,788,381	408,047

10.6.7. Aging analysis for non-performing loans

Current period	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	5 Years and Over
Corporate and Commercial Loans	121,080	547,985	1,486,496	935,721	86,721
Retail Loans	2,094	12,267	9,012	23,573	4,443
Credit cards	8,006	15,879	14,124	4,491	886
Other	-	-	-	-	-
Total	131,180	576,131	1,509,632	963,785	92,050

Prior Period	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	5 Years and Over
Corporate and Commercial Loans	258,271	264,114	2,135,269	229,408	89,846
Retail Loans	5,054	7,683	21,322	42,272	4,852
Credit cards	10,422	6,119	5,890	1,705	289
Other	-	-	-	-	-
Total	273,747	277,916	2,162,481	273,385	94,987

10.6.8. Breakdown of Restructured receivables according to their provisions

Restriction Status	Current Period - Risk	Prior Period - Risk
Performing	2,888,282	3,257,703
Non-Performing	672,696	662,378
Total	3,560,978	3,920,081

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10.7. Credit Risk Mitigation

10.7.1 Qualitative information on Credit Risk Mitigation Techniques

Within the framework of the credit transactions carried out by the parent bank, all the collateral documents received in the presence of the branch personnel are checked by the branch operations staff and forwarded to the collateral follow-up Directorate through the main banking application. The systematic entries of the guarantees are completed by the personnel of the guaranteed follow-up directorate where signature compliance, authorization checks, and validity examinations are performed.

10.7.2 Credit risk mitigation techniques

	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	148,816,023	47,514,045	11,011,602	9,510,489	7,503,993	-	-
2	Debt securities	80,263,330	-	-	-	-	-	-
3	Total	229,079,353	47,514,045	11,011,602	9,510,489	7,503,993	-	-
4	Overdue	110,534	29,979	619	17,474	8,848	-	-

	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	86,871,005	35,189,340	3,119,489	7,248,673	5,915,414	-	-
2	Debt securities	38,007,311	-	-	-	-	-	-
3	Total	124,878,316	35,189,340	3,119,489	7,248,673	5,915,414	-	-
4	Overdue	81,507	168,958	13,189	43,669	27,132	-	-

10.8. Explanations on Counterparty Credit Risk (CCR)

10.8.1. Risk management objectives and policies for CCR

Determination of the creditworthiness of financial counterparties has been made in addition to the Credit Policy of the Parent Bank in accordance with the regulations published by BRSA and the international practices in order to limit the exposure to be suffered by the Parent Bank in case of financial counterparty default. This annex describes allocation of limit to financial counterparties and continuous monitoring activities. In this respect, the creditworthiness assessments of the financial and non-financial entities for CCRs especially including sovereign assessments and limits are finally decided by the committees specified under the Policy.

10.8.2. The method used to allocate the operational limits defined in terms of internal capital for CCR and central counterparty risks

Internal model method is not used for calculating the capital requirements for counterparty credit risk and central counterparty risks.

10.8.3. Policies relating to guarantees and other risk mitigation and assessments concerning counterparty credit risk, including central counterparty risk

All of the Parent Bank's counterparty credit risk and central counterparty limits are non-committed limits and they include cash and non-cash limits. In case of any transactions involving non-cash risk exposure, the reinsurance of the organizations such as International Development Banks is used. If required, cash collateral is sought in order to minimize the exposure. In case of transactions involving cash risk exposure, the risk exposure is mitigated by obtaining shares and bills (sukuk) as security.

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10.8.4. Rules with respect to wrong-way risk

Internal model is not used for CCR; and as such, no calculation is made with respect to the wrong-way risk.

10.8.5. The impact in terms of the amount of collateral that the bank is required to provide in case of a credit rating downgrade

In case of a decrease in the credit rating, there is no additional collateral amount that our parent bank has to provide.

10.8.6. Counterparty credit risk (CCR) approach analysis

	Current Period	Replacement Cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	Risk amount after credit risk mitigation	Risk weighted amounts
1	Standardized Approach CCR (for derivatives) (*)	523,377	383,697		1.4	1,269,904	756,210
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions						
6	Total						756,210

	Prior Period	Replacement Cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	Risk amount after credit risk mitigation	Risk weighted amounts
1	Standardized Approach CCR (for derivatives) (*)	1,042,314	483,445		1.4	1,525,759	640,761
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions						
6	Total						640,761

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10.8.7. Capital requirement for credit valuation adjustment (CVA)

		Current Period		Prior Period	
		Risk amount (after using credit risk mitigation techniques)	Risk weighted amounts	Risk amount (after using credit risk mitigation techniques)	Risk weighted amounts
Total portfolios subject to the Advanced CVA capital obligation					
1	(i) VaR component (including the 3*multiplier)	-	-	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-	-	-
3	All portfolios subject to the Standardized CVA capital obligation	1,269,903	119,703	1,525,759	18,652
4	Total subject to the CVA capital obligation	1,269,903	119,703	1,525,759	18,652

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10.8.8.CCR exposures by risk class and risk weights

Current Period - Risk Classes / Risk Weights *		0%	10%	20%	50%	75%	100%	150%	200%	Others ***	Total credit risk*
1	Receivables from central governments and Central Banks	84,140	-	-	-	-	-	-	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	-	-	383,552	364,155	-	58,361	-	-	-	317,149
7	Receivables from corporate	-	-	-	-	-	364,738	-	-	-	364,738
8	Retail receivables	-	-	-	-	99,097	-	-	-	-	74,323
9	Other receivables	-	-	-	-	-	-	-	-	-	-
10	Total	84,140	-	383,552	364,155	99,097	423,099	-	-	-	756,210

(*) Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied.

(**) Other assets: The template includes amounts that are not included in counterparty credit risk reported in CCR8.

(***) 35% Risk Weight is classified in Others.

Prior Period - Risk Classes / Risk Weights *		0%	10%	20%	50%	75%	100%	150%	200%	Others ***	Total credit risk*
1	Receivables from central governments and Central Banks	5,221,288	-	-	-	-	-	-	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	-	-	603,026	773,915	-	-	-	-	-	507,563
7	Receivables from corporate	-	-	-	-	-	94,604	-	-	-	94,604
8	Retail receivables	-	-	-	-	32,436	-	-	-	-	24,327
9	Other receivables	-	-	-	3,984	-	10,259	-	-	5,760	14,267
10	Total	5,221,288	-	603,026	777,899	32,436	104,863	-	-	5,760	640,761

(*) Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied.

(**) Other assets: The template includes amounts that are not included in counterparty credit risk reported in CCR8.

(***) 35% Risk Weight is classified in Others.

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11. Securitization positions

None.

12. Explanations on the activities carried out on behalf and account of other persons, fiduciary-based transactions

The Group does not perform purchases, sales and custody services in the name of others. The Bank has no fiduciary-based transaction agreements.

13. Qualitative explanations on market risk

13.1. Group's processes and strategies

Procedures for the identification, measurement, monitoring and control of the market risk of the Group, as well as processes for risk protection and strategies/processes for monitoring of the continuity of the hedging effectiveness, as well as the strategic objectives for the Group's trading activities.

Risk management activities are consisting of the measurement, monitoring, control and reporting of the risks, arising from risks incurred on the consolidated and solo basis and transactions carried out with the risk group that the Bank is involved in. These activities are carried out by the Parent Bank's Risk Management Department.

The definition of the market risk is made by legislation within the scope of the Pillar 1 risks. The components of the market risk that do not fall within the scope of Pillar 1 risks are assessed internally. This process is carried out by the Risk Management Department with the consultation to other relevant departments.

Measurement of the market risk is carried out by the Risk Management Department. Market risk is measured by the standard method as specified in the third part of the Regulation on the Measurement and Evaluation of Banks' Capital Adequacy. The Risk Management Department adopts international standardized methods and advanced statistical methods, which are included in the legislation, in the measurement of risks falling within the scope of the Pillar 2. Developed models as well as the stress tests and scenario analysis are used in the measurement and monitoring of the market risk.

The primary purpose of market risk is for the bank's risk exposure to be within the limits specified by the legislation and to be in accordance with the Bank's risk appetite. In this context, market risk is periodically measured, monitored and reported.

Risk limits related to market risk are established in accordance with the Group's Risk Appetite Policy. Aforementioned risk limits are determined by the Board of Directors and reviewed at least once a year. Limit usages are closely monitored.

Risk mitigation techniques have been applied in line with the size and complexity of the undertaking market risk and the controls are implemented in order to ensure their effectiveness.

Treasury Group Department monitors foreign currency positions and cash flows on behalf of the Parent Bank.

Moreover, new products and projects are examined in terms of market risk management and appropriate internal controls are implemented in case of necessity.

The Parent Bank's strategic objectives for trading activities are given below.

- Ensure that the parent bank's lease certificate portfolio is managed at the optimum level within the risk-return balance limits
- Implement transaction by taking into account the future prospects of market developments/movements and the framework of trading opportunities in the current market prices
- Invest in Sukuk (lease certificates) as an alternative investment tool to manage the liquidity profitably

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13.2. The organization and structure of the market risk management function

Definition of the market risk management structure established for the implementation of the Parent Bank's strategies and processes and the communication mechanism and relationship between the different parties involved in market risk management, as described in paragraph 1 of 12.1.

The market risk service operates under the Deputy Head responsible from the Market Risk, Operational Risk and Capital Planning within Risk Management Department. This service directly reports to the Board of Directors through the Risk Committee. The results of risk measurement and risk monitoring are shared with other related units. The activities coordinated within the Internal Capital Adequacy Assessment Process are carried out together with other relevant departments of the Parent Bank.

13.3. Structure and scope of risk reporting and/or measurement systems

Within the scope of risk management system, the Group established a reporting system which ensures effective analysis and evaluation for market risks. The risk measurement and risk monitoring results are reported to the Risk Committee on a timely manner.

There is a risk measurement system which covers the scope and complexity of significant market risk components including transactions and operations exposed to market risk. This system is being audited regularly.

The details of the market risk calculated as of 31 December 2021 and 31 December 2022 in accordance with the principles in the third part of the "The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette numbered 29511 and dated 23 October 2015 are as follows:

13.4. Market risk under standardised approach

		Risk Weighted Amounts	
		Current Period	Prior Period
	Outright products	21,968,861	5,574,076
1	Profit share risk (general and specific)	16,352,302	3,348,235
2	Equity risk (general and specific)	1,096,462	66,214
3	Foreign exchange risk	2,115,839	615,471
4	Commodity risk	2,404,258	1,544,156
	Options	-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitization	-	-
9	Total	21,968,861	5,574,076

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13.5. Explanations on Operational Risk:

"Basic Indicator Method" is used in operational risk calculation of the Group. The sum that is the basis for the operational risk is calculated by the use of the gross revenues of the Group for the last 3 years 2021, 2020 and 2019 in compliance with "Third Section "Calculation of the Operational Risk" of The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Group published in the Official Gazette numbered 29111 and dated 6 September 2014. The annual gross revenue is calculated by addition of the net fees and commission revenues, dividend income obtained other than subsidiaries and affiliates, the trading gain/loss(net) and other operating income to the net profit share income and by deduction of the gain/loss from the sale of the assets accounted other than the trading book, extraordinary income, the operational expenses for the support services taken from the main shareholder of the Parent Bank, subsidiary of the Parent Bank or subsidiary of the shareholder of the Parent Bank performing the calculation or the institutions which are subject to the relevant Regulation or the equivalent arrangements and the operational expenses for the support service taken from a bank and the amounts compensated from insurance. TL 363,564 corresponding to the 8% of TL 17,044,547 used in the calculation of the operational risk within the scope of "Capital adequacy standard rate" indicated in the disclosure I of this section, represents the operational risk which might be exposed to. TL 363,564 also defines the minimum capital sum which is required in order to eliminate the mentioned risk.

