



Pioneering a sustainable future

Annual Report 2022



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Message from the Chairperson



Ömer A. Aras
| Chairperson

“QNB Finansbank prioritizes the importance of a sustainable future in all its banking activities. Thanks to the measures taken regarding the carbon emissions, we have raised our Carbon Disclosure Project (CDP) grade from C to A-, three notches higher; and qualified to be listed in the 2023 Bloomberg Gender Equality Index (GEI) with our gender equality performance.”

Dear Shareholders;

We have emerged from 2022 with the conflict in Europe and an energy crisis running in parallel, food supply challenges, high inflation, and tight monetary policies.

The Turkish economy struggled last year. Particularly in terms of the global energy crisis, the depreciation of the Turkish lira running into the interest rate hikes of developed countries' central banks, and other related problems, while again experiencing a period of high double-digit inflation.

The forecasts for 2023 indicate that the problems of 2022 have not yet been left behind and that there are indications of a global recession. Although China's easing of lockdown measures is a positive development for supply chains, there is a concern that a possible upward effect on raw materials and energy prices will raise inflation again.

The inflation in developed economies was brought under control to some extent towards the end of the year. In 2023, eyes will be on inflation in the Turkish economy. While monitoring the efforts made to reduce inflation, the fiscal policies to be followed during and after the elections will be at the top of this year's agenda of crucial issues.

Despite the world's recession expectations for 2023, the geography of Türkiye and the rapid production reflex of its

real sector draw us away from this danger. Türkiye is an essential producer for the supply chain in both Europe and the region overall, but the country has also been endeavoring to improve its exports and current account balance and decrease inflation.

In the markets, on the other hand, while the expectation of a decrease in inflation prevails, the Central Bank's announcement that it is considering lowering interest rates and the statements that a more balanced exchange rate policy will be followed on the markets despite the return of the Turkish lira also give more reassuring signs for 2023.

QNB Finansbank prioritizes the importance of a sustainable future in all its banking activities. We increased our CDP (Carbon Disclosure Project) grade from C to A - three levels up - with the measures we have taken regarding carbon emissions within the scope of sustainability.

This year, we renewed our two important syndication transactions confirming confidence in both our bank and the Turkish economy with sustainability commitments. We renewed our syndication loans which matured in May and November, and raised USD 360 million and USD 448 million from international banks. Our bank further rolled its syndication in November with a 104% roll-over ratio and

achieved the highest roll-over ratio in the banking sector in the second half of the year. With these transactions carried out based on sustainability performance criteria, QNB Finansbank once again confirmed its determined support of the Turkish economy and sustainable development.

Endeavors for a sustainable future cannot be achieved solely by combating environmental and climate issues. Equality also occupies a significant place in these efforts. Our bank, the employees of which are 57% women, continues to fulfill its duties in our entire human resources processes. I am delighted to inform you that QNB Finansbank has been listed in the 2023 Bloomberg Gender Equality Index (GEI), which is based on data on gender equality at work. The companies listed in the Bloomberg Gender Equality Index - one of the world's most comprehensive studies to measure the performance of companies committed to gender equality - are determined according to five basic principles; women's leadership and talent pipeline; pay equality and gender pay parity; inclusion culture; anti-sexual harassment policies; and female-friendly brand identity criteria. While providing support mainly to our customers and the national economy, we concluded 2022 highly successfully with our sound

strategies in the banking sector. The successes of QNB Finansinvest, our subsidiary, in public offerings made their mark in 2022.

As of 31 December 2022, our total assets increased by 62%, compared to the year-end of 2021, reaching TL 601 billion 755 million. In the same period, our net loans grew by 72% to TL 344 billion 957 million, and customer deposits rose by 80% to TL 384 billion 58 million. In 2022, our bank's net profit was TL 17 billion 224 million.

In 2022, which was a year of uncertainty, our bank and our group companies demonstrated superior performance that exceeded expectations and outperformed the competition. I would like to thank all our financiers, customers, and business partners who contributed to this success.

Kind regards,

Ömer A. Aras
Chairperson of the Board
QNB Finansbank A.Ş.

Message from the CEO



Ömür Tan
| CEO

Dear Shareholders and Board Members,

The world experienced high inflation, war in Europe, shrinkage, blocked supply chains, and an energy crisis in 2022.

While Türkiye is again experiencing a period of high inflation, we have determined a strategy to manage our banking activities in the best way possible by minimizing the effects of our developments on the world.

We experienced numerous regulatory changes in the banking sector throughout 2022. As a consequence, we have seen periodic shifts in the focus on the sector. Changes in conditions have introduced new focal points, accordingly. QNB Finansbank has been swift to keep pace with the changes and achieved significant success with the strategies we implemented.

In line with our growth strategy focused on core banking activities, we increased our net profit for the period to TL 17 billion 224 million in 2022. As of 31 December 2022, our total assets increased by 62% compared to the year-end of 2021, reaching TL 601 billion 755 million. In the same period, our net loans grew by 72% to TL 344 billion 957 million and customer deposits rose by 80% to TL 384 billion 58 million.

In 2022, our growth in both loans and deposits outstripped that of private banks and the overall sector. In credit

53.1%

Return on Equity

TL 601.8 billion

Total Assets

TL 345.0 billion

Net Loans

TL 394.3 billion

Total Deposits

growth, we maintained our focus on credits in Turkish lira and continued our stable support for the growth of the Turkish economy. As noted, our growth exceeded the sector and private banks, especially in deposits in TL. The share of TL deposits in total customer deposits was over 60%.

We renewed our syndication transactions which matured in May and November and raised USD 360 million and USD 448 million from international banks. With the syndication that we procured in November with a 104% roll-over ratio, we recorded the highest roll-over ratio among the second-half syndications in the banking sector. With these transactions, which we have performed based on sustainability performance criteria, our bank has once again confirmed its commitment to the Turkish economy and sustainable development.

2022 was a volatile year: With developments in the world economy, the energy crisis, the Turkish economy again experiencing double-digit inflation 20 years on, uncertainties in the markets, and new regulations for the banking sector.

Nevertheless, QNB Finansbank has spent the past year further reinforcing its strength in the sector by offering sage guidance to our customers and new solutions for the real sector, while strengthening our balance sheet by making the right decisions in the global inflationary environment.

Our bank has continued to increase its contributions to a sustainable world in 2022. While determining our investors and new investment instruments within this framework, we continued to offer correct and profitable investment instruments to our customers.

Market fluctuations and supply-chain challenges in Europe have created an important opportunity for the Turkish economy to focus on increasing exports. We also demonstrated our expertise in this field, especially with the support we offer SMEs to open up the world with e-export. Our distinct approach was highlighted by special tools and services in support of SMEs for foreign trade transactions, especially with the Step-by-Step Export program.

Our subsidiary, QNB Finans Financial Leasing, and the European Bank for Reconstruction and Development agreed a EUR 25 million loan. This loan's proceeds are allocated for investments to support the green economy, SME's energy efficiency projects, and financing investments based on the green transformation of women entrepreneurs.

We are in an era when there is increased awareness of the importance of working for a more sustainable world. Our bank has made a significant commitment within the framework of our sustainability endeavors. We have officially and publicly announced our policy of not granting loans to new coal thermal power plants and new coal mine investments as of 2015 as a sound climate commitment.

In December, our bank's climate change rating was raised from C to A - one of the highest grades in the Turkish financial sector - based on reports submitted to the London-based Carbon Disclosure Project (CDP), the world's largest environmental reporting platform.

We continue to provide education to children in many fields, from coding to mathematics and art, under our Tiny Hands Big Dreams Platform. This year, we added a new project to the platform. We initiated the 'Climate Protectors are Growing Up' Project in cooperation with "Türkiye Eğitim Gönüllüleri Vakfı" (TEGV: the "Education Volunteers Foundation of Türkiye") under the Small Hands Big Dreams Platform with the aim of raising children's awareness of climate change. Launched in Mardin as a pilot project in its first year, the 'Climate Protectors Are Growing Up' scheme provided training to 500 children in 13 provinces. We aim to reach out to more children with this project in the years ahead.

We were extremely proud to receive 11 awards for our successful products and services in national and international award programs in 2022.

I would like to thank our valued financiers, customers, and shareholders who are behind all these achievements.

Kind regards,

Ömür Tan
CEO
QNB Finansbank A.Ş.

Board of Directors



M. Ömer A. Aras

Chairperson

Dr. Ömer Aras, Chairperson of QNB Finansbank, is the founding executive of Finansbank founded in 1987. He served as Assistant General Manager until 1989, as General Manager (CEO) between 1989-1995, and served as Executive Board Member between 1995-2006. During this period, he also served as Vice Chairperson of Fiba Holding, Board Member of Finansbank's international subsidiaries in Switzerland, France, Holland, Romania and Russia, Chairperson of Marks&Spencer in Türkiye and Board Member of Gima. In 2006, upon acquisition of Finansbank by the National Bank of Greece (NBG), Aras was appointed as Vice Chairperson and Group CEO. In 2008, he joined the Executive Committee of NBG as the member responsible for international subsidiaries (Serbia, Romania, Albania, Bulgaria and Macedonia). In 2010, he was appointed as Chairperson of Finansbank. Aras has also been serving as Chairperson of Cigna Health, Life and Pension since 2007. After the acquisition of Finansbank by QNB in 2016, Aras continued to serve as Chairperson and Group CEO. Prior to his career at QNB Finansbank, Aras worked for Citibank (1984-1987) and Yapı Kredi Bank (1987) in Türkiye. He also served on the Board of TUSIAD (Turkish Businessmen Association) between 2003-2007. Currently, he is the Vice President of the High Advisory Council of TUSIAD, member of GBA Angel Investor Platform, a member of the Higher Advisory Board of Darüşşafaka Cemiyeti and Board of Trustees of Boğaziçi University Foundation and he is serving as a mentor on the Woman on Board Association. Aras received his MBA and PhD (1981) degrees at Syracuse University School of Management, and was a lecturer at the Business Administration Faculty at the Ohio State University for 3 years (1981-1984).

Yousef Mahmoud H. N. Al-Neama

Vice Chairperson of the Board of Directors

Al-Neama joined QNB in 2005, and currently serves as the Group Chief Business Officer. Prior to joining QNB, he held a variety of roles in financial institutions and corporates within Qatar and abroad, and has more than 15 years of experience in financial institutions. Al-Neama holds a BS in Aviation Management from Florida Technology in the United States and a diploma in Business Administration from Glamorgan University in Wales. Currently, he serves as a Vice Chairperson of Mansour Bank in Iraq and The Housing Bank for Trade & Finance in Jordan. He also serves as a member of the Board of Directors of QNB Capital.

Adel Ali M. A. Al-Malki

Member of the Board of Directors

Ali A. Al-Malki is the Senior Executive Vice President of QNB Group's Retail Banking Division. He received his bachelor's degree in Computer Information Technology from Qatar University in 2001. He enjoys more than 20 years of experience in the field of information technology, where he occupied a number of management positions. He was the General Manager of the Group's Information Technology Department from 2010 to 2021 and Assistant General Manager of Development and User Services from 2009 to 2010. He also served as Executive Manager of Development and User Services from 2007 to 2009. He supervised several projects at the bank and state level, and was the E-Business Manager from 2005 to 2007 and a systems analyst from 2003 to 2005. His career began in Qatar's Ministry of Interior in 1998 at the Information Systems Department until he joined QNB. Al-Malki is also a Board Member in the Group's subsidiaries, including, Al-Mansour Investment Bank in Iraq and Finansbank in Türkiye, in addition to his membership in the Board of Directors of Egypt's QNB Al Ahli since October 2015.

Ali Teoman Kerman

Member of the Board of Directors and Chairperson of the Audit Committee

Kerman received his graduate degree in Economics at Hacettepe University, and post graduate degree in Project Planning and National Development at University of Bradford, UK, in 1982. He started his career at the Undersecretariat of Treasury in 1980 and served as Deputy Economic and Commercial Counsellor at Washington Embassy and Deputy and Assistant Board Member of Asian Development Bank, Philippines, for three years in each position. In 1997, he was appointed as Turkish Eximbank Executive Vice President. In the same year, he returned to Undersecretariat of Treasury as Director General of Insurance Department. In July 1999, he was appointed as Deputy Undersecretary of Treasury, and in 2000 he became Vice President of the newly established Banking Regulation and Supervision Agency (BRSA). He also served as a Board Member of Savings Deposit Insurance Fund (SDIF) at the same time. He was appointed as Advisor to BRSA Chairperson in 2004. In addition, he served as Chairperson of the Board in Toprak, Ege and Generali Insurance Companies on behalf of SDIF. Kerman retired in April 2005, and became founding partner of KDM Financial Consultancy Company. He also served as a Board Member of Bahçeşehir University, Board of Graduate School between 2018 and 2021. Kerman has been a Board Member of QNB Finansbank since April 2013 and the Chairperson of Audit Committee since April 2014.

Board of Directors *(continued)*

Durmuş Ali Kuzu

Member of the Board of Directors

Durmuş Ali Kuzu, Phd graduated from Business Management Department of Political Science School at Ankara University in 1996, received an MBA degree in 2008 from University of Illinois at Urbana-Champaign, and completed his PhD degree in the field of Accounting and Finance at Baskent University in 2018 with his thesis titled "Factors Determining Credit Volume: an Empirical Study on Turkish Banking Industry". He has a CPA and an Independent Auditor Certificate. During this period, he worked at many national and international committees, represented Türkiye as a member at BASEL and FSB Banking Committees, attended various seminars and conferences, published many articles, and lectured at a university. He has participated in banking law and relevant sub-regulation preparation processes actively, participated in various seminars and conferences. Besides, he has published various articles and communiques, and lectured in various universities. He began his professional career in Vakıfbank in 1996 as an assistant loan analyst and went on to Türkiye Emlak Bankası, where he worked as an internal auditor between 1997-1999. From 1999 to 2016, he worked as Vice President at the Undersecretariat of the Treasury, Public Oversight Accounting and Auditing Standards Authority, and Banking Regulation and Supervision Agency (BRSA). He worked on teams for creating and developing banking legislation, participating in project development, implementation and leadership, and group presidency. He held various managerial positions as team leader, coordinator, head of department and vice president. During his executive duties, he has gained experience in studying in detail particularly in loans, deposits and treasury operations, banking activities and processes, asset-liability management, enabling the compliance of corporate principles in the institutions, restructuring and turnaround practices, rehabilitation of banks and the other financial institutions, information technologies governance, risk management, compliance, internal audit, loan portfolio and corporate loan individual assessment and classification with IFRS and applying other accounting standards. Currently, Kuzu is a member of board of directors of TMA Türkiye and Bank Examiners Foundation. Since August 2016, he has been serving as a member of the Board of Directors and Audit Committee at QNB Finansbank.

Esel Yıldız Çekin

Member of the Board of Directors

Esel Çekin has been Executive Director of the Harvard Business School MENA Research Center since it opened in 2013. She manages the School's research activities in Türkiye, the Middle East, North Africa and Central Asia. With a degree in economics from Boğaziçi University, she went on to earn her PhD in the same field from the City University of New York Graduate School. She also completed the Advanced Management Program at Harvard Business School. Ms. Çekin started her career as a consultant at Bain & Co. Management Consultancy in their Istanbul office. In 1999, she joined Boyner Holding, Türkiye's largest non-food retail group, as Vice President of Strategy and Business Development. From 2004 to 2009, she served as Chief Executive Officer of Beymen, Boyner Holding's luxury department store chain. Prior to taking on the director position at the MENA Research Center, she served as Executive Director of the Graduate School of Business at Koç University. Çekin is a board member at Migros Ticaret, one of Türkiye's biggest food retailers, since May 2020 and a board member at Coca Cola İçecek, the Coca Cola Company's bottler in the region (Türkiye, Pakistan, Kazakhstan, and so on), since 2022. She also sits on both companies' corporate governance committees.

Fatma Abdulla S. S. Al-Suwaidi

Member of the Board of Directors

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

Noor Mohd J. A. Al-Naimi

Member of the Board of Directors

Al-Naimi joined QNB in 2000, and has 20 years of banking experience. She received her bachelor's degree in Business Administration at the University of Qatar in 1999. She held various positions in the Treasury Operations and Control Division. Lastly, she served as Assistant General Manager of Treasury Operations, Trading & Investment until he was appointed as General Manager of Group Treasury. She has attended and participated in different courses, conferences and seminars locally and internationally like legal aspects of banking, leadership skills for bankers, international cash & treasury management, clear stream, treasury documentation and IIF Future Leaders Program. Noor also completed the Qatar Executive Leaders Program 2017-2018. Currently, she serves as a Member of the Board of Directors and Audit Committee Member of QNB Finansbank.

Osman Ömür Tan

General Manager (CEO) and Member of the Board of Directors

Born in 1971, Ömür Tan graduated from Ankara Atatürk Anadolu College. He completed his undergraduate study at the Statistical Department of Hacettepe University and MBA Degree at Bilgi University. Tan began to work at Yapı Kredi Bankası as a Management Trainee in 1995 and joined Finansbank A.Ş in 1998. After taking various roles in Corporate Branches, he was assigned as Corporate Branch Manager, Head Office Key Account Senior Vice President and then, Corporate Banking Senior Vice President. As of 2011, he acts as the Executive Vice President for Corporate and Commercial Banking, together with the functions of Project Finance and Cash Management and Foreign Trade Financing. He was appointed as the General Manager of QNB Finansbank as of January 2022. Ömür Tan is also the Chairperson of QNB Finansfaktoring and the Vice Chairperson of QNB eFinans.

Ramzi Talat A. Mari

Member of the Board of Directors

Mari joined QNB in 1997 from the Bank of Jordan and currently serves as the Group Chief Financial Officer. He has almost 30 years of experience in the banking sector. He is currently a member of the Board of Directors at Housing Bank for Trade and Finance (Jordan), QNB Finansbank (Türkiye) and QNB Capital LLC. Mari has been a Certified Public Accountant (CPA) in the State of California (since 1989) and holds a Master's Degree in Accounting from California State University in the US.

Temel Güzeloğlu

Member of the Board of Directors

Born in 1969, Güzeloğlu has BSc degrees from the Electrical and Electronics Engineering and Physics Departments of the Boğaziçi University. Güzeloğlu received an MSc degree from Northeastern University Electrical and Computer Engineering and an MBA from Bilgi University. Güzeloğlu worked as the Executive Vice President of Finansbank responsible for consumer banking till August 2008. He then served as Executive Vice President of Retail Banking and Member of Management Committee until April 2010. From April 2010 to January 2022, he served as the General Manager of QNB Finansbank. Before joining QNB Finansbank he worked at McKinsey & Co. between 2000-2004, Citibank between 1996-2000 and Unilever between 1994-1996 in various positions.

Senior Management



Adnan Menderes Yayla
Executive Vice President

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



Ahmet Erzenigin
Head of Internal Control and Compliance Division

Erzenigin received his bachelor's degree at the Public Administration Department, Middle East Technical University. After working at Pamukbank from 1988 to 1993, Erzenigin joined QNB Finansbank A.Ş. as Regulations Manager in 1993. In 1996, he was appointed as Head of Operations Group in charge of branch and HQ operations. With the establishment of the Operations Center in 2001, he managed the Operations Center until the end of 2005. In early 2006, he supervised the establishment of the Compliance Division and served as Head of Compliance until September 2012. By that date Erzenigin has assumed the responsibility of Internal Control Department, and has been serving as Head of Internal Control and Compliance Division since 2012.