Current Period	31/12/2019 Amount	31/12/2020 Amount	31/12/2021 Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	5,375,818	8,744,165	35,276,289	16,465,424	15	2,469,814
Value at Operational Risk (Total*12.5)						30,872,675

Prior Period	31/12/2018 Amount	31/12/2019 Amount	31/12/2020 Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	4,018,300	5,375,818	8,744,165	6,046,094	15	906,914
Value at Operational Risk (Total*12.5)						11,336,427

13.6. Profit-share rate risk related to banking book

13.6.1. Economic value differences arising from fluctuations in profit share rates in accordance with the regulation on measurement and evaluation of profit share rates derived from banking accounts with standard shock method

Current Period

	Currency	Applied Shock (+/- x basis points)	Gains/Losses	Gains/Shareholder's Equity- Losses/shareholder's Equity
1	TRY	(+) 500bp	(267,483)	(0.65%)
2	TRY	(-) 400bp	297,717	0.72%
3	USD	(+) 200bp	(458,280)	(1.11%)
4	USD	(-) 200bp	548,292	1.33%
5	EURO	(+) 200bp	(194,702)	(0.47%)
6	EURO	(-) 200bp	267,781	0.65%
	Total (For Negative Shocks)		1,113,790	2.71%
	Total (For Positive Shocks)		(920,465)	(2.24%)

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Prior Period

	Currency	Applied Shock (+/- x basis points)	Gains/Losses	Gains/Shareholder's Equity- Losses/shareholder's Equity
1	TRY	(+) 500bp	(521,604)	(2.73%)
2	TRY	(-) 400bp	486,326	2.55%
3	USD	(+) 200bp	748,776	3.92%
4	USD	(-) 200bp	(792,981)	(4.15%)
5	EURO	(+) 200bp	162,645	0.85%
6	EURO	(-) 200bp	(158,010)	(0.83%)
	Total (For Negative Shocks)		(464,665)	(2.43%)
	Total (For Positive Shocks)		389,817	2.04%

13.7. Risk management objectives and policies

In accordance with Group's strategies, risk policies and vision, the analysis that RMS presents to Risk Committee are credit risks, market risks, liquidity risks, operational risks and IT risk evaluations. Besides, in accordance with market trends, economic conduct and the Parent Bank's strategic growth, capital adequacy stress test and scenario analyses, evaluation of economic development in the World and Turkey is presented to Risk Committee and Board of Directors by RMS. These analyses contribute to Parent Bank Top Management's resolution process about risk appetite and awareness of risks, capital adequacy, strategy revisions and future estimation.

In addition, Risk Management Service verifies its own coordination to be ready proactively in business availability of Kuveyt Türk and situations connected with it.

Risk Management Service continues risk monitoring and analyzing operations in accordance with Board of Director's Parent Bank's mission, vision and growth strategy to prevent the potential risks. In this context credit and market risks, liquidity risk, operational risks and all limits, internal personal scoring and corporate rating modeling with IT risks issues, IT risk evaluation, operational lost data base, key risk indicators, operational risk insurances, market risk calculations, following up of treasury transactions and asset-liability risks are being monetarized.

Hierarchy of valuation techniques which establishes basis for fair value calculation of financial assets and liabilities

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Financial instruments valued by applying methods that are based on observable market prices, directly or indirectly, on data that has significant effect on the fair value reflected in the inputs

Level 3: Financial instruments valued by applying methods that are not based on observable market prices, directly or indirectly, on data that has significant effect on the fair value reflected in the inputs.

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles as of 31 December 2022 and 31 December 2021 are given in the table below:

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Current Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss	13,210,223	8,162,680	-	21,372,903
Forward transactions	-	302,276	-	302,276
Swap transactions	-	376,664	-	376,664
Government debt securities	13,210,223	-	-	13,210,223
Other marketable securities	-	7,483,740	-	7,483,740
Financial assets at fair value through other comprehensive income	54,810,426	2,774,703	-	57,585,129
Equity securities	180,898	-	-	180,898
Government debt securities	54,629,528	-	-	54,629,528
Other marketable securities	-	2,774,703	-	2,774,703
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	184,067	-	184,067
Forward transactions	-	29,841	-	29,841
Swap transactions	-	154,226	-	154,226
Financial liabilities for hedging purposes	-	-	-	-
Prior Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss	11,035,607	3,303,278	-	14,338,885
Forward transactions	-	358,296	-	358,296
Swap transactions	-	1,040,488	-	1,040,488
Government debt securities	11,035,607	-	-	11,035,607
Other marketable securities	-	1,904,494	-	1,904,494
Financial assets at fair value through other comprehensive income	31,790,271	281,491	-	32,071,762
Equity securities	84,074	-	-	84,074
Government debt securities	31,706,197	-	-	31,706,197
Other marketable securities	-	281,491	-	281,491
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	257,764	-	257,764
Forward transactions	-	132,843	-	132,843
Swap transactions	-	124,921	-	124,921
Financial liabilities for hedging purposes	-	-	-	-

No transfers have taken place between Level 1 and Level 2 in the current year.

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14. Explanations on consolidated business segments

The Parent Bank operates in Corporate and Commercial Banking, Retail Banking, Treasury and International Banking sectors.

Corporate and Commercial Banking: Special cash flow and financial solutions are provided to customers through loans, non-cash loans, foreign trade financing services and similar customized products to meet the financial needs of the customers. Domestic and foreign business opportunities are supported by using different corporate banking instruments to serve the sustainability of the production of entities.

Retail Banking includes fund collection, installment commercial loans, business loans, non-cash loans, consumer financing and credit cards. The Bank serves in the range of products areas of profit share accounts creation, banking services, trade finance, checks, POS services, credit cards, ATM services, online banking and mobile banking in these fields.

In Treasury and International Banking, the relationships with foreign correspondent banks and investment institutes are executed directly or via branches abroad, representative offices and agencies. The firms, which are exceed size limits, are classified “corporate” customers and directed to the Corporate Banking. The products are the same with the Commercial Banking. The aim of international banking is to enable foreign trade financing and develop mutual long-term financing agreements with foreign banks. Besides supplying syndicated loans and issue the Sukuk for the Bank, investment banking also supplies syndicated loans in corporate basis for the firms and groups in Turkey. The Treasury in addition to monitoring foreign currency position and liquidity of the Bank, also conducts spot and forward transactions in TL or foreign currencies, performs derivative transactions (forward, swap) with banks and customers, trades of gold within the context of membership of Istanbul Gold Exchange, trades share certificates in BIST and international markets and conducts Murabaha transactions with foreign banks.

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Selected balance sheet and income statement items according to segments

Current Period 1 January 2022-31 December 2022	Retail Banking	Corporate and Commercial Banking	Treasury and international Banking	Unallocated	Group's total operation
Operating income	16,986,125	15,522,773	17,444,711	-	49,953,609
Operating expenses (-)	14,859,316	3,906,202	2,413,900	9,700,059	30,879,477
Transfers between segments	9,421,628	(7,531,940)	(1,889,688)	-	-
Net operating income(loss)	11,548,437	4,084,631	13,141,123	(9,700,059)	19,074,132
Income from associates	-	-	-	54,079	54,079
Income (loss) before tax	11,548,437	4,084,631	13,141,123	(9,645,980)	19,128,211
Provision for taxation (-)	-	-	-	4,177,588	4,177,588
Net income for the period	11,548,437	4,084,631	13,141,123	(13,823,568)	14,950,623
Current Period 31 December 2022					
Segment assets	37,357,906	77,548,111	143,876,590	-	258,782,607
Associates, subsidiaries and joint ventures	-	-	-	112,938	112,938
Undistributed assets	-	-	-	8,398,649	8,398,649
Total assets	37,357,906	77,548,111	143,876,590	8,511,587	267,294,194
Segment liabilities	63,362,805	120,864,395	210,923,809	-	395,151,009
Undistributed liabilities	-	-	-	167,017	167,017
Shareholders' equity	-	-	-	8,662,485	8,662,485
Total liabilities	63,362,805	120,864,395	210,923,809	8,829,502	403,980,511
Prior Period 1 January 2021 – 31 December 2022					
Operating income	7,445,351	10,049,459	2,563,644	-	20,058,454
Operating expenses (-)	7,168,940	2,527,008	1,439,541	4,298,142	15,433,631
Transfers between segments	3,536,129	(3,394,812)	(141,317)	-	-
Net operating income(loss)	3,812,540	4,127,639	982,786	(4,298,142)	4,624,823
Income from associates	-	-	-	27,947	27,947
Income (loss) before tax	3,812,540	4,127,639	982,786	(4,270,195)	4,652,770
Provision for taxation (-)	-	-	-	1,279,103	1,279,103
Net income for the period	3,812,540	4,127,639	982,786	(5,549,298)	3,373,667
Prior Period 31 December 2021					
Segment assets	37,357,906	77,548,111	143,876,590	-	258,782,607
Associates, subsidiaries and joint ventures	-	-	-	112,938	112,938
Undistributed assets	-	-	-	8,398,649	8,398,649
Total assets	37,357,906	77,548,111	143,876,590	8,511,587	267,294,194
Prior Period 31 December 2021					
Segment liabilities	191,641,197	36,811,822	16,023,869	-	244,476,888
Undistributed liabilities	-	-	-	11,328,465	11,328,465
Shareholders' equity	-	-	-	11,488,841	11,488,841
Total liabilities	191,641,197	36,811,822	16,023,869	22,817,306	267,294,194

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. Explanations and notes related to consolidated assets

1.1. Information regarding the cash assets and the Central Bank of Republic of Turkey

1.1.1 Cash and balances with the Central Bank of Republic of Turkey

	Current period		Prior period	
	TL	FC	TL	FC
Cash/foreign currency	2,216,128	9,241,195	734,131	6,849,096
The Central Bank of Republic of Turkey	6,272,849	58,400,892	4,620,318	47,690,909
Other (*)	55,900	3,278,301	29,609	7,050,216
Total	8,544,877	70,920,388	5,384,058	61,590,221

(*) As of 31 December 2022, precious metal account amounting to TL 3,278,301 (31 December 2021 - TL 7,050,216 and money in transit amounting to TL 55,900 (31 December 2021 – TL 29,609) are presented in this line.

1.1.2 Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	6,272,849	12,263,740	4,540,821	11,485,380
Restricted time deposit	-	-	-	-
Unrestricted time deposit	-	46,137,152	79,497	36,205,529
Total	6,272,849	58,400,892	4,620,318	47,690,909

According to the CBRT's Communiqué on Required Reserves No. 2005/1, banks operating in Turkey; Required reserve ratios for Turkish lira and foreign currency liabilities are determined between 3% and 26% by differentiating according to the maturity of liabilities, and these rates are applied by banks as of the date of the report.

1.2 Information on financial assets at fair value through profit and loss

As of 31 December 2022, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2021 – None).

Positive differences related to marketable derivative financial assets:

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	242,868	59,408	356,312	1,984
Swap transactions	218,386	158,278	449,617	590,871
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	461,254	217,686	805,929	592,855

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1.3 Information on Banks

1.3.1. Information on Banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	3,766,630	17,735,475	793,894	15,310,474
Domestic	3,766,630	1,248,360	793,894	2,723,863
Foreign (*)	-	16,487,115	-	12,586,611
Headquarters and branches abroad	-	-	-	-
Other Financial Institutions	-	-	-	-
Total	3,766,630	17,735,475	793,894	15,310,474

(*) As a result of the changes in the Uniform Chart of Accounts implemented by the BRSA as of January 1, 2021, the foreign currency collaterals given for the derivative transactions made by the Bank with foreign banks, which were monitored in the other assets account in the bank balance sheet in the previous periods, started to be monitored in the banks account as of the current period. As of 31 December 2022, the relevant amount is 628,567 TL.

1.3.2 Information on foreign banks account

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	2,579,907	3,947,681	-	-
USA and Canada	12,496,917	7,919,998	-	-
OECD Countries (*)	171,470	81,785	-	-
Off-shore Banking Regions	3,907	2,810	-	-
Other	1,234,914	634,337	-	-
Total	16,487,115	12,586,611	-	-

(*) EU countries, OECD countries other than the US and Canada

1.4 Information on financial assets at fair value through other comprehensive income

	Current period	Prior Period
Debt Securities	57,840,042	32,249,966
Quoted on stock exchange	57,840,042	32,249,966
Not quoted on stock exchange	-	-
Share certificates/Investment Funds	89,099	130,255
Quoted on stock exchange	19,920	106,190
Not quoted on stock exchange	69,179	24,065
Impairment provision (-)	344,012	308,459
Total	57,585,129	32,071,762

1.4.1 Information on financial assets given as collateral or blocked at fair value reflected in other comprehensive income

As of the balance sheet date, there are financial assets given TL 39,231,073 (31 December 2021: TL 11,410,139) as collateral whose fair value difference is reflected to other comprehensive income.

1.4.2 Information on financial assets whose fair value difference subject to repo transaction is reflected to other comprehensive income

As of the balance sheet date, there are financial assets subject to sale transactions with the promise of repurchase, of which TL 274,871 (31 December 2021 – 6,495,137) is reflected to other comprehensive income.

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1.5 Explanations on financial assets measured at amortized cost:

1.5.1 All types of loans and advances given to shareholders and employees of the Group:

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	26,634	45,210	6,955	21,246
Corporate shareholders	10,779	45,163	-	21,228
Real person shareholders	15,855	47	6,955	18
Indirect loans granted to shareholders	2,176,543	1,849	64,316	2,297
Loans granted to employees	74,237	1,494	40,564	1,320
Total	2,277,414	48,553	111,835	24,863

1.5.2 Information on standard loans, loans under close monitoring and restructured loans under close monitoring

Current Period - Cash Loans	Standard Loans	Loans Under Close Monitoring		
		Not Subject to Restructuring	Restructured Loans	
			Revised Contract Terms	Refinance
Loans	171,966,419	9,376,847	2,888,282	-
Export Loans	18,434,765	215,570	-	-
Import Loans	10,128,793	317,949	-	-
Corporation Loans	85,393,999	7,160,333	2,868,223	-
Consumer Loans	16,949,800	431,043	14,112	-
Credit Cards	9,934,053	601,788	5,947	-
Loans given to financial sector	7,518,682	-	-	-
Other	23,606,327	650,164	-	-
Other Receivables	227	364	-	-
Total	171,966,646	9,377,211	2,888,282	-

Prior Period - Cash Loans	Standard Loans	Loans Under Close Monitoring		
		Not Subject to Restructuring	Restructured Loans	
			Revised Contract Terms	Refinance
Loans	107,281,320	6,178,454	3,257,703	-
Export Loans	10,658,321	167,651	-	-
Import Loans	4,064,392	238,568	-	-
Corporation Loans	49,455,992	3,419,753	3,176,331	-
Consumer Loans	14,385,713	356,836	17,082	-
Credit Cards	2,369,729	226,046	21,267	-
Loans given to financial sector	9,179,662	-	-	-
Other	17,167,511	1,769,600	43,023	-
Other Receivables	339	983	-	-
Total	107,281,659	6,179,437	3,257,703	-

Information on standard loans and loans under close monitoring and restructured loans under close monitoring regarding provision

	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
	Current Period	Current Period	Prior Period	Prior Period
12 Month Expected Credit Losses (*)	5,882,549	-	2,311,072	-
Expected Loss Provision for Other Financial Assets Measured at Amortized Cost	10,210	-	621	-
Significant Increase in Credit Risk	-	4,847,784	-	3,507,288
Total	5,892,759	4,847,784	2,311,693	3,507,288

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1.5.3 Distribution of cash loans and other receivables according to their maturities

		Loans Under Close Monitoring	
Current Period	Standard Loans	Not Subject to Restructuring	Restructured
Short Term Loans	82,724,041	3,182,726	138,943
Medium- and Long-Term Loans	89,242,606	6,194,485	2,749,339
Total	171,966,647	9,377,211	2,888,282

		Loans Under Close Monitoring	
Prior Period	Standard Loans	Not Subject to Restructuring	Restructured
Short Term Loans	36,108,221	1,445,164	92,192
Medium- and Long-Term Loans	71,173,438	4,734,273	3,165,511
Total	107,281,659	6,179,437	3,257,703

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1.5.4 Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards

Current Period	Short term	Medium and long term	Total
Consumer Loans-TL	315,884	14,332,601	14,648,485
Housing Loans	54,319	10,456,951	10,511,270
Vehicle Loans	105,743	2,919,962	3,025,705
Consumer Loans	91,397	418,177	509,574
Other	64,425	537,511	601,936
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	311	2,713,906	2,714,217
Housing Loans	-	2,488,936	2,488,936
Vehicle Loans	-	208,939	208,939
Consumer Loans	311	16,031	16,342
Other	-	-	-
Retail Credit Cards-TL	2,489,352	25	2,489,377
With Installment	724,471	25	724,496
Without Installment	1,764,881	-	1,764,881
Retail Credit Cards-FC	9,246	-	9,246
With Installment	-	-	-
Without Installment	9,246	-	9,246
Personnel Loans-TL	2,783	29,470	32,253
Housing Loans	-	4,264	4,264
Vehicle Loans	1,253	12,971	14,224
Consumer Loans	1,506	12,235	13,741
Other	24	-	24
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	48,957	2	48,959
With Installment	24,282	2	24,284
Without Installment	24,675	-	24,675
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	2,866,533	17,076,004	19,942,537

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Prior Period	Short term	Medium and long term	Total
Consumer Loans-TL	132,770	12,927,445	13,060,215
Housing Loans	32,641	10,534,935	10,567,576
Vehicle Loans	42,993	1,845,143	1,888,136
Consumer Loans	32,401	235,966	268,367
Other	24,735	311,401	336,136
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	88	1,658,257	1,658,345
Housing Loans	-	1,563,957	1,563,957
Vehicle Loans	88	93,909	93,997
Consumer Loans	-	391	391
Other	-	-	-
Retail Credit Cards-TL	936,138	70	936,208
With Installment	247,995	70	248,065
Without Installment	688,143	-	688,143
Retail Credit Cards-FC	6,916	-	6,916
With Installment	-	-	-
Without Installment	6,916	-	6,916
Personnel Loans-TL	2,100	38,971	41,071
Housing Loans	49	3,730	3,779
Vehicle Loans	724	18,725	19,449
Consumer Loans	1,327	16,516	17,843
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	24,701	21	24,722
With Installment	10,286	21	10,307
Without Installment	14,415	-	14,415
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	1,102,713	14,624,764	15,727,477

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1.5.5 Information on commercial installment loans and corporate credit cards

Current Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	8,579,186	15,698,855	24,278,041
Business Loans	220,671	1,792,159	2,012,830
Vehicle Loans	7,015,444	9,173,167	16,188,611
Consumer Loans	1,343,071	4,733,529	6,076,600
Other	-	-	-
Commercial Installment Loans-FC Indexed	10,521	459,633	470,154
Business Loans	10,521	2,399	12,920
Vehicle Loans	-	-	-
Consumer Loans	-	457,234	457,234
Other	-	-	-
Commercial Installment Loans-FC	2,090,870	8,461,500	10,552,370
Business Loans	-	751,994	751,994
Vehicle Loans	62,520	1,482,522	1,545,042
Consumer Loans	-	16,057	16,057
Other	2,028,350	6,210,927	8,239,277
Corporate Credit Cards-TL	7,959,725	-	7,959,725
With Installment	4,467,414	-	4,467,414
Without Installment	3,492,311	-	3,492,311
Corporate Credit Cards-FC	34,481	-	34,481
With Installment	-	-	-
Without Installment	34,481	-	34,481
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	18,674,783	24,619,988	43,294,771

Prior Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	994,450	11,754,294	12,748,744
Business Loans	32,149	1,793,796	1,825,945
Vehicle Loans	788,312	6,813,277	7,601,589
Consumer Loans	173,989	3,147,221	3,321,210
Other	-	-	-
Commercial Installment Loans-FC Indexed	8,187	515,770	523,957
Business Loans	8,187	17,567	25,754
Vehicle Loans	-	1,028	1,028
Consumer Loans	-	497,175	497,175
Other	-	-	-
Commercial Installment Loans-FC	1,315,908	6,703,940	8,019,848
Business Loans	-	741,402	741,402
Vehicle Loans	3,602	847,628	851,230
Consumer Loans	-	19,917	19,917
Other	1,312,306	5,094,993	6,407,299
Corporate Credit Cards-TL	1,625,478	-	1,625,478
With Installment	681,084	-	681,084
Without Installment	944,394	-	944,394
Corporate Credit Cards-FC	23,717	-	23,717
With Installment	-	-	-
Without Installment	23,717	-	23,717
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	3,967,740	18,974,004	22,941,744

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1.5.6. Allocation of loans by customers

	Current period	Prior period
Public	590,502	833,335
Private	183,641,637	115,885,464
Total	184,232,139	116,718,799

1.5.7 Breakdown of domestic and foreign loans

	Current period	Prior period
Domestic loans	164,463,609	106,647,337
Foreign loans	19,768,530	10,071,462
Total	184,232,139	116,718,799

1.5.8 Loans granted to subsidiaries and associates

	Current period	Prior period
Loans granted directly to subsidiaries and associates	127	193
Loans granted indirectly to subsidiaries and associates	-	-
Total	127	193

1.5.9 Specific provisions for loans or default (Third Stage) provisions

	Current period	Prior period
Loans and receivables with limited collectability	92,504	145,268
Loans and receivables with doubtful collectability	265,907	99,920
Uncollectible loans and receivables	2,756,380	2,543,193
Total	3,114,791	2,788,381

1.5.10 Information on non-performing loans (Net)

1.5.10.1 Information on loans and other receivables included in loans under follow-up account, which are restructured or rescheduled

	III. Group Loans and Receivables with Limited Collectability	IV. Group Loans and Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Receivables
Current Period			
(Gross Amount Before Specific Provisions)	-	-	672,696
Restructured Loans and Receivables	-	-	672,696
Prior Period			
(Gross Amount Before Specific Provisions)	45,215	216	616,947
Restructured Loans and Receivables	45,215	216	616,947

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1.5.10.2 Information on the movement of total non-performing loans:

	Group III	Group IV	Group V
Current Period	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Ending balance of prior period 31.12.2021	204,088	151,392	2,727,035
Additions in the current period (+)	254,089	208,514	1,300,904
Transfers from other categories of non-performing loans (+)	-	186,595	216,062
Transfers to other categories of non-performing loans (-)	186,595	216,062	-
Collections in the current period (-)	123,350	26,145	1,423,193
Write offs (-) (**)	-	-	556
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	148,232	304,294	2,820,252
Specific provisions (-)	92,504	265,907	2,756,380
Net balances on balance sheet	55,728	38,387	63,872

	Group III	Group IV	Group V
Prior Period	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Ending balance of prior period 31.12.2020	550,571	11,192	2,408,491
Additions in the current period (+)	248,891	177,048	950,255
Transfers from other categories of non-performing loans (+)	2	534,984	542,619
Transfers to other categories of non-performing loans (-)	534,984	542,619	2
Collections in the current period (-)	60,392	20,395	775,099
Write offs (-) (*)	-	8,818	399,229
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	204,088	151,392	2,727,035
Specific provisions (-)	145,268	99,920	2,543,193
Net balance at the balance sheet	58,820	51,472	183,842

(*) With the decision of the top management of the Bank, it has been decided to include the project/loan of the customers in the cancellation accounts. The effect of these transactions on the NPL ratio is 31 basis points.