Av. Ali Yılmaz
Executive Vice President

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



Burçin Dünder Tüzün
Executive Vice President

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



Cenk Akıncılar

Executive Vice President

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



Cumhuri Türkmen

Executive Vice President

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



Derya Düner

Executive Vice President

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



Engin Turhan

Executive Vice President

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

Senior Management *(continued)*



Enis Kurtoğlu

Executive Vice President

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



Ersin Emir

Chief Audit Executive

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



Köksal Çoban

Executive Vice President

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



Mehmet Kürşad Demirkol

Executive Vice President

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

**Murat Koraş**

Executive Vice President

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

**Zeynep Aydın Demirkıran**

Head of Risk Management

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

**Zeynep Kulalar**

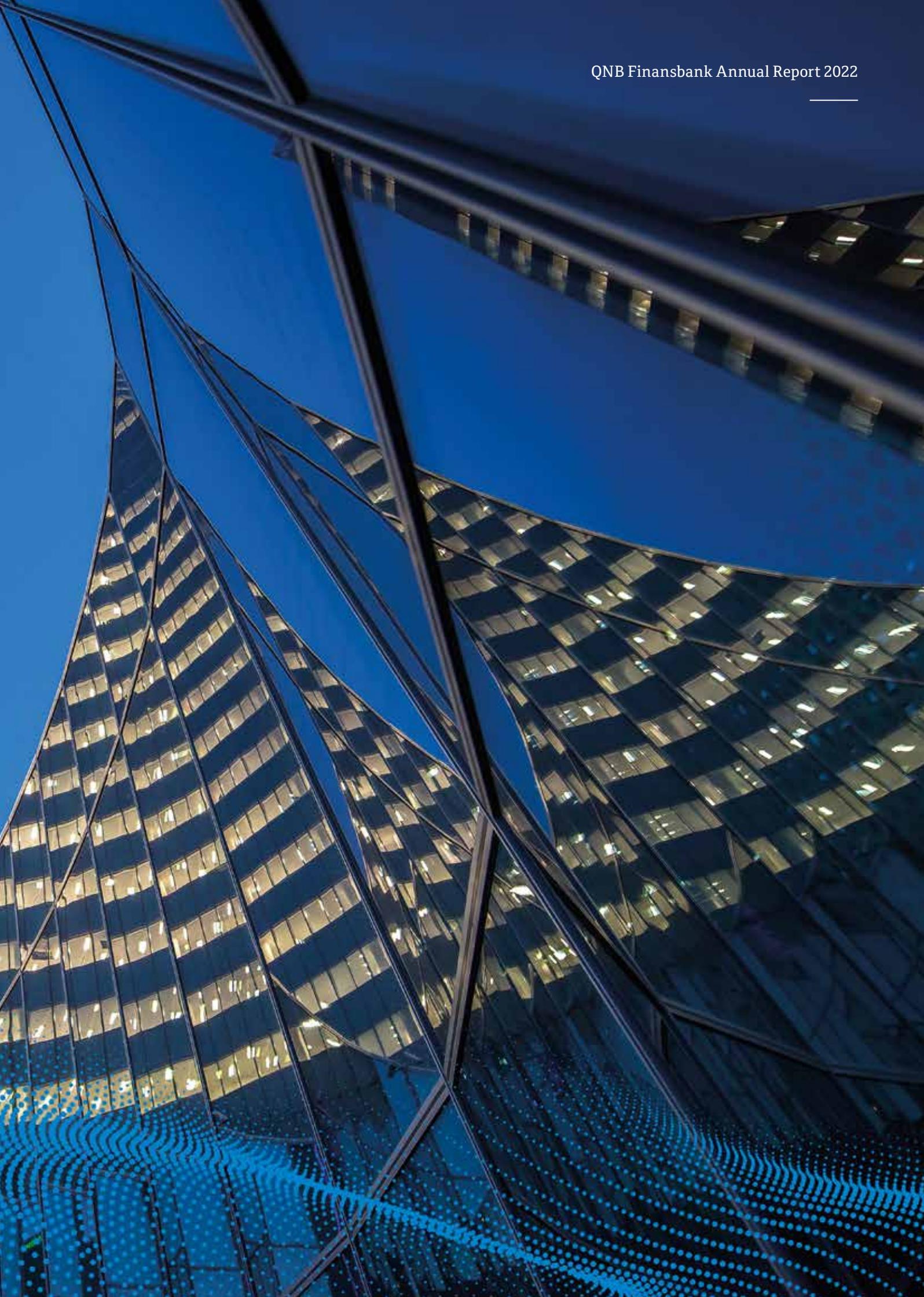
Executive Vice President

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

About QNB Finansbank

As a trusted partner to millions of customers,
QNB Finansbank stands out as one of the leading
private banks in Türkiye.



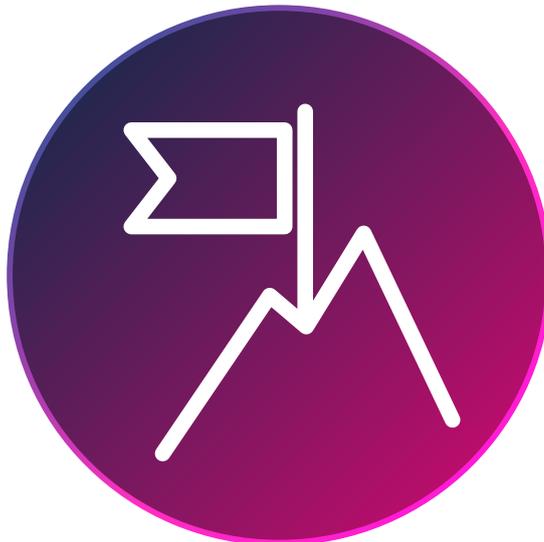


Vision, Mission and Values



VISION

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



MISSION

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

VALUES



RESPECT AND COMMITMENT

- We do our job in the rightest way with dedication and genuine commitment.
- We make clear promises and we keep them by all means, not omitting to report the results.
- We constantly develop ourselves and our colleagues.
- We act with honesty, transparency, and consistency in all our relations, which allows us to build long-term relationships based on trust.



BEING “US”

- The primary and common objective of all of us is to keep our customers satisfied. We help each other to make this happen and we appreciate the help that is offered us.
- We uphold and support team performance and corporate performance as much as individual performance.
- In all of our dialogues, we listen first and try to understand what is needed.
- We trust each other and respect each other’s expertise.
- We make our decisions in consideration of the whole and of their possible impact on the whole.
- As QNB Finansbank and the staff of Finansbank, we watch over and support each other, our society, and the environment.



LEADERSHIP

- We embrace change; we realize that everyone including us must do what behooves them in order to make change happen in the fastest and smoothest way.
- We take initiatives inasmuch as we can learn from our mistakes and do not repeat them; and we encourage taking initiatives.
- We define performance in terms of objective and measurable criteria and we evaluate it fairly and consistently.
- We always recognize a job well done; we provide feedback in order to improve each other.
- We go all the way in rationally defending what we believe is right and we work constructively to bring them to life.



INNOVATION

- We do not elaborate on the reasons why something cannot be done; we think about and explain how it can be done with a new approach.
- When standard solutions fall short of meeting the requirements that differ from the routine, we promptly develop the most appropriate solutions by tapping the resources of our knowledge, experience, connections, and technology.
- We develop new ideas to make life easier for our customers and ourselves and we act in order to bring these ideas to life.

QNB Finansbank in Brief and Milestones

| Date | Event |
|------|---|
| 1987 | <ul style="list-style-type: none"> Finansbank A.Ş. was established. |
| 1988 | <ul style="list-style-type: none"> Finansbank A.Ş. became founding partner of Commercial Union's insurance company in Türkiye. |
| 1989 | <ul style="list-style-type: none"> Finansbank A.Ş. bought 90% shares of PBG Privatbank Geneve S.A., a subsidiary of UBS in Switzerland, and renamed it as Finansbank (Suisse) S.A. |
| 1990 | <ul style="list-style-type: none"> Bank's shares quoted on Istanbul Stock Exchange (İMKB) Stepped into the leasing sector by founding Finans Leasing |
| 1993 | <ul style="list-style-type: none"> Finans Leasing shares quoted on Istanbul Stock Exchange |
| 1995 | <ul style="list-style-type: none"> Stepped into factoring sector by founding Fiba Faktoring A.Ş. |
| 1999 | <ul style="list-style-type: none"> Being among the 5 pilot banks selected, Finansbank became the first bank globally to put into force Reuters Mail System. |
| 2000 | <ul style="list-style-type: none"> Started to serve investment banking services under newly established Finans Invest. Launched its Call Center and Internet Branch. |
| 2003 | <ul style="list-style-type: none"> Pursuant to resolution to conduct retail banking, new branches were opened between 1995-2003. The Bank's number of branches reached 150 and number of employees reached 3,928. |
| 2004 | <ul style="list-style-type: none"> Moved its HQ to Esentepe, Istanbul. |
| 2005 | <ul style="list-style-type: none"> Established IBtech at TÜBİTAK Marmara Research Center Technology Free Zone. www.kobifinans.com.tr, the internet portal that serves as a service channel of QNB Finansbank SME Banking's project, namely, KobiFinans, was selected as the "Best Finance Site" in "Golden Web Awards" |
| 2006 | <ul style="list-style-type: none"> Launched its phone banking services |
| 2007 | <ul style="list-style-type: none"> CardFinans was selected as the Superbrand in Türkiye in the Credit Cards Category by Superbrands, a British firm active in more than 70 countries around the globe. ATM number reached 1,000. QNB Finansbank Call Center won first place in "Best Call Center Recruitment Application" and "Best Customer Representative" Categories in the Call Center Türkiye Competition. |
| 2008 | <ul style="list-style-type: none"> Opened Erzurum Operation Center. Established Finans Tüketici Finansmanı A.Ş. for consumer finance activities. Bank took its place among the 3 "Most Favorite Firms in Türkiye", a research conducted by the Capital Journal for the 8th time. NBG Group became a 94.8% shareholder of Finansbank following their acquisition of shares from Fiba Holding. QNB Finansbank Internet Branch ranked second in the Online Banking Category of the 7th Golden Web Awards. QNB Finansbank Internet Branch was elected People's Favorite in the first ever People's Favorite Category at the Golden Web Awards. QNB Finansbank's renewed website, www.qnbfinansbank.com, won the "Silver Award" in the Banking Category of Davey Awards. QNB Finansbank Call Center was the recipient of two awards at the İstanbul Call Center Awards, ranking first in the Best Call Center Training Program Category, and receiving the "Distinction Award" in the Best Use of Technology Category. |

| Date | Event |
|------|---|
| 2009 | <ul style="list-style-type: none"> • Offered clients installments in purchases with CardFinans Cash (debit card) as a first-time practice worldwide. • CardFinans Cash, the first debit card worldwide that offers installments, was the recipient of an award in the Best Debit Card Launch Category in “Cards and Payments Europe 2010” in Madrid. • QNB Finansbank’s corporate website was named as the “Best in Class”, the first Turkish bank to be awarded in the banking category, at “Interactive Media Awards”, a competition carried out every year in New York and deemed to be among the most significant of its kind. |
| 2010 | <ul style="list-style-type: none"> • Launched Finansbank Mobile Branch. • Issued Fix Card, a credit card without a membership fee, reached 300,000 sales in the first 6 months. • ClubFinans Doctors, a credit card targeting doctors in particular, reached approximately 1/3 of all doctors in Türkiye with 47,000 customers in the first 8 months. • As a first-time facility from European Investment Fund (EIF), SMEs received significant support in overcoming their collateralization problem. • As a first-time practice in the sector, CardFinans Vadekart offered owners of enterprises opportunities, which decreased the use of checks and bills. • QNB Finansbank received the “Employment Leader in the Sector” Award in “Yenibirış Awards 2010” for being the firm offering the greatest number of jobs in the sector as well as being preferred the most by applicants. • QNB Finansbank was selected by popular vote as People’s Favorite in the Banking and Finance Category of the 9th Golden Web Awards. |
| 2011 | <ul style="list-style-type: none"> • Initiated “To Us It’s Possible” Training Program in June. • QNB Finansbank Call Center was the recipient of “Best Call Center with 500+ Seats” Award at the Istanbul Call Center Awards. • CardFinans Fix was awarded in the “Best Product” Category at the “Best Business Award”, one of the most prestigious awards in the United Kingdom. • QNB Finansbank was the recipient of five awards at International Business Awards, one of the most esteemed business awards globally. CardFinans Fix, holders of which are exempt from card fees, was awarded a Stevie. Furthermore, FinClub web site, Finarmoni Training Portal, and the animation video “Carrying QNB Finansbank into the Future” received “Distinguished Honoree” Honorary Award. |
| 2012 | <ul style="list-style-type: none"> • Opened a Call Center in Erzurum. • Fully renovated www.finansbank.com.tr internet banking site in line with changing needs of clients with a TL12.5 million investment in technology. • Cigna, one of the biggest health and life insurance firms in the US, purchased 51% of shares of Finans Emeklilik. • Signed a 15-year agency contract with Sompo Japan Insurance, one of the biggest insurance companies worldwide. • As a first-time practice in Türkiye, features of a debit card and a credit card were combined in Fix Card. • Established Enpara.com, the first digital banking platform in Türkiye. • “To Us It’s Possible”, the training program developed in 2010 and activated in 2011, was awarded “Citation for Excellence” by American Society for Training & Development (ASTD), the authority figure in professional training and development. • “To Us It’s Possible” training program received the Bronze Stevie in the International Banking Category. |

QNB Finansbank in Brief and Milestones *(continued)*

| Date | Event |
|------|--|
| 2013 | <ul style="list-style-type: none"> Established eFinans. Enpara.com won 7 awards at Stevie International Business Award. These include Gold Stevie Awards for Product Management Department, Marketing Campaign of the Year, and Internet Banking; Silver Stevie Award in the Best New Product/Service Category and Bronze Stevies for New Product/Service of the Year, Customer Service Team of the Year, and Best Web Design. Digital Banking Department received a Bronze Stevie Award with the animation film “Ceren’s states” in the Service Sales Category at Stevie International Business Awards. QNB Finansbank’s Career Club, FinansUP, which supports youngsters move up the career ladder and join the ranks of business, was the first application in Türkiye to win the Global Business Excellence Award at Awards Intelligence, the most significant business award program in the UK. |
| 2014 | <ul style="list-style-type: none"> A syndicated loan with the highest amount in the history of the Bank was obtained from international markets. “Basemap” project, geared towards increasing service quality, ranked second in sales efficiency innovation category in EFMA one of the most prestigious innovation competitions in the finance sector. |
| 2015 | <ul style="list-style-type: none"> Established a social responsibility platform focused on children namely Tiny Hands Big Dreams (MEBH). ATM number reached 3,000. Finansbank won a total of 9 awards in 4 categories, 3 of which being first places, in Bonds and Loans Türkiye, which is considered to be the Oscars of the finance sector. An agreement was signed for the sale of Finansbank by NBB to Qatar National Bank. With the “Career Architecture” Program, HR Department was the recipient of two awards from Association Talent Development (ATD), the most important worldwide institution in talent development. |
| 2016 | <ul style="list-style-type: none"> Purchase of Finansbank by Qatar National Bank was completed and the trade name of the Bank was changed to QNB Finansbank. Following transfer of all shares of the consumer finance company to QNB Finansbank, name of the firm was changed to Hemenal Finansman, and the company started operations. QNB Finansbank was granted an award by Talent Board in the Candidate Experience Survey, where the process of recruitment is evaluated by candidates in surveys. Thanks to the “İstanbul Meetings” organized for customers, QNB Finansbank won Silver Stevie for External Marketing Program of the Year, and Bronze Stevie for Promotion, Reward and Awareness Raising category. QNB Finansbank was awarded the Special Award by Public Relations Association of Türkiye in the 15th Golden Compass Awards, for the “Tiny Fingers Program the Future” project developed in cooperation with Microsoft Türkiye and Habitat Association. QNB Finansbank received the Education Award in the Sponsorship Communications category in the 15th Golden Compass Awards organized by Public Relations Association of Türkiye (TUHID), for the “Wonderful Mathematics Exposition”. QNB Finansbank was the first non-American firm to receive HRM Impact Awards. QNB Finansbank received the “Honorable Mention” award, as part of HRM Impact Awards given by Society for Human Resource Management (SHRM) since 2013. |

| Date | Event |
|------|---|
| 2017 | <ul style="list-style-type: none"> • QNB Finansbank celebrated its 30th anniversary. • As a first in the Turkish finance sector, 4 case studies (in 1994, 2006, 2015 and 2017) were made by Harvard Business School on QNB Finansbank's successes. • QNB Finansbank was awarded the Grand Prize by Public Relations Association of Türkiye in the 16th Golden Compass Awards, for the "Tiny Fingers Program the Future" project developed in cooperation with Microsoft Türkiye and Habitat Association. • QNB Finansbank received the Education Award in the Sponsorship Communications category at the 16th Golden Compass Awards organized by Public Relations Association of Türkiye (TUHID), for the "Wonderful Mathematics Exposition". • QNB Finansbank won four awards, two of which are the first place, in three categories at Bonds&Loans Türkiye, where project finance and private sector bond issuance transactions are awarded. "Transport Finance of the Year" award went to the Third Airport Project, and "Infrastructure Finance of the Year" to the Galataport Project. The very same project won second place in "Transport Finance of the Year" Category, and the Third Airport project won third place in "Project Finance of the Year" Category. |
| 2018 | <ul style="list-style-type: none"> • QNB Finansbank and Turkish Airlines signed a cooperation agreement for a five-year period, geared towards issuing of Miles&Smiles Credit Cards to Turkish Airlines (THY) members as a part of the Turkish Airlines' frequent flyer program. • IBtech launched its second technopark at DEPARC, the techno-park of Dokuz Eylul University, Tinaztepe Campus, İzmir. • IBtech obtained R&D Center Certificate from Ministry of Industry and Technology, and launched its R&D Center at Kristal Tower. • Fincube Incubation Center and Acceleration Program was initiated in order to develop future banking technologies and support innovation initiatives. |
| 2019 | <ul style="list-style-type: none"> • Through the syndication agreement signed in December 2019, QNB Finansbank became the first and only Turkish bank granted a three-year syndication facility since 2016. • QNB Finansbank Call Center, Telesales Unit and SME Cloud Branch were awarded in four categories at Stevie International Business Awards. • To prepare SMEs for digital transformation, QNB Finansbank launched the Digital Bridge Project with the SME e-Transformation Package. • Fincube, launched as an innovation lab by QNB Finansbank to reinforce entrepreneurs and creative projects, while creating the future-ready fintech applications, transformed into a global brand with a new title, QNBeyond. • With its Human Resources applications, Financier 360 and Branch Manager Development Programs, QNB Finansbank was entitled to 11 awards in two different employer awards, Stevies for Great Employers and Brandon Hall Group Excellence Awards, which are among the most prestigious business awards in the world. • QNB Finansbank was named as "Best Employer" at Employee Loyalty Awards by AON Hewitt, as IBTech qualified for Achievement Award. • At Bonds&Loans Project Finance Awards, three projects financed by QNB Finansbank was awarded in 4 categories. |