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1.5.10.3 Information on non-performing loans granted as foreign currency

	Group III	Group IV	Group V
Current Period			
Ending balance of the current period	958	71,590	604,347
Provision amount (-)	637	63,562	592,550
Net balance at the balance sheet	321	8,028	11,797
Prior Period			
Ending balance of the current period	4,131	77,730	486,606
Provision amount (-)	2,711	42,863	444,856
Net balance at the balance sheet	1,420	34,867	41,750

1.5.10.4 Gross and net amounts of non-performing loans with respect to user groups

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	39,498	52,267	66,222
Loans granted to real persons and legal entities (Gross)	132,002	318,174	2,822,602
Specific provision (-)	92,504	265,907	2,756,380
Loans to real persons and legal entities (Net)	39,498	52,267	66,222
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (net)			
Loans to real persons and legal entities (Gross)	58,821	51,472	183,842
Specific provision (-)	204,088	151,392	2,727,035
Loans to real persons and legal entities (Net)	145,267	99,920	2,543,193
Banks (Gross)	58,821	51,472	183,842
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

The Parent Bank has collaterals such as cash, mortgages, pledges, and checks of customer issued for non-performing loans.

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1.5.10.5. Aging analysis of past due but not impaired financial assets per classes of financial instruments is as follows:

Current Period	Less than 30 days	31-60 days	61-90 Days (*)	Total
Loans and Receivables				
Corporate Loans	10,215,754	499,698	181,994	10,897,446
Retail Loans	328,437	46,247	19,842	394,526
Credit Cards	588,904	13,645	4,906	607,455
Total	11,133,095	559,590	206,742	11,899,427

Prior Period	Less than 30 days	31-60 days	61-90 Days (*)	Total
Loans and Receivables				
Corporate Loans	6,547,648	283,769	384,863	7,216,280
Retail Loans	240,182	85,012	43,806	369,000
Credit Cards	201,862	13,673	18,002	233,537
Total	6,989,692	382,454	446,671	7,818,817

1.5.10.6 Information on profit share accruals, rediscounts and valuation differences computed for non-performing loans and their provision:

	III. Group	IV. Group	V. Group
The Parent Bank	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period (Net)	2,561	2,457	4,199
Profit share accruals, rediscount and valuation differences	9,953	13,184	365,861
Provision (-)	7,392	10,727	361,662

	III. Group	IV. Group	V. Group
The Parent Bank	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Prior Period (Net)	5,926	5,709	19,648
Profit share accruals, rediscount and valuation differences	42,160	15,327	377,087
Provision (-)	36,234	9,618	357,439

1.5.10.7. Main guidelines for liquidation process of uncollectible loans and other receivables:

Loans and other receivables, which were deemed uncollectible according to the “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published in the Official Gazette No. 26333 dated 1 November 2006 and for which a full impairment provision has been made, are written off as per the decision of the Bank top management. Within 2022, non-performing loans amounting to TL 556 have been written-off (31 December 2021 – TL 397,786).

1.5.11 Information on the write-off policy

The Bank’s write off policy is to write-off the loan receivables that have been already transferred to legal follow-up and fully provided for and for which there is no possibility of collection through legal process and for which there is no collateral. Such loans are written off as per the decision of top management.

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1.6 Information on other financial assets measured at amortized cost

1.6.1 Information on Other Financial Assets Measured at Amortized Cost

	Current Period	Prior Period
Debt Securities	22,678,201	5,935,549
Quoted on a Stock Exchange	22,475,780	5,395,037
Not Quoted	202,421	540,512
Expected Loss Provision (-)	10,210	621
Total	22,667,991	5,934,928

1.6.2 Movements of Other Financial Assets Measured at Amortized Cost During the Year

	Current Period	Prior Period
Opening Balance	5,935,549	6,499,810
Foreign Exchange Gain/Loss	4,736,322	2,231,090
Purchases During the Year	18,347,606	979,285
Disposals Through Sales and Redemptions	6,341,276	3,774,636
Expected Loss Provision (-)	10,210	621
Total	22,667,991	5,934,928

1.7 Information on investment in associates (Net)

1.7.1 The Parent Bank acquired a share of TL 7,659 (December 31, 2021 – TL 7,659), corresponding to 1.49% ownership, in Kredi Garanti Kredi Fund A.Ş., corresponding to TL 391 (December 31, 2021, 1.15%) - 277 TL) shares, 4,739 TL (31 December 2021 – 3,567 TL) Swift shares, 0.0035% ownership in Borsa Istanbul A.Ş. 15 TL (31 December 2021 - 15 TL) shares and JCR Eurasia Rating Inc. Shares of 2,755 TL (December 31, 2021 – 2,755 TL), which corresponds to 2.86% ownership in Export Development Inc. VISA INC. shares amounting to TL 30,420 (December 31, 2021 – TL 0), corresponding to 0.82% ownership, in the amount of TL 25,962 (December 31, 2021 – TL 12,555). Since the shares in these partnerships are below 10% and they do not have significant efficiency, they are followed in the financial assets account at fair value through other comprehensive income.

1.7.2 Information about investments in unconsolidated associates: None (31 December 2021 – None).

1.7.3 Information related to consolidated associates: None (31 December 2021 – None).

1.8 Information on subsidiaries (Net)

1.8.1 Although the Bank has control power over the management and capital of its non-financial subsidiaries, Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San. Ve Tic. A.Ş and Architech Bilişim Sistemleri ve Pazarlama Tic A.Ş does not confirm to the definition of financial subsidiary in accordance with “Regulation related to the Preparation of Consolidated Financial Statements by Banks” published in the Official Gazette No. 26340 dated 8 November 2006; hence this subsidiary has not been consolidated.

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1.8.2 Information on subsidiaries

	Title	Address (City/Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1	KT Bank AG (*)	Frankfurt/Germany	100	100
2	Neova Katılım Sigorta A.Ş. (***)	Istanbul/Turkey	100	100
3	KT Kira Sertifikaları Varlık Kiralama A.Ş.	Istanbul/Turkey	100	100
4	KT Sukuk Varlık Kiralama A.Ş.	Istanbul/Turkey	100	100
5	KT Portföy Yönetimi A.Ş.	Istanbul/Turkey	100	100
6	Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	75	77,85
7	Architech Bilişim Sistemleri ve Pazarlama Tic A.Ş. (**)	Istanbul/Turkey	100	100
8	Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San.ve Tic. A.Ş. (**)	Istanbul/Turkey	99.99	99.99

1.8.2 Information on subsidiaries

Information on subsidiaries in the order presented in the above table

	Total Assets	Equity	Total Fixed assets	Profit Share Income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair Value
1(*)	15,662,565	3,179,483	189,789	-	-	40,548	16,990	-
2(***)	6,071,029	862,370	48,320	-	-	333,970	137,627	-
3	2,543,023	498	-	-	-	139	49	-
4	763	736	-	-	-	63	24	-
5	102,940	77,613	8,376	-	-	46,223	10,285	-
6	305,738	271,653	166,698	-	-	127,399	7,629	-
7(**)	230,497	140,852	7,114	1,000	4,344	52,709	37,153	-
8(**)	73,229	59,034	6,077	-	-	12,263	8,642	-

(*) The financial statements of the said subsidiary as of 31 December 2022 have been prepared in accordance with the legislation in the country where it is located.

(**) These are the amounts in the statutory financial statements dated 31 December 2022 prepared in accordance with the Turkish Commercial Code.

(***) Neova Katılım Sigorta A.Ş. calculates the minimum required equity capital twice a year, in June and December, in accordance with Article 10 of the Regulation on Measurement and Evaluation of Capital Adequacy of Insurance, Reinsurance and Pension Companies. capital shortage is 30,486 TL (31 December 2021: capital surplus is 256,743 TL). Within the framework of full and timely compliance with the legal regulations, the company predicts that no capital deficit will occur as of the first quarter of 2023, in line with the capital increase, forecasts and expectations in the 2023 business plan. In addition, Neova Katılım Sigorta A.Ş. The shareholder has the financial power and management understanding to eliminate any financial risk.

	Title	The Parent Bank's share ratio (%)	Group's share ratio (%)	Net Asset Value
1	KT Portföy Kuveyt Türk Yabancı Katılım Serbest Özel Fon	100	100	117
2	KT Portföy Birinci Katılım Serbest (TL) Fon	100	100	2,461,365
3	KT Portföy Birinci Katılım Serbest (Döviz-Avro) Özel Fon	100	100	1,931
4	KT Portföy Yönetimi A.Ş. Kobi Girişim Sermayesi Yatırım Fonu	100	100	112,909
5	KT Portföy Lonca Girişim Sermayesi Yatırım Fonu	100	100	88,743
6	KT Portföy Neova Katılım Serbest Özel (TL) Fon	-	100	121,696
7	KT Portföy Yönetimi A.Ş. Neova Katılım Sigorta Özel Girişim Sermayesi Yatırım Fonu	-	100	3,427

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Movement regarding the subsidiaries

	Current Period	Prior Period
Balance at the beginning of the year	23,680	23,680
Movements during the year	-	-
Purchases	-	-
Transfers from subsidiaries (net)	-	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Impairment	-	-
Capital commitment payments	-	-
Balance at the end of the year	23,680	23,680
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

Sectoral information on consolidated subsidiaries and the related carrying amounts

	Current Period	Prior Period
Banks	1,592,030	610,120
Insurance Companies (*)	751,796	751,796
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	75,419	75,419
Total	2,419,245	1,437,335

Subsidiaries that are quoted on the stock exchange

	Current Period	Prior Period
Quoted in Domestic Stock Exchange	53,418	53,418
Quoted in Foreign Stock Exchange	-	-
Total	53,418	53,418

1.8.3 Information on capital adequacies of major subsidiaries:

The shareholder's equity of KT Bank AG, the bank's subsidiary in Germany, calculated as of December 31, 2022 is EUR 160,221,558 and the capital adequacy ratio are 29.2%.

1.9 Information on joint ventures (business partnerships) (Net)

	Bank's share percentage	Total assets	Equity	Total fixed assets	Current period profit/loss	Prior period profit /loss
Katılım Emeklilik ve Hayat A.Ş. (*)	50%	12,005,053	311,303	49,686	108,159	55,894

1.10 Information on finance lease receivables (Net)

1.10.1 Presentation of remaining maturities of net finance leases

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	10,776,102	9,201,436	4,988,502	4,126,747
1 to 4 years	11,386,627	10,649,655	7,038,160	6,705,970
More than 4 years	1,038,646	1,012,311	1,125,718	1,093,218
Total	23,201,375	20,863,402	13,152,380	11,925,935

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1.10.2 Net investments in finance leases

	Current Period	Prior Period
Gross receivable from finance leases	23,201,375	13,152,380
Unearned finance lease income (-)	2,337,973	1,226,445
Unearned finance lease income (-)	-	-
Net receivable from finance leases	20,863,402	11,925,935

1.10.3 Information on finance lease contracts

The Parent Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations until 60 days, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non-performing finance lease receivables amounting to TL 72,248 are included in the non-performing loans in the balance sheet (31 December 2021 – TL 45,706).

1.11 Information on derivative financial assets for hedging purposes

None. (31 December 2021 – None).

1.12. Explanations on Tangible Assets

Current Period	Buildings	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Cost					
Opening balance, 1 January 2022	258,485	779,579	170,253	516,750	1,725,067
Additions	7,508	410,275	209,716	288,642	916,141
Disposals	-	(135,461)	(9,196)	(18,241)	(162,898)
Transfers	-	-	-	-	-
Impairment / cancellation	-	-	-	-	-
Ending balance, 31 December 2022	265,993	1,054,393	370,773	787,151	2,478,310
Accumulated Depreciation (-)					
Opening balance, 1 January 2022	45,769	341,109	60,032	193,615	640,525
Amortization cost	6,889	183,878	46,895	95,242	332,904
Disposals	-	(131,220)	(5,126)	(11,665)	(148,011)
Transfers	1,438	-	-	-	1,438
Ending balance, 31 December 2022	54,096	393,767	101,801	277,192	826,856
Cost at the end of period	265,994	1,054,393	370,773	787,151	2,478,310
Accumulated depreciation at the end of period (-)	54,096	393,767	101,801	277,192	826,856
Closing net book value	211,898	660,626	268,972	509,959	1,651,454

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Prior Period	Buildings	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Cost					
Opening balance, 1 January 2021	212,412	655,804	110,655	580,106	1,558,977
Additions	41,323	211,021	60,513	126,477	439,334
Disposals	(6)	(82,490)	(915)	(189,816)	(273,227)
Transfers	4,756	(4,756)	-	(17)	(17)
Impairment / cancellation	-	-	-	-	-
Ending balance, 31 December 2021	258,485	779,579	170,253	516,750	1,725,067
Accumulated Depreciation (-)					
Opening balance, 1 January 2021	37,825	262,759	30,836	303,475	634,895
Amortization cost	7,947	149,950	29,900	74,505	262,302
Disposals	(5)	(71,598)	(704)	(184,349)	(256,656)
Transfers	2	(2)	-	(16)	(16)
Ending balance, 31 December 2021	45,769	341,109	60,032	193,615	640,525
Cost at the end of period	258,485	779,579	170,253	516,750	1,725,067
Accumulated depreciation at the end of period (-)	45,769	341,109	60,032	193,615	640,525
Closing net book value	212,716	438,470	110,221	323,135	1,084,542

1.13. Explanations on Intangible Assets

1.13.1. Gross carrying value and accumulated amortization balances at the beginning and at the end of the period

	Current Period	Prior Period
Cost	881,135	593,816
Accumulated Amortization	(345,735)	(231,632)
Total (net)	535,400	362,184

1.13.2. Movements of intangible assets between the beginning and the end of the period

	Current Period	Prior Period
Opening balance	362,184	273,145
Additions	394,028	206,399
Disposals (-), net	103,212	46,128
Depreciation amount (-)	117,600	71,232
Closing net book value	535,400	362,184

Intangible assets include computer software and program licenses which are purchased for banking systems.

1.14. Explanations on investment property

	Current Period	Prior Period
Opening balance	63,598	77,457
Additions	102,132	11,128
Disposals (-), net	-	24,987
Depreciation amount (-)	-	-
Closing net book value	165,730	63,598

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1.15 Information on deferred tax asset

As of 31 December 2022, deferred tax is offset as TL 1,258,112 in the balance sheet. In accordance with the related regulations deferred tax asset calculated as of 31 December 2022 is TL 3,515,733 (31 December 2022 – TL 2,283,664) and deferred tax liability is TL2,257,621 (31 December 2021 – TL 400,720 TL).

	Current period	Prior period
Employee Benefits Liability	247,550	80,393
Retirement Pay Liability	157,732	46,001
Deferred Income	209,779	103,388
Impairment Provision for Subsidiaries, Fixed Assets and Assets Held for Sale	-	79
Rediscounts for Derivative Instruments Held for Trading (Net)	680,132	58,624
TFRS 9 Provisions	1,873,759	781,020
Precious Metals Valuation Difference	-	1,034,507
Carry Forward Financial Loss (*)	138,267	115,397
Securities Valuation Difference	33,242	26,545
Other	175,272	37,710
Deferred Tax Asset	3,515,733	2,283,664
Derivative Transactions Valuation Differences	(143,407)	(298,868)
Tangible Assets Valuation Differences	(13,703)	(16,375)
Financial Assets Valuation Differences	(1,625,767)	(55,030)
Precious Metal Valuation Difference	(377,242)	(1,877)
Other	(97,502)	(28,570)
Deferred Tax Liability	(2,257,621)	(400,720)
Deferred Tax Asset (Net)	1,258,112	1,882,944

(*) Since the Group plans to generate sufficient taxable income to offset the financial loss in the future, a total of 138,267 TL of deferred tax asset (31 December 2021: 115,397) has been reflected in its records.

Table of deferred tax asset movement

	Current period	Prior period
As of January, 1	1,882,944	835,522
Deferred Tax (Expense) / Income	723,232	907,747
Deferred Tax Accounted Under Other Comprehensive Income	(1,348,064)	139,675
Deferred Tax Asset	1,258,112	1,882,944

1.16. Assets held for sale and assets of discontinued operations

	Current Period	Prior Period
Opening balance	240,891	519,087
Additions	92,069	61,085
Transfer from tangible assets	-	-
Disposals (-), net	215,241	339,281
Transfer to tangible assets	-	-
Depreciation amount (-)	-	-
Impairment losses provision (-)	-	-
Closing net book value	117,719	240,891

1.17 Information on other assets

As of balance sheet date, the Group's other assets amount to TL 5,051,789 (31 December 2021 – TL 5,005,382). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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SECTION FIVE

2. Explanations and notes related to consolidated liabilities

2.1 Information on funds collected

2.1.1 Information on maturity structure of funds collected

Current period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	28,581,579	-	-	-	-	-	-	-	28,581,579
II. Real persons profit sharing accounts TL	-	11,844,756	53,871,241	3,455,298	-	7,619,222	1,161,534	15,311	77,967,362
III. Another current accounts-TL	18,258,435	-	-	-	-	-	-	-	18,258,435
Public sector	309,957	-	-	-	-	-	-	-	309,957
Commercial sector	17,687,175	-	-	-	-	-	-	-	17,687,175
Other institutions	198,874	-	-	-	-	-	-	-	198,874
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	62,429	-	-	-	-	-	-	-	62,429
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	62,429	-	-	-	-	-	-	-	62,429
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	1,039,535	7,749,201	2,594,915	-	2,928,479	195,171	47	14,507,348
Public sector	-	411	4,123	-	-	83,085	-	-	87,619
Commercial sector	-	869,626	7,054,549	2,445,215	-	2,750,155	194,800	47	13,314,392
Other institutions	-	168,930	585,212	51,182	-	50,651	371	-	856,346
Commercial and other institutions	-	568	105,292	98,518	-	44,588	-	-	248,966
Banks and participation banks	-	-	25	-	-	-	-	-	25
V. Real persons current accounts-FC	53,456,522	-	-	-	-	-	-	-	53,456,522
VI. Real persons profit sharing accounts-FC	-	12,945,066	11,731,134	1,731,931	-	3,299,705	3,932,794	12,554	33,653,184
VII. Another current accounts-FC	21,196,156	-	-	-	-	-	-	-	21,196,156
Commercial residents in Turkey	13,801,293	-	-	-	-	-	-	-	13,801,293
Commercial residents in Abroad	5,833,308	-	-	-	-	-	-	-	5,833,308
Banks and participation banks	1,561,555	-	-	-	-	-	-	-	1,561,555
Central Bank of Republic of Turkey	213,395	-	-	-	-	-	-	-	213,395
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	1,348,160	-	-	-	-	-	-	-	1,348,160
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	547,701	1,214,539	386,231	-	263,346	215,833	-	2,627,650
Public sector	-	47	59,539	-	-	-	-	-	59,586
Commercial sector	-	430,370	611,884	76,533	-	75,656	12,205	-	1,206,648
Other institutions	-	16,790	253,251	309,671	-	181,730	203,628	-	965,070
Commercial and other institutions	-	100,494	289,865	27	-	5,960	-	-	396,346
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	44,330,959	6,521,360	3,425,381	540,213	-	400,669	17,145	-	55,235,727
X. Profit sharing accounts special funds - TL	-	-	203,564	747,404	-	5,814,863	10,009	-	6,775,840
Residents in Turkey	-	-	203,564	747,404	-	5,814,863	10,009	-	6,775,840
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	165,823,651	32,898,418	78,195,060	9,455,992	-	20,326,284	5,532,486	27,912	312,259,803

(*) There are no 7 days notification accounts of the Group.

(**) As of 31 December 2022, the Parent Bank's TL 44,232,985 (December 31, 2021; TL 763,564) and 24 Calculated as of the balance sheet date for currency protected TL time deposit accounts of TL 67,656,899 (December 31, 2021; TL 2,578,905), of which TL 23,423,914 (December 31, 2021; TL 1,815,341) was opened within the scope of the announcement of the Ministry of Treasury and Finance ("Treasury") dated December 2021. Currency valuation differences of TL 681,794 (December 31, 2021; TL 221,094) are included in the balances of other assets in assets and deposits in liabilities.

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Prior period	Demand	Up to 1 month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	20,546,940	-	-	-	-	-	-	-	20,546,940
II. Real persons profit sharing accounts-TL	-	10,745,047	12,876,588	762,988	-	731,611	784,511	19,753	25,920,498
III. Another current accounts-TL	8,099,967	-	-	-	-	-	-	-	8,099,967
Public sector	266,234	-	-	-	-	-	-	-	266,234
Commercial sector	7,705,471	-	-	-	-	-	-	-	7,705,471
Other institutions	80,279	-	-	-	-	-	-	-	80,279
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	47,983	-	-	-	-	-	-	-	47,983
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	47,619	-	-	-	-	-	-	-	47,619
Participation banks	364	-	-	-	-	-	-	-	364
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	789,508	1,142,169	41,733	-	592,682	130,431	7	2,696,530
Public sector	-	213	987	746	-	24,979	-	-	26,925
Commercial sector	-	669,267	941,873	15,144	-	552,592	129,951	7	2,308,834
Other institutions	-	119,807	199,286	25,843	-	14,993	452	-	360,381
Commercial and other institutions	-	221	-	-	-	118	28	-	367
Banks and participation banks	-	-	23	-	-	-	-	-	23
V. Real persons current accounts-FC	46,298,760	-	-	-	-	-	-	-	46,298,760
VI. Real persons profit sharing accounts-FC	-	14,008,297	17,538,758	1,949,138	-	3,496,048	4,379,765	12,095	41,384,101
VII. Another current accounts-FC	22,674,121	-	-	-	-	-	-	-	22,674,121
Commercial residents in Turkey	16,871,245	-	-	-	-	-	-	-	16,871,245
Commercial residents in Abroad	4,329,204	-	-	-	-	-	-	-	4,329,204
Banks and participation banks	1,473,672	-	-	-	-	-	-	-	1,473,672
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	1,471,529	-	-	-	-	-	-	-	1,471,529
Participation banks	2,143	-	-	-	-	-	-	-	2,143
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	1,398,089	2,698,807	386,232	-	496,198	186,346	-	5,165,672
Public sector	-	54	-	-	-	-	-	-	54
Commercial sector	-	1,295,745	2,182,976	99,152	-	73,526	73,564	-	3,724,963
Other institutions	-	46,632	232,733	287,060	-	422,672	112,782	-	1,101,879
Commercial and other institutions	-	55,658	283,098	20	-	-	-	-	338,776
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	36,383,140	7,765,461	3,919,840	667,511	-	419,769	15,572	-	49,171,293
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	134,002,928	34,706,402	38,176,162	3,807,602	-	5,736,308	5,496,625	31,855	221,957,882

(*) There are no 7 days notification accounts of the Group.

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2.1.2 Information's on current and profit share accounts that are in the scope of Saving Deposit/Saving Deposit Insurance Fund.

2.1.2.1 Current and Participation Accounts Attributable to Real Entities/Persons under the Guarantee of Saving Deposit Insurance Fund Exceeding the Limit of the Deposit Insurance Fund:

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving Deposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit-sharing accounts that are not subject to commercial activities				
TL accounts	46,974,148	24,964,865	99,081,497	21,500,880
FC accounts	52,436,738	39,675,693	102,497,446	86,313,956
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except for foreign branches) through current and profit share accounts which are opened by real Funds collected in special current accounts and participation accounts opened in Turkish Lira or foreign currency on behalf of real and legal persons (excluding those opened in foreign branches) in Participation Banks, provided that the sum of the principal and dividends of the accounts of a person does not exceed 200 TL, as of November 1, 2005. and the Savings Deposit Insurance Fund within the scope of the Banking Law No. 5411 published in the Official Gazette No. 25983. and denominated in Turkish Lira or foreign currency with a limit of maximum of TL 150,000 (including both capital and profit shares) for each person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law No. 5411 which issued in official gazette no. 25893 on 1 November 2005.

2.1.2.2 If the headquarters of the Parent Bank is abroad and the deposit account in its Turkish branch is in the scope of the insurance policy in the country of the headquarter of the Bank is founded, it should be explained:

The headquarters of the Parent Bank is in Turkey.