QNB Finansbank in Brief and Milestones *(continued)*

| Date | Event |
|------|--|
| 2020 | <ul style="list-style-type: none"> • QNB First and QNB First Digital applications, developed for private banking customers, received four awards at “International Stevie Awards”. • QNBeyond Ventures was established. Aimed at investment in various initiatives, QNBeyond Ventures will also participate in other venture capital funds. • Enpara.com received the award as the Best Website in Banking and Finance at the Golden Spider Awards. • QNB Finansbank was chosen by Euromoney the Best Bank in Middle and East Europe in SME Banking. • Thanks to its Human Resources programs, QNB Finansbank received five awards at Stevie Awards for Great Employers, one of the most prestigious awards programs, and four awards at Excellence Awards organized by Brandon Hall Groups. • “Tiny Fingers Code” Project, part of the Tiny Fingers Big Dreams Corporate Social Responsibility Platform, was the recipient of the special prize in the Social Value Category of Turkish Capital Markets Association (TSPB). • QNB Finansbank was a signatory of the CEO Manifesto for Renewed Global Cooperation, organized in commemoration of the 75th Anniversary of the UN. • QNB First Digital, offering exclusive services to private banking customers, won first place in the “Best Digital Strategy” Category of European Customer Centricity Awards, one of the most important competitions in Europe in terms of customer experience. • QNB Finansbank received “Internal Best Volunteer Program”, the grand prize awarded annually by Turkish Private Sector Volunteers Association. |
| 2021 | <ul style="list-style-type: none"> • QNB Finansbank won the Gold Stevie Award in the “New Business Intelligence Solutions” Category with Digital Bridge Platform and the Silver Stevie Award in the “Customer Service Solutions - Technology Partner of the Year” Category with NeoVade, while its subsidiary QNB eFinans was awarded the Bronze Stevie Award in the “Customer Service Solutions-Technology Partner of the Year” Category. • QNB Finansbank signed the Women’s Empowerment Principles (WEP), a joint initiative by UN Global Compact and UN Women, and confirmed its commitment to the 7 principles for building our corporate policies to further promote gender equality. • QNB Finansbank upsized its syndicated loan due in May 2021 based on sustainability criteria for the first time, raising USD 335 million from international banks. The bank’s syndicated loan due December 2021 was also rolled in sustainability-linked format. • It issued its first green bond, of USD 50 million, with the EBRD. • The Digital Bridge Platform won the first prize in the “Best Digital Strategy” Category at the European Customer Centricity Awards, one of the most important customer experience competitions in Europe. It was also awarded in the ‘Europe’s Most Innovative Bank’ Category at World Finance, one of the most prestigious award programs in Europe. • Digital Bridge platform was awarded in the category of “Top Innovations in Corporate Finance” at the “The Innovators 2021” awards by Global Finance, one of the world’s most prominent financial magazines. • The new QNB Mobile, supported by Digital Intelligence Q, was made available to users. • QNB Finansleasing obtained a EUR 100 million syndicated loan, for which Dutch Entrepreneurial Development Bank (FMO) acted as originator, arranger, and agent. • QNB eFinans was named by CIO Applications among the top 10 e-Invoice solution providers in Europe for the second time. |

| Date | Event |
|------|---|
| 2022 | <ul style="list-style-type: none"> • QNB Finansbank increased its Climate Change rating from “C” to “A-” with its reporting to the Carbon Disclosure Project (CDP), the world’s largest environmental reporting platform, headquartered in London, and received one of the highest ratings in the Turkish finance sector. • QNB Finansbank received Türkiye’s Best SME Bank award within the scope of the SME banking award program organized every year by the Global Finance Magazine. • QNB Finansbank rolled its syndications due in May and November, and raised USD 360 million and USD 448 million, respectively, from international banks. The roll-over ration of 104% attained in November syndication marked the highest roll-over ratio in the banking sector in the second half of the year. • QNB Finansbank received the silver award in the category of success in the field of learning and development strategy in the Globee Business Awards program, which is the business awards that includes brands from every sector in the world, to which it applied with its Human Resources Training and Development Applications. • QNB Finansbank won 2 awards in the “Best Digital Transformation Bank of the Year” and “Best Online Services Bank for Micro and SME” categories by the Global Banking and Finance Review magazine, one of the world’s respected economy publications, for the superior digital solutions offered to its customers by the Digital Bridge. • QNB Finansbank Human Resources Training and Development Management applications received gold award in the Learning/Training Team of the Year category within the framework of the Stevie Awards for Great Employers award program, and Achievement in Corporate Learning and Development (Achievement in Workforce Development and Development). It won the bronze award in the “Learning” category. • Supporting the clean energy transformation in the fight against climate change, QNB Finansbank agreed with Merrill Lynch International to conduct interest swap transactions in Turkish lira based on sustainability performance criteria. Within the scope of the agreement, the bank will receive a rebate, if it supplies its electricity consumption from renewable sources. • QNB Finansbank continued its sustainability and combating climate change efforts with the ‘Climate Protectors Raising’ Project, which was carried out with children in collaboration with the Education Volunteers Foundation of Türkiye (TEGV) under the umbrella of the Little Hands Big Dreams platform. Within the scope of the project, 500 trainings were given in 13 provinces. • QNB Finansbank Telephone Banking teams; won the 2022 Stevie Awards for Sales & Customer Service Awards, one of the world’s most important award programs for customer service, contact center, business development and sales professionals, and held for the 16th time this year, in five categories. • QNB Finansbank and Barclays Bank completed the first repo transaction, the cost of which is determined based on the energy efficiency performance of QNB Finansbank. With this transaction, QNB Finansbank once again demonstrated its long-term commitment and commitment to a low-carbon, environmentally friendly economy. |

QNB Group at a Glance

We are proud to be a part of QNB Group, a strong and highly-rated bank with a growing international footprint. Established in 1964 as the first Qatari-owned bank, QNB is one of the largest financial institution in the Middle East and Africa (MEA) and one of the leading banks in the MEA and Southeast Asia (MEASEA) region. QNB Group today is a trusted partner to a growing number of customers in more than 28 countries across three continents.

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

Businesses of QNB Group

1. Wholesale and Commercial Banking

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

2. Asset and Wealth Management

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

3. Retail Banking

Offers a broad array of retail banking products and services across a multichannel network with nearly one thousand branches and an ATM network of more than 4,800 machines (including those of its subsidiaries and associates). These include premium banking services through QNB First and QNB First Plus, designed for affluent clients.

4. International Business

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

| Key Financial Indicators | |
|--------------------------|---------------------|
| Assets | USD 326.7 bn |
| Net Profit | USD 3.9 bn |
| Earnings per Share | USD 0.40 (QAR 1.44) |
| Capital Adequacy Ratio | 19.6% |

| Credit Ratings | |
|-----------------|-----|
| Standard&Poor's | A+ |
| Moody's | Aa3 |
| Fitch | A |

| Subsidiaries and Associates | |
|---|-----------|
| Name | Stake (%) |
| QNB Finansbank (Türkiye) | 99.88% |
| QNB ALAHLI (Egypt) | 95.0% |
| QNB Indonesia | 92.5% |
| QNB Tunisia | 99.99% |
| QNB Syria | 50.8% |
| QNB Suisse S.A. (Switzerland) | 100% |
| QNB Capital LLC (Qatar) | 100% |
| QNB Financial Services (Qatar) | 100% |
| Al-Mansour Investment Bank (Iraq) | 54.2% |
| Commercial Bank International (CBI) (UAE) | 40% |
| Housing Bank for Trade and Finance (HBTF) (Jordan) | 38.6% |
| Ecobank Transnational Incorporated (Ecobank) (Togo) | 20.1% |
| Al Jazeera Finance Company (Qatar) | 20% |

Shareholder Structure & Key Financial Performance Indicators

| Shareholder Structure | | |
|--------------------------------|------------------------|----------------|
| | Capital (TL, thousand) | Share (%) |
| Qatar National Bank (Q.P.S.C.) | 3,345,892 | 99.88% |
| Others | 4,108 | 0.12% |
| Total | 3,350,000 | 100.00% |

| Key Financial Performance Indicators | | | | | |
|--------------------------------------|---------|---------|---------------------|---------------------|---------------------|
| (mn TL, unconsolidated) | 2018 | 2019 | 2020 ^(*) | 2021 ^(*) | 2022 ^(*) |
| Net Loans | 94,018 | 110,683 | 138,719 | 200,832 | 344,957 |
| Deposits | 87,090 | 105,626 | 130,560 | 226,923 | 394,284 |
| Shareholders' Equity | 14,572 | 16,685 | 19,213 | 22,144 | 44,266 |
| Total Assets | 157,416 | 181,681 | 227,244 | 371,369 | 601,755 |
| Net Interest Income ^(**) | 5,666 | 5,863 | 6,684 | 7,669 | 32,665 |
| Net Fees and Commission Income | 2,140 | 2,691 | 2,363 | 3,391 | 6,128 |
| Net Profit | 2,410 | 2,622 | 2,747 | 3,928 | 17,224 |
| Return on Equity (%) | 18.1% | 17.1% | 15.8% | 19.0% | 53.1% |
| Capital Adequacy Ratio (%) | 15.4% | 15.7% | 16.4% | 15.9% | 15.1% |
| (mn TL, consolidated) | 2018 | 2019 | 2020 ^(*) | 2021 ^(*) | 2022 ^(*) |
| Net Loans ^(***) | 100,377 | 116,749 | 146,449 | 212,565 | 363,105 |
| Deposits | 86,826 | 105,500 | 130,275 | 225,877 | 392,763 |
| Shareholders' Equity | 14,603 | 16,765 | 19,241 | 22,152 | 44,276 |
| Total Assets | 163,500 | 187,526 | 235,020 | 383,849 | 621,144 |
| Net Interest Income ^(**) | 6,022 | 6,280 | 7,177 | 8,135 | 34,109 |
| Net Fees and Commission Income | 2,252 | 2,824 | 2,601 | 3,682 | 6,689 |
| Net Profit | 2,573 | 2,865 | 2,755 | 3,908 | 17,226 |
| Return on Equity (%) | 19.0% | 18.4% | 15.8% | 18.9% | 53.0% |
| Capital Adequacy Ratio (%) | 14.8% | 15.2% | 15.8% | 15.2% | 14.5% |