2.1.2.3 Current and Profit Share Accounts of the real persons who are not in the scope of Saving Deposits Insurance Fund:

The Parent Bank has no current or profit-sharing accounts which are not under the guarantee of the Saving Deposit Insurance Fund except for the current and profit-sharing accounts of shareholders, member of Board of Directors, CEO, the Vice Presidents and their first-degree relatives.

	Current Period	Prior Period
Foreign branches' profit-sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit-sharing accounts of their mother, father, spouse and children in care	15,340	12,955
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in offshore banking activities solely	-	-

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2.2 Information on derivative financial liabilities held for trading

Derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	8,064	21,777	130,125	2,718
Swap transactions	8,079	146,147	62,773	62,148
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	16,143	167,924	192,898	64,866

2.3. Information on funds borrowed

2.3.1 Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-	-	-
From Domestic Banks and Institutions	564,451	21,592,120	194,154	132,958
From Foreign Banks, Institutions and Funds	47,300	5,630,771	10,000	3,286,870
Total	611,751	27,222,891	204,154	3,419,828

2.3.2 Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	611,751	24,322,340	150,142	1,386,472
Medium and Long-Term	-	2,900,551	54,012	2,033,356
Total	611,751	27,222,891	204,154	3,419,828

2.3.4 Explanations related to the concentrations of the Parent Bank's major liabilities:

There is no risk concentration of the Parent Bank's current and profit-sharing accounts.

2.4. Information on securities issued

The Group has issued sukuk, the details of which are given below. The return rates of the issued securities are on average 17.03% for Turkish Lira. The maturity of sukuk issued in Turkish Lira ranges from January 2023 to April 2023.

Current Period	TL		FC	
	Short Term	Long Term	Short Term	Long Term
Nominal	2,500,000	-	-	-
Remaining income distribution	103,127	-	-	3,507,213
Book value	2,294,758	-	-	-

Prior Period	TL		FC	
	Short Term	Long Term	Short Term	Long Term
Nominal	4,500,000	-	-	-
Remaining income distribution	142,248	-	-	3,124,255
Book value	3,632,174	-	-	-

2.5 Information on other liabilities and miscellaneous payables

As of 31 December 2022, other liabilities amount to TL 3,090,109 (31 December 2021 – TL 2,135,331), miscellaneous payable amount to TL 3,084,199 (31 December 2021 - TL 2,703,783), both of them do not exceed 10% of the balance sheet total.

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2.6 Information on finance lease payables (net)

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	18,040	21,049	22,595	21,162
1 to 4 years	63,259	68,196	102,929	96,326
More than 4 years	754,681	486,117	451,837	291,965
Total	835,980	575,362	577,361	409,453

The Parent Bank used FTP (Fund Transfer Pricing) rates as an alternative borrowing rate of profit on 1 January 2019. Relevant ratios are revised and revised in 2-week periods after 1 January 2019. The change in Participation Bank payments uses an unmodified discount rate unless the variable profit share rate is related. If the change in the lease payments results from variable profit share rates (LIBOR, EURIBOR), the lessee will use a revised discount rate reflecting changes in the profit share rate.

2.6.1. Information on the changes in agreements and new obligations originating from these changes

None (31 December 2021 – None).

2.6.1.1. Information on Financial Lease Obligations

None (31 December 2021 – None).

2.6.1.2 Information on Operational Leases

The leasing transactions, in which all risks and benefits of the leased asset are held by the lessor, are classified as operational leases. Such transactions consist of rent contracts of branches which may be cancelled by declaration.

There are no significant commitments regarding the changes at the operational lease agreements.

The payments related with operational leases are recognized as expense in the income statement during the period of the agreement in equal installments.

2.7 Information on hedging derivative financial liabilities

None (31 December 2021 – None).

2.8 Information on provisions

2.8.1 Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 31 December 2022, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 0 (31 December 2021 – TL 50) and TL 0 for leasing receivables (31 December 2021 – TL 7) is offset against loans and receivables accounts.

2.8.2 Information on other provisions

	Current Period	Prior Period
Non-Cash loans that are not converted into cash	604,898	522,425
Special Provisions for non-cash loans	787,896	486,379
General Provisions for non-cash loans	1,315,157	678,145
Provision for Profits will be Allocated to Participation Accounts	8,337	957
Other (*)	388,270	206,380
Total	3,104,558	1,894,286

(*) The other part of the main period amounting to TL 248,520 (December 31, 2021 - TL 101,360) is TL 12,547 (31 December 2021 - TL 9,395) for the expense of TL 60,034 (31 December 2021 - TL 63,404) is the amount for impairment loss. Provision for collected delay penalties 67,169 (December 31, 2021 – TL 32,221) which may be refunded is the amount related to other provision.

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2.8.3 Information on provisions for employee benefits

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 631,314 (31 December 2021 – TL 228,869), vacation pay liability amounting to TL 6,163 (31 December 2021 – TL 3,575), performance premium amounting to TL 632,100 (31 December 2021 – TL 213,920), retirement bonuses on payment of TL 272,860 (31 December 2021 – TL 130,241), committee fee amounting to TL 59,977 (31 December 2021 – TL 17,256) and other fees amounting to TL 39,880 (31 December 2021 – TL 4,554).

Under the Turkish Labor Law, the parent Bank is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire.

The compensation to be paid is one month's salary for each year of service and this amount is limited to 15, 371.40 TL (full TL amount) (1 July 2022 – 31 December 2022). Severance pays liability is not legally subject to any funding and there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of its employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

	Current Period	Prior Period
Discount rate (%)	12.72	19.10
Inflation rate (%)	9.90	15.80
Salary increases rate (%)	10.40	25.00

Movements in the reserve for employment termination benefits during period are as follows

	Current Period	Prior Period
Balance at the beginning of the period	228,869	189,033
Provisions recognized during the period	95,630	49,512
Paid during the period	(20,588)	(10,744)
Actuarial loss / gain	327,403	1,068
Balances at the end of the period	631,314	228,869

2.9 Explanations on tax liability

2.9.1 Explanations on current tax liability

2.9.1.1 Information on tax provisions: TL 2,053,914 (31 December 2021 - TL 1,282,020)

2.9.1.2 Information on taxes payable

	Current Period	Prior Period
Taxation of marketable securities	32,333	30,189
Taxation of immovable property	3,336	2,347
Banking Insurance Transaction Tax (BITT)	110,425	54,819
Foreign Exchange Transaction Tax	31,950	103,722
Value Added Tax Payable	14,448	9,482
Income tax deducted from wages	35,648	17,938
Other	3,222	2,078
Total	231,362	220,575

2.9.1.3 Information on premiums (*):

	Current Period	Prior Period
Social Insurance Premiums-Employee	39,861	10,527
Social Insurance Premiums-Employer	44,003	11,333
Unemployment insurance-Employee	2,845	751
Unemployment insurance-Employer	6,145	1,628
Other	-	-
Total	92,854	24,239

(*) Included in sundry creditors line item on the balance sheet.

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2.9.1.4 Information on deferred tax liability:

As of 31 December 2022, deferred tax has been netted as TL 1,258,112 in the balance sheet within the scope of the relevant regulations. Deferred tax asset is calculated as 3,515,733 TL (31 December 2021 – 2,283,664 TL) and deferred tax liability is 2,257,621 TL (31 December 2021 – 400,720 TL).

2.10 Information on payables related to assets held for sale:

None (31 December 2021 – None).

2.11 Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	-	-	-
From Other Foreign Institutions	-	11,424,892	-	8,100,496
Total	-	11,424,892	-	8,100,496

2.12 Information on shareholders' equity

2.12.1 Presentation of paid-in capital

	Current Period	Prior Period
Common shares	4,600,000	4,600,000
Preference shares	-	-
Repurchased shares amount (*)	(4,869)	(4,869)
Total	4,595,131	4,595,131

(*) It represents the Parent Bank's acquisition of its own shares as a result of the Bank's shareholders not using their right of preference according to the commitment made in the capital increase in the Bank.

2.12.2 Amount of Paid-in Capital, Disclosure on whether the parent Bank Applies the Registered Share Capital System, and, if so, the Ceiling Amount of the Registered Share Capital

Registered capital system is not applied in the Bank.

2.11.3 Information on the share capital increases during the period and their sources; other information on increased capital shares in the current period

None

2.11.4 Information on share capital increases from capital reserves during the current period:

None

2.11.5 Possible effect of estimations made for the Group's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties:

Based on the evaluation made considering the Group's prior and current period indicators related to net profit share and commission income, it is observed that the Bank continues its operations profitably.

2.11.6 Summary of privileges given to shares representing the capital

None. (31 December 2021- None)

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2.12.7 Information on marketable securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference (*)	4,765,546	(56,643)	57,132	(65,917)
Foreign Exchange Difference	-	-	-	-
Total	4,765,546	(56,643)	57,132	(65,917)

(*) Valuation difference is calculated taking the tax effect of the rent certifications in the account, which are classified as "Government Debt Securities" and "Other Marketable Securities" under financial assets at fair value through other comprehensive income in the balance sheet.

2.13 Information on minority shares

31 December 2022 – 67,913 TL. (31 December 2021; 36,019 TL)

3. Explanations and notes related to off-balance sheet contingencies and commitments

3.1. Explanations on off-balance sheet accounts

3.1.1 Types and amounts of irrevocable commitments: Commitment for credit card limits, as of 31 December 2022 amounts to TL 13,003,526 (31 December 2021 – TL 5,336,868); payment commitments for cheque books amounts to TL 2,368,988 (31 December 2021 – TL 1,750,116).

3.1.2 Types and amounts of probable losses and obligations arising from off-balance sheet items including below items:

3.1.2.1 Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letter of credits:

As of 31 December 2022, the Group has guarantees and surety ships constituting of TL 23,149,142 (31 December 2021 – TL 11,838,814) of letters of guarantee; TL 136,081 (31 December 2021 – TL 113,683) of acceptances and TL 5,971,813 (31 December 2021 – TL 4,521,120) of letters of credit. Also, The Group has other acceptances amounting to TL 1,560,494 (31 December 2021 – TL 912,257).

3.1.2.2 Revocable, irrevocable guarantees and other similar commitments and contingencies: There are no other than those explained in 2.i

3.1.3 Total amount of non-cash loans

	Current period	Prior period
Non-cash loans given against cash loans	108,671	74,766
With original maturity of 1 year or less	108,671	74,766
With original maturity of more than 1 year	-	-
Other non-cash loans	30,708,859	17,311,108
Total	30,817,530	17,385,874

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3.1.4. Sectorial risk concentration of non-cash loans

Current Period				
	TL	%	FC	%
Agriculture	285,412	1.56	191,989	1.53
Farming and stockbreeding	78,882	0.43	163,101	1.30
Forestry	205,160	1.12	28,888	0.23
Fishery	1,370	0.01	-	-
Manufacturing	3,924,959	21.47	4,862,252	38.78
Mining and quarrying	936,158	5.12	1,068,676	8.52
Production	2,580,871	14.12	3,360,464	26.80
Electricity, Gas, Water	407,930	2.23	433,112	3.46
Construction	7,453,153	40.78	1,670,812	13.32
Services	5,312,738	29.07	4,584,972	36.57
Wholesale and Retail Trade	3,468,747	18.98	2,440,341	19.46
Hotel, Food and Beverage Services	182,771	1.00	59,467	0.48
Transportation and Telecom.	735,785	4.03	1,238,641	9.88
Financial Institutions	23,721	0.13	401,799	3.20
Real Estate and Renting Services	137,162	0.75	15,261	0.12
Self-Employment Type Services	495	0.00	-	-
Educational Services	45,197	0.25	14,960	0.12
Health and Social Services	718,860	3.93	414,503	3.31
Other	1,302,109	7.12	1,229,134	9.80
Total	18,278,371	100.00	12,539,159	100.00

Prior Period				
	TL	%	FC	%
Agriculture	133,738	1.50	70,364	0.83
Farming and stockbreeding	37,343	0.42	53,692	0.63
Forestry	95,089	1.07	16,672	0.20
Fishery	1,306	0.01	-	0.00
Manufacturing	1,832,447	20.55	3,094,034	36.53
Mining and quarrying	493,168	5.53	638,387	7.54
Production	1,093,192	12.26	2,333,739	27.55
Electricity, Gas, Water	246,087	2.76	121,908	1.44
Construction	3,568,096	40.03	1,089,374	12.86
Services	2,813,633	31.56	3,116,270	36.78
Wholesale and Retail Trade	1,710,046	19.18	2,014,153	23.77
Hotel, Food and Beverage Services	93,430	1.05	31,128	0.37
Transportation and Telecom.	481,137	5.40	503,573	5.94
Financial Institutions	18,929	0.21	344,148	4.06
Real Estate and Renting Services	71,475	0.80	8,078	0.10
Self-Employment Type Services	232	0.00	-	0.00
Educational Services	25,953	0.29	1,327	0.02
Health and Social Services	412,431	4.63	213,863	2.52
Other	566,045	6.36	1,101,873	13.00
Total	8,913,959	100.00	8,471,915	100.00

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3.1.5. Non-cash loans classified under Group I and II

Current Period	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee (*)	16,227,458	5,696,246	665,169	409,297
Bills of Exchange and Bank Acceptances	19,680	106,281	10,120	10,120
Letters of Credit	902	5,917,905	52,296	52,932
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Securities (*)	1,301,571	221,713	37,210	-
Total	17,549,611	11,942,145	764,795	472,349

Prior Period	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee (*)	7,566,294	3,376,955	252,197	167,699
Bills of Exchange and Bank Acceptances	1,044	112,639	-	-
Letters of Credit	10,875	4,380,274	3,067	126,904
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Securities (*)	827,674	70,962	13,600	-
Total	8,405,887	7,940,830	268,864	294,603

(*) As of 31 December 2022, there are Letters of Guarantee amounting to TL 560,269 (December 31, 2021 – TL 475,669) and Letters of Credit amounting to TL 710 (December 31, 2021 – TL 0) and Other Guarantees and Guarantees amounting to TL 0 (December 31, 2021 – TL 21).

3.2. Financial derivative instruments

	Trading Derivatives	
	Current Period	Prior Period
Foreign currency related derivative		
Foreign Currency Related Derivative Transactions (I):	85,857,397	72,522,170
Currency Forwards-Purchases, sales	6,569,390	4,662,241
Currency Swaps-Purchases, sales	79,288,007	67,859,929
Currency Futures	-	-
Currency Options-Purchases, sales	-	-
Interest rate related derivative transactions (II):	-	-
Interest rates forwards-Purchase, sales	-	-
Interest rates swaps-Purchases, sales	-	-
Interest rates options-Purchases, sales	-	-
Interest rates futures-Purchases, sales	-	-
Other trading derivatives (III)	2,839,264	87,602
A. Total trading derivatives (I+II+III)	88,696,661	72,609,772
Hedging Derivatives	-	-
Fair value hedges	-	-
Cash flow hedges	-	-
Foreign currency investment hedges	-	-
B. Total Hedging Derivatives	-	-
Total Derivatives Transactions (A+B)	88,696,661	72,609,772

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3.3. Credit derivatives and risk exposures on credit derivatives

None.

3.4. Contingent liabilities and assets:

In accordance with decision of the Bank's Board of Directors numbered 1117 and dated 21 June 2011, recoverable foreign currency loan granting commitments to real and legal persons and who do not have the unconditional right to utilize this commitment has been translated into Turkish Lira and no longer followed as foreign currency commitments.

3.5. Explanations on custodian and intermediary services

None.

3.6. Summary Information on the Parent Bank's Rating by the International Rating Institutions

Fitch Rating's October, 2022	Notes
Long-Term Issuer Default Rating	B-
Short-Term Issuer Default Rating	B
Local Currency Long-Term Issuer Default Rating	B
Local Currency Short-Term Issuer Default Rating	B
Financial Capacity Ratio	b-
Support Rating	WD

4. Explanations and notes related to the statement of consolidated income

4.1 Information on profit share income

4.1.1 Information on profit share received from loans

	Current period		Prior period	
	TL	FC	TL	FC
Profit share on loans	16,767,281	3,417,921	7,095,760	1,627,919
Short term loans	8,386,033	1,376,147	2,244,092	388,760
Medium and long-term loans	8,076,104	1,960,684	4,539,776	1,170,754
Profit share on non-performing loans	305,144	81,090	311,892	68,405
Premiums received from resource utilization support fund	-	-	-	-
Total	16,767,281	3,417,921	7,095,760	1,627,919

4.1.2 Information on profit share received from banks

	Current period		Prior period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	96,729	-	230,553	-
Domestic Banks	607,961	-	111,982	9,009
Foreign Banks	-	182,925	5,578	95,829
Branches and head office abroad	-	-	-	-
Total	704,690	182,925	348,113	104,838

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4.1.3 Information on profit share income from securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit or Loss	287,596	375,973	62,206	202,865
Financial Assets at Fair Value Reflected in Other Comprehensive Income	11,278,415	847,066	2,573,437	510,314
Financial Assets Valued Over Amortized Cost	1,550,248	681,750	121,909	133,495
Total	13,116,259	1,904,789	2,757,552	846,674

4.1.4 Information on profit share income received from associates and subsidiaries

	Current Period	Prior Period
Profit share income received from associates and subsidiaries	345	182

4.2 Information on profit share expenses

4.2.1 Information on the profit share given to the loans used

	Current period		Prior period	
	TL	FC	TL	FC
Banks	48,779	200,836	258,360	150,096
The Central Bank of the Republic of Turkey	-	-	230,553	-
Domestic banks	45,807	21,549	23,751	3,464
Foreign banks	2,972	179,287	4,056	146,632
Branches and head office abroad	-	-	-	-
Other Institutions	-	859,940	-	355,772
Total	48,779	1,060,776	258,360	505,868

4.2.2 Profit share expense given to associates and subsidiaries

	Current Period	Prior Period
Profit share expenses given to associates and subsidiaries	5,329	1,079

4.2.3 Profit share expense paid to securities issued

31 December 2022; 476,187 TL (1 January – 31 December 2021: 884,948 TL).

4.3 Information on dividend income

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Other	3,111	6,042
Total	3,111	6,042

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4.4 Distribution of profit share on funds based on maturity of funds

Current period		Profit Sharing Accounts							
Account name	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Above 1 year	Accumulated profit-sharing accounts	Total	
Turkish Lira									
Collected funds from banks through current and profit share accounts	-	4	-	-	-	-	-	4	
Real person's non-trading profit sharing account	1,680,748	5,336,855	433,786	-	502,750	134,848	2,126	8,091,113	
Public-sector profit-sharing account	55	275	34	-	471	-	-	835	
Commercial sector profit sharing account	108,081	520,056	570,626	-	126,137	2,706	-	1,327,606	
Other institutions profit sharing account	24,818	44,233	12,619	-	2,867	69	-	84,606	
Total	1,813,702	5,901,423	1,017,065	-	632,225	137,623	2,126	9,504,164	
Foreign currency									
Banks	-	-	-	-	-	-	-	-	
Real person's non-trading profit sharing account	196,474	243,339	23,211	-	35,665	36,668	181	535,538	
Public-sector profit-sharing account	-	161	-	-	-	-	-	161	
Commercial sector profit sharing account	9,570	17,630	1,101	-	261	100	-	28,662	
Other institutions profit sharing account	1,143	4,904	20	-	56	13	-	6,136	
Precious metal accounts	11,261	5,953	967	-	629	-	-	18,810	
Total	218,448	271,987	25,299	-	36,611	36,781	181	589,307	
Grand Total	2,032,150	6,173,410	1,042,364	-	668,836	174,404	2,307	10,093,471	

Prior period	Profit Sharing Accounts							
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Above 1 year	Accumulated profit-sharing accounts	Total
Turkish Lira								
Collected funds from banks through current and profit share accounts	-	2	-	-	-	-	-	2
Real person's non-trading profit sharing account	1,226,974	1,402,886	67,492	-	76,345	98,608	2,438	2,874,743
Public-sector profit-sharing account	36	120	99	-	94	-	-	349
Commercial sector profit sharing account	85,602	122,762	2,230	-	2,081	1,430	-	214,105
Other institutions profit sharing account	16,142	24,530	2,528	-	517	67	-	43,784
Total	1,328,754	1,550,300	72,349	-	79,037	100,105	2,438	3,132,983
Foreign currency								
Banks	-	-	-	-	-	-	-	-
Real person's non-trading profit sharing account	64,389	103,445	8,458	-	14,783	18,359	87	209,521
Public-sector profit-sharing account.	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	5,899	11,199	387	-	209	52	-	17,746
Other institutions profit sharing account	451	1,905	6	-	7	-	-	2,369
Precious metal accounts	8,379	4,156	629	-	520	-	-	13,684
Total	79,118	120,705	9,480	-	15,519	18,411	87	243,320
Grand Total	1,407,872	1,671,005	81,829	-	94,556	118,516	2,525	3,376,303

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4.5 Information on trading income/loss (Net)

	Current period	Prior period
Net	5,539,737	3,056,725
Income	292,862,686	140,437,301
Gain on capital market transactions	305,352	87,941
Gain on derivative financial instruments	9,779,670	9,062,386
Foreign exchange profit	282,777,664	131,286,974
Losses (-)	(287,322,949)	(137,380,576)
Losses on capital market transactions	(244,008)	(31,305)
Losses on derivative financial instruments	(6,597,289)	(7,755,588)
Foreign exchange losses	(280,481,652)	(129,593,683)

4.6 Information on other operating income

The details of other operating income are presented below. There are no unusual items in the other operating income which materially affect the income of the Bank.

	Current Period	Prior Period
Reversal of prior period provisions	3,762,388	1,391,226
Income from sale of assets	80,488	40,443
Revenues from real estate's sold under the lease certificate.	388,134	209,867
Income from the real estate sales' gains by rent certificates	2,505	5,656
Other Income	198,158	813,207
Total	4,431,673	2,460,399

4.7 Provisions for loan losses and other receivables of the Bank

	Current Period (*)	Prior Period (*)
Expected Credit Loss	6,683,714	4,573,043
12 month expected credit loss (Stage 1)	3,994,611	1,249,261
Significant increase in credit risk (Stage 2)	1,411,485	2,040,864
Non-performing loans (Stage 3)	1,277,618	1,282,918
Marketable Securities Impairment Expense	14,320	15,264
Financial Assets at Fair Value through Profit or Loss	14,320	15,264
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Impairment losses from Associates, Subsidiaries and Jointly Controlled Entities	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other (**)	622,091	158,358
Total	7,320,125	4,746,665

(*) Includes the provisions in the "Other Provision Expenses" line in the Income Statement.

(**) Includes free provisions that can be allocated from profit to be distributed to participation accounts according to provisions regulation.

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4.8 Information on other operating expenses

	Current Period	Prior Period
Provision for retirement pay liability (*)	75,042	38,768
Impairment expenses of tangible assets	-	-
Depreciation expenses of tangible assets	332,903	262,302
Impairment expenses of intangible assets	-	-
Depreciation expenses of intangible assets	117,600	71,232
Depreciation expenses of assets held for sale	-	-
Other operating expenses	1,591,332	606,886
Maintenance expenses	231,369	111,139
Advertisement expenses	144,602	79,303
Communication expenses	132,976	79,083
Stationery expense	132,314	43,817
Heating, electricity and water expenses	113,443	31,501
Vehicle expenses	39,533	14,137
Cleaning expenses	15,173	10,180
Leasing Expenses Related to TFRS 16 Exceptions	7,393	4,475
Other expenses	774,529	233,251
Losses on sales of assets	5,777	4,967
Deposit insurance fund expenses	667,639	429,377
Other	4,047,626	1,615,132
Total	6,837,919	3,028,664

(*) As of 31 December 2022, "Promotional Application Expenses for Credit Cards" amounting to TL 238,517 (December 31, 2021 – TL 56,531) and "Retirement Salary Payments Promotion Application Expenses" amounting to TL 155,905 are shown here (31 December 2021 – TL 3,564).