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

^(**) After swap expenses

^(***) Includes leasing and factoring receivables

Credit Ratings

| Fitch Ratings | |
|-------------------------------------|---------------------------|
| Long-Term FC Issuer Default Rating | B- (Outlook: Negative) |
| Short-Term FC Issuer Default Rating | B |
| Long-Term LC Issuer Default Rating | B (Outlook: Negative) |
| Short-Term LC Issuer Default Rating | B |
| Viability Rating | b- |
| Shareholder Support Rating | b- |
| National Long-Term Rating | AA(tur) (Outlook: Stable) |

| Moody's | |
|--|----------------------|
| Long-Term FC Deposits Rating | B3 (Outlook: Stable) |
| Short-Term FC Deposits Rating | NP |
| Long-Term LC Deposits Rating | B1 (Outlook: Stable) |
| Short-Term LC Deposits Rating | NP |
| Baseline Credit Assessment | b3 |
| Adjusted Baseline Credit Assessment | b1 |
| Long-Term FC Counterparty Risk Rating | B3 |
| Short-Term FC Counterparty Risk Rating | NP |
| Long-Term LC Counterparty Risk Rating | B1 |
| Short-Term LC Counterparty Risk Rating | NP |
| FC Senior Unsecured | B3 (Outlook: Stable) |
| FC Senior Unsecured MTN | (P)B3 |
| LC Senior Unsecured MTN | (P)B1 |

Assessment of Bank's Financial Position, Profitability and Solvency

QNB Finansbank continued to support the Turkish economy throughout the year 2022. In line with the Bank's plans regarding increasing the client base by focusing on core banking activities, net loans increased to TL 344 billion 957 million. The total number of branches was 436 by 31 December 2022 (31 December 2021 - 444), with 434 domestic (31 December 2021 - 442), one off-shore (31 December 2021 - 1) and one airport branch (31 December 2021 - 1) located at the Atatürk Airport Free Zone.

Assets

The Bank maintained its customer-oriented activities during year 2022 and continued to grow both in retail and business loans. While net loans increased by 72% compared to the year end of 2021, reaching TL 344 billion 957 million, total assets grew by 62% in the same period, reaching TL 601 billion 755 million. In 2022, the Bank also increased the securities portfolio by 107%, strengthening its net interest income and assets growth while further reinforcing its already robust liquidity buffers.

Liabilities

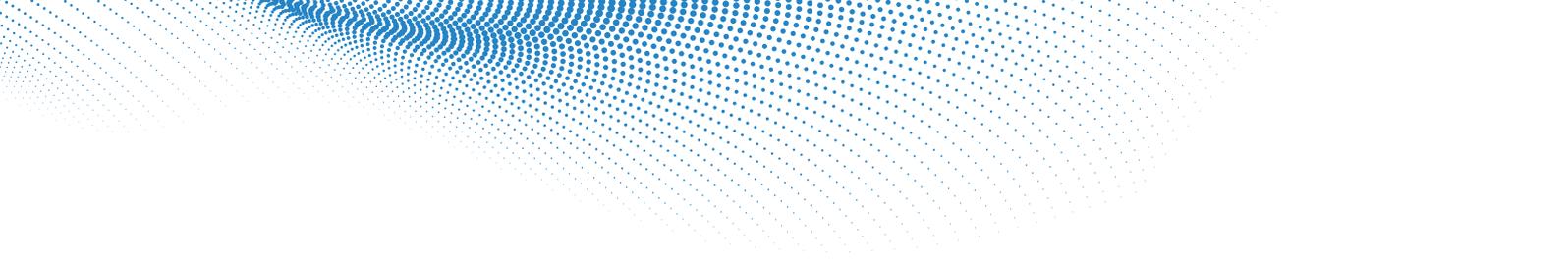
In line with this growth in assets, QNB Finansbank sustained its deposits' growth in a balanced manner. Total customer deposits of the Bank rose by 80% compared to the year end of 2021, reaching TL 384 billion 58 million, as shareholders' equity increased by 100% to TL 44 billion 266 million.

Profitability

Considering the growth in average interest-earning assets and the improvement in loan deposit spreads, as well as the contribution of the CPI-indexed securities portfolio, the Bank's net interest income, including swap costs, increased by 326% to TL 32 billion 665 million, while net fees and commissions income realized at TL 6 billion 128 million. Profit before tax amounted to TL 24 billion 283 million, and net profit for the year period realized at TL 17 billion 224 million.

Solvency

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



Activities in year 2022

Digital transformation and sustainable, responsible growth have remained as the key priorities across the board in all activities.





Corporate Banking and Project Finance

QNB Finansbank Corporate Banking provides services to multinational companies and companies with an annual turnover higher than TL 1,500 million with its 3 corporate branches and 4 corporate representatives located in Adana, Antalya, Bursa and İzmir.

QNB Finansbank Corporate Banking, with its lending and non-lending products, aims to provide tailor-made financial services to its customers, increase the efficiency in their daily transactions and also provide holistic financial service with a long-term cooperation strategy in order to be their main solution bank for its clients. As a subsidiary of a leading financial institution in the Middle East and Africa Region, QNB Finansbank continues to provide financial solutions not only for companies at a local scale but also for the ones that have commercial relationships in the regions where QNB Group operates.

QNB Finansbank Corporate Banking, in line with QNB Finansbank's growth strategy and its vision of financing investments and projects that will contribute to the Turkish economy, had a successful year.

Although it was a tough year globally and domestically due to COVID-19, the war in Ukraine and the ever-changing domestic economic climate; the division outperformed the market and especially its peers in TL loans, gaining market share. QNB Finansbank Corporate Banking achieved a growth of 49% in cash loans, 10% in non-cash loans, and 71% in total deposits in 2022. As of 2022 year-end, in the TL loans market the banking sector growth was 78%, while the Bank achieved an 100% growth. Thanks to the outperformance in the TL loans and the superior service provided by the team, the Bank also managed to improve its client relationships and deepen its penetration in their cash flow businesses.

Another point of emphasis for the Corporate Banking Team was digital development to offer unique and frictionless services to its customers. QNB Finansbank continues its role and position as the leading bank in the market in terms of innovation and digital solutions offered to its clients. QNB Finansbank Corporate Banking continues to invest in digital products and services suitable with the changing conditions and in line with the digitalization trends accelerating with the pandemic. Via digital products and services, the opportunities to execute banking transactions without visiting the branch continue to be increased.

The Corporate Banking department applies the "ecosystem" banking mentality. The Department does not only maximize its relationships with its clients, but also aims to penetrate their own ecosystem and different strategic partners in their value chain.

QNB Finansbank continued to participate in the financing of projects that supported Türkiye's growth and development in 2022. Although the effects of coronavirus have gradually reduced, the investments in Türkiye have slowed down due to macroeconomic volatility. QNB Finansbank's cash loans volume increased by 72% in local currency on a YoY basis as of 2022 year-end, which is in line with the project finance market growth.

Overall, considering and accounting for all the volatility in the local market and the uncertainty in the global landscape, the Corporate Banking performed well due to its dedicated and above market service quality and experienced team.

QNB Finansbank Corporate Banking will continue to offer qualified customer-oriented products and services in 2023,

taking into consideration all the needs of its customers. For all stakeholders, in order to receive the best service under the roof of QNB Finansbank, the work has been carried out with all business lines and subsidiaries within the Bank. As always, customer satisfaction and the goal of being the first choice of customers will be prioritized in banking operations.

QNB Finansbank Corporate Banking and Project Finance continued to finance projects contributing to the Turkish economy.

Thanks to its well-experienced team, QNB Finansbank Project Finance differentiates itself from the market via the support as well as solutions it provides to its clients. Despite challenging market conditions, it granted a limit to 22 projects, in a broad range of sectors in corporate and commercial segments, of significance to Turkish economy. The volume of TL denominated loans in project finance increased by 71% as of June 2022.

The Group has continued to provide services via five different channels Real Estate, Infrastructure, M&A Finance, Energy, Public-Private Partnerships (PPP), Privatization Finance and Commercial Banking Project Finance. The Group continued to offer its specialized and rapid services in structured deals.

Istanbul Airport Project, Antalya Airport Project and Ankara-İzmir High Speed Train Project, among the projects the Bank participated in financing, were awarded the Infrastructure Finance Loan of the Year, Structured Finance Loan of the Year and ECA, DFI, IFI Loan of the Year Awards by Bonds & Loans Türkiye. EMEA Finance, the world's leading finance magazine, awarded Istanbul Airport Project for the best Syndication Loan in the Central and Eastern Europe Region.

As QNB Finansbank, 35% of the loans allocated within the scope of Project and Structured Finance as of the 2022 year-end are in compliance with the United Nations Sustainable Development Goals criteria. With these allocated loans, in line with the United Nations Sustainable Development Goals; Financing was provided for renewable energy, clean transportation, energy efficiency, health and green buildings.

Within the scope of Project and Structured Finance, only renewable energy projects have been supported for electricity generation since 2015, and as of the 2022 year-end, 12.5% of the loans extended within the scope of Project and Structured Finance are to renewable energy projects. 24% of these projects are evaluated in the "Clean Energy" category within the scope of the United Nations Sustainable Development Goals criteria.

As of 2021, QNB Finansbank started to implement the Environmental and Social Risk Assessment Model, which is a part of its Environmental and Social Risk Management Policy, in all project and structured finance loans with a minimum loan amount of USD 10 million and a maturity of 24 months or more.

With the aim of leaving a sustainable environment for future generations and contributing to the reduction of carbon emissions, QNB Finansbank aims to increase its support within the scope of Project and Structured Financing for projects that save energy, turn to renewable resources and aim to cause minimal damage to nature.

Medium Enterprises and Commercial Banking

In 2022, QNB Finansbank combined its Commercial Banking and Medium Enterprise Banking activities under one roof in order to provide the best quality service and continued to meet the needs of its customers with a wide range of products. QNB Commercial and Medium Enterprise Banking (CMEB) has a total of 152 branches in 40 provinces, 21 of which are in the Commercial segment and 131 are in the ME segment. Medium Enterprise Banking serves companies with an annual turnover of over TL 12 million (over TL 25 million as of January 2023), and Commercial Banking serves companies with an annual turnover of over TL 250 million.

In addition to traditional banking products, QNB CMEB offers special solutions to its customers with its expert teams in cash management, foreign trade, real estate project finance and tourism banking. Thus, it aims to provide innovative and proactive solutions for all kinds of needs of its customers and to be their main bank by maximizing the customer experience.

In 2022, QNB Finansbank CMEB increased its market share in TL cash loans and continued to strengthen its position in the sector by growing above both the sector and the private banks. In addition to sustainable loan growth, it also increased its asset quality thanks to its prudent risk and portfolio management approach. Moreover, QNB Finansbank CMEB achieved a significant growth over market in TL deposits as part of liraization strategy.

The growth in both loans and deposits was supported by the strategy of focusing on new customer acquisition. Executing customer acquisition programs, QNB Finansbank CMEB supported companies by offering both banking and non-banking privileges. Furthermore, customers enabled to perform their banking transactions faster and more advantageously with the expanded product and service packages for their differentiated needs.

In 2022, in accordance with the sustainability strategy of the QNB Group, actions were also taken to provide long-term value. In order to raise awareness among the customers and support green transformation, various loan programs were offered within the framework of supporting SME's and entrepreneurship, providing sustainable investment & lending products and services, digital transformation and innovation.

The Commercial Centers Project, which was initiated in 2021 by considering the sustainability strategies of the Bank as well as the constantly developing technology, economic and social trends, was completed in 2022 with the opening of the Ankara Commercial Center Branch. Within the scope of this project, which was implemented in three big cities of Türkiye, a multi-functional design different from the traditional branch structure was put forward, so that besides employee happiness and development, it is aimed that the customers can access all of the services they need from the same location.

In 2022, QNB Finansbank became the first bank to come to mind in digital transformation processes with the Digital Bridge (Dijital Köprü) Platform, known as the pioneer of 'Platform Banking' in Türkiye. With the vision of the bank that guides digitalization, the Bank has supported its customers in facilitating their processes and growing their

businesses by accessing the digital solutions offered in many areas such as Banking, e-Commerce, Financial Management and e-Transformation from a single platform, the Digital Bridge.

Thanks to the services with the understanding of always being there by its customers, QNB Finansbank was deemed worthy of an award this year as the Bank that best understands SME needs and offers appropriate solutions. Within the scope of the Best SME Banks Awards announced by Global Finance Magazine, QNB Finansbank was awarded as the Best SME Bank in Türkiye in 2023.

Cash Management and Trade Finance

QNB Finansbank Cash Management and Foreign Trade Department, with the support of its expert regional staff, evaluates customers' needs throughout the payment and collection cycle as a whole and continues to grow in the products and services it offers in this parallel. Thus, the bank's overall market share climbed to 6.41% for collection checks and 4.99% for payment checks as of December 2022. The bank had a 6.80% market share in foreign trade by the year-end of 2022, with an export market share of 8.26%.

The "Step by Step Export Program" was put into place last year to support the financing of exports, and Step by Step Export consultants have continued to provide services free of charge to address any inquiries about international trade, particularly exports. Customers of QNB Finansbank are also eligible to obtain services from expert solution partners within the framework of this program, with favorable price support in a variety of fields including logistics, customs, marketplace, warehousing, and training. Another support given in the area of trade finance is collaboration with İhracatı Geliştirme A.Ş (İGE), which provides İGE guaranteed loans to Bank's exporting customers.

QNB Finansbank has also offered its customers the opportunity to execute trade finance transactions through the QNB Finansbank Internet Branch, and thus enabling its customers to perform their transactions quickly and easily through any channel. In parallel, it was made possible to issue IBKB (export price acceptance certificate) through Corporate Internet Banking, providing customers with a digital ease of transaction. Additionally, SWIFT ISO Standards were complied with in order to step into a new, quicker and more transparent payment environment, and the Bank became the first bank in Türkiye to receive MX messages.

In today's world where supply chain management stands out, the supplier finance products for supplier companies and startups enable customers to access the financing they need quickly and easily in a digital environment. The Neovade Platform, which is offered especially to SME customers, mediates the dynamic realization of maturity/price negotiations between buyers and sellers.

With a technology-focused approach, QNB Finansbank Cash Management and Foreign Trade Department continued to provide its customers with innovative solutions through new applications. By integrating with the CBRT API services provided by The Interbank Card Center, QNB Finansbank became one of the ten banks

Medium Enterprises and Commercial Banking *(continued)*

offering account transaction and payment order initiation services. QNB Wallet (QNB Cüzdan) has begun to offer wallet services to the Mono application in addition to the Kassa application. More than 130 thousand people now use mobile wallets, which can be used for a variety of services like bill payment and money transfers.

Real Estate Financing and Tourism Banking

QNB Finansbank executes real estate financing with an expert team, with the aim of supporting the construction sector, a key sector in the economy. Project-based and transaction-specific financing models are provided to companies engaged in build-and-sell as well as urban transformation, and solution partnerships are offered by closely monitoring market developments.

QNB Finansbank offered special terms and project-based financing models to more than 100 real estate companies in 2022.

Within the scope of Tourism Banking, QNB Finansbank determines sectoral needs with its customized organizational structure and provides services and products by sector-specific financing models.

In 2022, the tourism sector has started to return to its pre-pandemic level and there are upside forecast revisions for the future of the sector.

Retail and Small Business Banking

Retail and Small Business Banking

Consumer, Affluent and Private Banking

In 2022, QNB Finansbank Retail and Private Banking aimed to provide the fastest and most appropriate solutions to customer needs, to offer a banking approach that provides the highest level of customer experience, and to develop new products and services in this direction. In order to provide customers with a ceaseless banking experience with the conveniences brought by technology, studies in the field of digitalization were brought to the fore. As a technology-focused bank, in addition to the processes of directing its customers to digital channels, offering chatbot and live assistance options, and becoming a remote customer through video calls, the functionality in digital channels has been increased, so that customers can access banking services easily. Innovative solutions and studies in the field of digitalization focused on being the main bank of its customers, aiming to be by their side and support them not only financially but also in all business processes.

The strategy of monitoring product penetrations and presenting the right product to the customers at the right time in order to become their main bank continued at full speed in 2022, and the number of customers whose main bank is QNB Finansbank increased by 38 % as of the end of December compared to the beginning of the year. In line with the main bank strategy, a new customer program “Aydın Kazançlı Müşterisi” was launched on QNB Mobile in the last days of 2022, with the aim to facilitate the process of becoming the main bank of mass segment customers and to accelerate the activation of banking transactions and services. QNB Finansbank Retail Banking offers creative, fast and easy solutions to all needs of the Bank customers, while continuing to add value to the customers’ lives with the advantages and new services developed. The customers who will be the members of this program have the chance to benefit from very advantageous and specially designed offers for them, in addition to other campaigns of the bank.

As Retail Banking, new customer acquisition was one of the key focus areas in 2022 and over 1.3 million customers were acquired from all channels, by introducing new campaigns and advantageous services.

QNB Finansbank increased its product penetration and cross-selling focus in the mass customer segment, by focusing on cash management products and money transfers (Utility Bills, Kolya Adres, FAST). In Automatic Bill Payments, sales and marketing activities focused on increasing orders in 2022 through the call center and digital channels. In addition, the Bank aimed to offer the highest benefit to the customers through money-point campaigns and collaborations with third-party companies, and increased the number of automatic bill payment orders per customer and in total.

QNB Finansbank’s support to Turkish Football League continued in 2022. The Bank’s partnership with Trabzonspor as arm band sponsor continued, and Trabzonspor won the 2021-2022 Turkish Sport League Cup 38 years after its latest championship. Regarding this partnership, the Bank has carried out customer targeting and brand communication activities for Trabzonspor’s fan base.

In 2022, QNB Finansbank consumer loans grew by 54% compared to 2021, reaching TL 47 billion, and increased its market share among private banks to 13.21%. Numerous infrastructural improvements were made regarding the consumer loans, overdrafts, vehicle and housing loans, with the goal to meet customers’ needs in an easy and quick way. The focus was on acquiring new customers, improving non-branch channels and increasing product penetration. Responding changing consumer

needs, the first online shopping loan product launched in collaboration with Trendyol, the largest e-commerce platform in Türkiye. Also, consumer loan processes were improved with the simultaneous offers for loans with and without life insurance. Moreover, improvements were made on mobile channel to take non-ready overdraft applications through web interface, to increase deepening in overdrafts cross-sell and to increase customer experience on QNB Mobile. With the aim to facilitate the Bank’s customers to zero-emission vehicles, QNB Finansbank offered its Eco-Friendly Vehicle Loan product in 2022. Similarly, the Bank launched its Eco-Friendly Housing Loan products priced at a discount, in addition to a 50% discounted loan allocation fee, with the aim to support the development of high energy-efficient houses and to encourage environmental sustainability awareness in the domestic housing market.

In parallel with the communiques published by CBRT and the Ministry of Treasury and Finance at the end of 2021, FX-Protected Time Deposit TL Account was offered to customers with TL and foreign exchange deposit accounts in the Bank, so as to offer them yields, free from any negative effect by the exchange rates between account opening and maturity dates. The growth achieved in a very short period was very satisfactory thanks to keeping the product in customer use throughout 2022, improving customer experience and taking immediate actions in branches and digital channels against the fast-amended regulations. As of December 2022, market share of the Bank’s FX-Protected products was 6.57%.

In addition, the Bank has had many actions to support liraization process within the scope of the regulations published by CBRT announcing the prioritization of the mechanisms which will support the TL depositing process in Deposit and Participation Funds in 2022.

Last but not least, QNB Finansbank has continued to prioritize actions which will accelerate digital transformation throughout 2022, as was the case in 2021. In this scope, new actions were taken to enhance customer experience for transactions made over the digital channels. With Savings Accounts and Daily Savings Accounts of the Bank, customers can use their savings daily and exploit the advantages of both checking and time deposit accounts. As a result of these actions, campaigns and differentiation of interest rates per channel, overall balance of Daily Savings Accounts increased by 47% in 2022.