According to the decision of POA dated March 26, 2021, the fee information for the reporting period for services received from the independent auditor or audit organization is given in the following table. These fees also include the audit fees of the Bank's subsidiaries. The fee information given in the table is excluding VAT.

Current Period	Independent audit services provided by the group auditor	Independent audit services provided by other Independent Audit companies
Independent audit fee for the reporting period (*)	11,689	394
Fees for tax consulting services	-	-
The cost of other assurance services	210	-
The cost of other services outside the independent audit	-	-
Total	11,899	394

Prior Period	Independent audit services provided by the group auditor	Independent audit services provided by other Independent Audit companies
Independent audit fee for the reporting period (*)	6,846	225
Fees for tax consulting services	-	-
The cost of other assurance services	1,274	-
The cost of other services outside the independent audit	-	-
Total	8,120	225

(*) The Bank's foreign currency exchange purchase valuation rates were used for foreign currency independent audit fees at the end of the period 31 December 2022 / 31 December 2021.

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4.9 Information on profit/loss from continued and discontinued operations before taxes

The Group's profit before tax increased by 311.11% compared to the previous year and amounted to TL 19,128,211 (1 January-31 December 2021- 4,652,770). 25,939,962 TL of profit before tax (1 January-31 December 2021 - 8,067,748 TL) consists of net profit share income, 847,472 TL (1 January - 31 December 2021 - 508,093 TL) consists of net fee and commission income. The total of other operating expenses is 8,837,919 TL (1 January-31 December 2021 - 3,028,664 TL).

4.10 Information on tax provision for continued and discontinued operations

The Group's current tax provision expense amounting to TL 4,877,946 (1 January-31 December 2021 - TL 2,139,603), deferred tax expense amounting to TL 1,366,013 (1 January-31 December 2021 - TL 155,118) and TL 2,066,371 (1 January-31 December 2021 - 1,015,618 TL) deferred tax income has occurred.

4.11 Information on net income/loss from continued and discontinued operations

There is no income or loss for discontinued operation in net operating income after tax.

4.12 Information on net income/loss

4.12.1 If disclosure of the nature, size and recurrence rate of income and expense items arising from ordinary banking transactions is necessary to understand the Group's performance during the period, the nature and amount of these items: Net profit share income among income items for the accounting period ending as of 31 December 2022 TL (1 January-31 December 2021- 8,067,748 TL). Net fee and commission income is 847,472 TL (1 January - 31 December 2021 - 508,093 TL).

4.12.2 Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods:

None (1 January - 31 December 2021 - None).

4.12.3 Profit/Loss attributable to minority interest

	Current Period	Prior Period
Profit/(Loss) attributable to minority interest	31,850	18,175

4.13 Details of sub accounts comprising at least 20% of other items in income statement, exceeding 10% of total income statement:

As of 31 December 2022, TL 791,521 of the other fees and commissions amounting to TL 2,573,285 (1 January-31 December 2021 - TL 1,115,473) (1 January-31 December 2021 - TL 312,322) from credit card fees and TL 475,071 from members consists of workplace POS transaction commissions (1 January-31 December 2021 - 198,049 TL).

As of 31 December 2022, other fees and commissions amounting to TL 1,949,048 (1 January-31 December 2021 - 748,678); 559,291 TL (1 January-31 December 2021 - 242,607 TL) consists of POS commissions and setup expenses, 177,300 TL (1 January-31 December 2021 - 76,380 TL) consists of fees and commissions paid for credit cards.

5. Explanations and Disclosures Related to Statement of Consolidated Equity

5.1 There are no disclosed dividend amounts subsequent to the balance sheet date, prior to the presentation of the financial statements. Decision on the dividend distribution will be made in the General Assembly. However, the General Assembly has not been held as of the date when the accompanying financial statements are finalized.

5.2 In the current period, the Parent Bank has paid a dividend of TL 250,000 to the members of the Board of Directors with the decision of the Ordinary General Assembly dated March 23, 2022. In addition, at the same General Assembly, legal reserves amounting to 125,000 TL, extraordinary reserves amounting to 1,935,664 TL and other reserves amounting to 25,000 TL have been set aside.

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6. Explanations and Disclosures Related to Statement of Cash Flows

6.1. Information on consolidated cash and cash equivalents:

6.1.1. Components of cash and cash equivalents and accounting policy applied in their determination:

“Cash” is defined as cash in vault and foreign currency cash, cash in transit, checks purchased, unrestricted amount in the Central Bank and demand deposits in Banks. “Cash equivalents” is defined as money market placements, investments in securities and time deposits in banks with original maturity less than three months.

6.1.1.1. Cash and cash equivalents at the beginning of the period

	Current Period	Prior Period
Cash	39,187,590	13,995,430
Cash in TL/foreign currency, others	23,083,222	6,624,877
Demand deposits at banks (Up to 3 months)	16,104,368	7,370,553
Cash Equivalents	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
Total cash and cash equivalent	39,187,590	13,995,430

6.1.1.2. Cash and cash equivalents at the end of the period

	Current Period	Prior Period
Cash	51,426,421	39,187,590
Cash in TL/foreign currency, others	29,924,316	23,083,222
Demand deposits at banks (Up to 3 months)	21,502,105	16,104,368
Cash Equivalents	-	-
Interbank money markets	-	-
Time deposits at banks	-	-
Marketable securities	-	-
Total cash and cash equivalent	51,426,421	39,187,590

6.2. Cash and cash equivalent items which are restricted for the usage of the Parent Bank by legal or other limitations

None (31 December 2021 – None).

6.3. Explanations on other items in the cash flow statement

The “Other” item amounting to TL (7,415,656) (1 January-31 December 2021 – (3,186,043) TL) included in the “Operating profit before changes in the assets and liabilities of the banking business” is basically the other item, excluding collections from fees and commissions and non-performing loans. It consists of operating income and other operating expenses excluding personnel expenses.

“Net increase/decrease in other liabilities” amounting to TL 4,581,266 (1 January-31 December 2021 – TL 13,819,193) in “Changes in assets and liabilities subject to banking activities” consists of changes in other liabilities, provisions and taxes, duties, fees and premiums payable.

“Net increase/decrease in other assets” amounting to TL 10,539,452 (1 January-31 December 2021 – TL 5,119,157) in “Changes in assets and liabilities subject to banking activities” mainly consists of changes in tax assets and other assets.

6.4. Effects of the change in foreign currency rates on cash and cash equivalents

The effect of the change in the exchange rate on cash and cash equivalents has been calculated as approximately TL 14,094,110 as of 31 December 2022 (December 31, 2021 – TL 27,297,784). The effect of the exchange rate on cash and cash equivalents is calculated by multiplying the exchange rate difference between the cash receipt date and the balance sheet date by the relevant cash amount.

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7. Explanations and notes related to risk group of the Parent Bank:

7.1 The volume of transactions related to the risk group of the Parent Bank, the loans and funds collected which have not been completed at the end of the period and the income and expenses related to the period

Current period:

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	193	28,603	6,955	21,246	64,315	2,297
Balance at end of period	127	39,978	26,634	45,210	2,176,542	1,849
Profit share and commission income	-	345	1,318	246	17,354	-

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411.

Prior period:

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	169	16,291	4,695	6,709	54,992	6,632
Balance at end of period	193	28,603	6,955	21,246	64,315	2,297
Profit share and commission income	-	182	526	145	4,361	-

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411.

7.1.1 Information on current and profit-sharing accounts of the Parent Bank's risk group

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Current period	Current period	Current Period	Current period	Current period
Current and profit-sharing accounts						
Balance at beginning of period	28,489	24,405	104,748	58,677	348,052	203,570
Balance at end of period	115,505	28,489	219,676	104,748	454,287	348,052
Profit share expense	5,329	1,079	6,465	980	270	265

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411

7.1.2 Forward and option agreements and other similar agreements with the risk group of the Parent Bank

Risk group of the Group (*)	Investment in associates, subsidiaries, and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Transactions at Fair Value through Profit or Loss						
Balance at beginning of period	-	-	1,992,498	716,065	-	-
Balance at end of period	-	-	842,005	1,992,498	-	-
Total Profit / Loss	-	-	23,773	(2,476)	-	-
Hedging Transactions						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

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7.1.3 Information on loans received from the Parent Bank's risk group

Risk group of the Group	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Borrowings						
Balance at beginning of period	-	-	270,055	1,481,347	-	-
Balance at end of period	-	-	957,272	270,055	-	-
Profit share expense	-	-	21,627	4,641	-	-

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411

7.1.4 Information on subordinated loans used by the Parent Bank from the risk group

Subordinated additional capital (Tier-I) sukuks amounting to USD 200,000,000 (full amount) executed by the Parent Bank on July 16, 2019 and USD 50,000,000 (full amount) executed by the Parent Bank on 28/09/2020 are provided by Kuwait Finance House. Kuwait Finance House owns USD 35,000,000 (full amount) of the subordinated additional capital (Tier-II) sukuk amounting to USD 350,000,000 (full amount) executed by the Parent Bank on September 16, 2021.

7.2 Information on remunerations provided to top management

As of 1 January - 31 December 2022, the Group has paid TL 176,020 to top management (1 January - 31 December 2021 TL 107,497).

8. Domestic, foreign and off-shore branches or equity investments and foreign representative offices

8.1. Domestic and foreign branches and representative offices

	Number of Branches	Number of Employees			
Domestic branches (*)	443	4,031			
			Country		
Foreign representative offices			-	Total Assets (Thousands, TL)	Legal Capacity (USD)
Foreign bank	1	111	Germany	15,662,565	85,076,559
Off-shore branches	1	3	Bahrain	12,989,927	-
Foreign branches	-	-			

(*) The personnel working at Headquarters, Operation Center and Region quarters are not included in the domestic branches' personnel number.

(**) Bahrain Branch is controlled by the Central Bank of Bahrain and the total of Assets is 12,989,927 Turkish lira as of 31 December 2022.

8.2. Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure

In 2022, 14 new domestic branches (2021 - 7 branches) were opened. The Group has closed 12 domestic branches in 2022 (2021 - None). There are no branches abroad (2021 - None).

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9. Significant events and matters arising subsequent to balance sheet date

With the Communiqué Amending the General Communiqué on Tax Procedure Law (order no. 537) published in the Official Gazette dated 14 January 2023 and numbered 32073, the procedures and principles of the law articles that allow the revaluation of real estate and depreciable economic assets have been rearranged. Accordingly, the Bank will be able to reevaluate the immovable in its balance sheet and its depreciable economic assets, provided that the conditions in the Provisional Article 32 of the Tax Procedure Law and the Reiterated Article 298/ç are met. Thus, corporate tax can be paid by calculating the values of real estate and depreciable economic assets after revaluation.

An earthquake occurred in the southeastern part of Turkey that affected many of our cities. As the ultimate severity of this earthquake, which killed and injured thousands of people, is currently uncertain, efforts to measure the impact on the Group's operations and financial condition are ongoing.

Neova Katılım Sigorta A.Ş., one of the subsidiaries of the Parent Bank consolidated with the full consolidation method, has increased its paid-in capital of TL 500,000 by TL 400,000 to TL 900,000, fully paid in cash and to be covered by the Parent Bank, with the decision of the Board of Directors dated February 2, 2023. raised to.

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SECTION SIX

OTHER EXPLANATIONS

- 1. Other matters which must be explained in terms of explicitness, interpretability and understandability of the balance sheet:** None.

SECTION SEVEN

INDEPENDENT AUDITORS' REPORT

- 1. Explanation's audit report**

The consolidated financial statements have been audited by Gney Bağımsız Denetim ve Serbest Muhasebeci Mali Mşavirlik A.Ő. (A Member Firm of Ernst & Young Global Limited) and the independent auditors' report dated 15 February 2023 is presented preceding the financial statements.

- 2. Notes and disclosures prepared by the independent auditor**

None.