QNB Finansbank adopts the principle of providing services to its customers with the most suitable investment products for customer risk and return preferences in line with the market conditions. By expanding the products range in 2022, QNB Finansbank continued to offer mutual funds, eurobonds, private sector bonds, public offerings, domestic and international stocks and derivatives market products to its customers with the expertise of QNB Finansinvest and QNB Finans Asset Management.

The year 2022 marked a year, in which the interest and demand of investors in equity market increased. A significant increase was also observed in the number of investors trading in the equity market. This year, as in previous years, customers were offered the opportunity to easily transact in both domestic and international stocks through QNB Finansinvest. In addition, our customers’ participation in public offerings was ensured through public offerings of which QNB Finansinvest is a consortium member and leader.

In association with the increasing interest in investment products, the range of mutual funds offered to customers was expanded, and the QNB Finans Asset Management Commodity Fund of Funds was launched in May 2022. The fund invests in

Retail and Small Business Banking *(continued)*

products such as precious metals, energy, agriculture, industrial metals and animal products and thus is suitable for customers who want to obtain profit from the increase in commodity prices. In addition, seven new foreign currency hedge funds, where QNB Finansbank customers can invest with their foreign currency assets, were launched, contributing to the development of capital markets.

Global Covid-19 pandemic which started in 2020 and has been a major concern ever since has led to an increase in the demand for health insurances. Complementary Health Insurance continued to be an important alternative to Private Health Insurance and increased its share in the health insurance market from 20% to 25% in 2022, thanks to its price advantage. In the growing health insurance market, QNB Finansbank strengthened its position in 2022 with the Complementary Health Insurance product offered with the Cigna partnership and increased its market share to 4% in the fourth quarter of 2022 from 1.5% in the same period of 2021.

As for elementary insurances, QNB Finansbank has continued the bancassurance transformation project in partnership with Somp Insurance to better respond to the changing needs of customers in a rapidly digitalizing world and evolving technological outlook.

In salary payments, QNB Finansbank continued to focus on client acquisition in targeted segments. QNB Finansbank has taken an active role in mediating the payment of staff salaries for leading international companies in Türkiye. Customer programs that provide advantageous loans, attractive deposit rates and advantageous discounts for salary customers have continued to be carried out successfully as they do every year. Monitoring the important metrics of existing customers also maximized efficiency.

QNB Finansbank maintained the importance that attaches to retired customers in 2022 as well, and continued to increase the number of retired banking customers with competitive promotion campaigns. In addition, digitalization projects in retired banking processes continued as always.

Affluent Banking

QNB Finansbank offered privileged products and services for affluent segment customers who prefer the bank for their savings, continued in 2022 with QNB's global brand, QNB First. With a wide range of special financial products for their assets and specially designed life-style privileges such as travel and shopping, the Bank aimed to serve the "first class" banking experience. As a part of the cooperation between QNB Finansbank and Turkish Airlines started in 2019, with the "Miles&Smiles" Miles program, QNB First clients continued to be offered with the opportunity to earn Miles at exclusive rates in their credit card spending.

Banking privileges designed by prioritizing the needs of QNB First customers were expanded, and efforts were made to offer customers a privileged banking service that would provide maximum benefit. With the assistance of QNB First Customer Relationship Managers, customers have the opportunity to receive services and answers regarding their banking needs in private rooms in our branches, reserved exclusively for them, with a solid base on confidentiality and confidence. With QNB First Service Line, customers are instantly greeted by a special assistant placed just for QNB First customers, available at any time of the day. With a unique banking experience offered, all financial transactions can be carried out at once, and special services of the QNB First can be accessed, with the assistant special to QNB First. In addition to free remittance and EFT service to QNB First customers over the Internet Banking and QNB Mobil, high ATM cash withdrawal limits, free transaction

privileges with a single ATM platform, discounted general purpose loan interest rates in cash collateral loans and discounted safe deposit boxes, within the scope of the "Members Get Members" campaign, customers who bring their friends to QNB First have been offered 5,000 Miles for each friend they bring, or QNB First Point privileges offered under QNB First Loyalty Program.

In 2022, non-banking privileges offered to QNB First customers continued to diversify. Lifestyle privileges provided to QNB First customers through the QNB First Digital application designed for affluent customers. The airport privileges program, which offers end-to-end free premium airport services was launched. In this context, premium airport services such as Lounge, Fast Track and Buggy were offered free of charge to the Bank customers at Istanbul and Sabiha Gokcen Airports. With the discounted airport transfer service, privileged mileage program and free premium airport services, affluent segment customers are offered end-to-end travel privileges. In the summer season of 2022, customers have been offered a discount at high-end Beach Clubs and Restaurants in Bodrum and Çeşme destinations.

As a result of customer acquisition initiatives for target groups taken in 2022, the number of Affluent Segment clients who meet the segment saving criteria between TL 250,000 and TL 2.5 million, increased by 18% on an annual basis.

Private Banking

QNB Finansbank continued to serve its "Private Banking" customers with assets above TL 2.5 million in 2022, in line with the customer risk and return expectation and by offering customized solutions. While providing privileged and specially designed services in banking to the customers who are members of the Private Banking world, exclusive privileges and experiences for the daily lives of the customers continued.

At QNB Finansbank, with the motto of "Banking has never been so personal...", private banking customers can easily perform their transactions through private banking customer relations managers and 24/7 private banking service line, can make free EFT and money order transactions via internet banking and QNB Mobil and benefit from many banking services such as safe deposit box service with 50% discount.

In addition to the banking privileges offered to private banking customers, non-banking privileges such as miles with free Miles&Smiles credit card, "Discounted Private Driver and Vehicle Maintenance Service" by Alfred, MasterCard Lounge Key service, QNB First Loyalty Program, special discounts have been offered with yacht charters, event tickets, and discounted car rental with QNB First Digital services continued to be provided. In 2022, The airport privileges program, which offers end-to-end free premium airport services was launched. In this context, premium airport services such as Lounge, Fast Track and Buggy are offered free of charge to Private Banking customers at Istanbul and Sabiha Gokcen Airports. In the summer season of 2022, customers were also offered a discount at exclusive Beach Clubs and Restaurants in Bodrum and Çeşme under the name of QNB First Summertime Discounts program.

QNB Finansbank Private Banking focused on new customer acquisition throughout the year and significantly increased its number of newly acquired customers. As an example of these efforts, as part of the "Member get member" campaign, Private Banking customers who bring their friends to the world of QNB First or Private Banking are given 5,000 Miles for each friend they bring, or QNB First Points offered under QNB First Loyalty Program. In addition, it has carried customer loyalty and permanence to higher levels with the new projects it has

developed and the value propositions it has presented. As a result of these, QNB Finansbank Private Banking achieved an annual increase of 31% in the number of customers in 2022.

Quartz Wealth Management

In 2022, Quartz Wealth Banking continued to offer private banking services to QNB Finansbank Quartz customers by the wealth banking managers, who have extensive experience in banking and are well equipped with both market and product knowledge. Quartz customers carry out their transactions regarding all banking and investment products with the wealth managers assigned to them. QNB Finansbank ensured that all banking services continued without any interruption by giving the sense of support to the customers, and the customer satisfaction score was 93% in 2022.

Quartz Wealth Banking tries to get to know the customer more by creating a mutual trust environment with Bank customers and offers exclusive financial solutions in parallel with their financial expectations and targets based on their risk groups with extensive investment options. Quartz Wealth Banking evaluates the market data received from Türkiye and all over the world and provides necessary information regarding the possible risks and opportunities concerning the investments of its customers. Wealth managers manage the customer assets under the light of all data and in line with all the customer requests by taking the changes in policy and economy into consideration in a global perspective.

Quartz Wealth Banking continued its growth with the high customer satisfaction and customer sustainability in 2022. The number of Quartz customers increased by 46% at the end of 2022 with high customer sustainability ratio.

Arabic Speaking Customers Segment

In 2022, QNB Finansbank continued developing services and products under Arabic speaking customer segment as a segment within the Consumer and Private Banking structure. Further developments, plans, and services were made aiming to increase the quality of service and customer satisfaction offered to this customer base. As part of the Arabic-speaking customer segment management project, the Bank assigned new Arabic-speaking customer relationship managers to its strategically important branches. In addition to this channel, the Arabic & English hotline service in the call center channel were extended to 24 hours to serve foreign customers in Arabic and English. Moreover, focused communication has been carried out for the Bank's existing and potential foreign customers. Thus, at the end of 2022, the number of Arabic-speaking customers increased by 23% compared to the previous year and the total accumulation volume managed increased by 22%.

Digital Banking

In 2022, services provided through digital channels were further improved and innovative solutions were rolled out in order to offer QNB Finansbank customers a complete digital banking experience independent of time and place. The number of digital active retail customers exceeded 4.4 million by the end of 2022 with an increase of 19% compared to the previous year thanks to the actions held in 2022; such as renewal of QNB Mobil, acquisition of new customers, increased transaction capacity, and various marketing activities carried out to increase existing customer loyalty.

In 2022, more than 200 thousand people successfully became Bank customers by making video calls over QNB Mobil, without the need to go to the branch and have a wet signature. With the QR Code withdrawal/deposit feature on QNB Mobil, customers are

able to make their transactions in a contactless and fast manner during the pandemic period. In addition, with the money transfer and payments menus renewed in 2022, Bank customers had a more frictionless user experience.

Thanks to the cooperation with Blindlook in November 2022, QNB Finansbank became EyeBrand, and digital channels became more accessible for the visually disabled customers with audio simulation technology. With this service, the Bank aimed to ensure that its visually disabled customers can use its digital channels, and to approach equally to every individual in the society within the scope of financial inclusion and sustainability efforts. In line with the sustainability roadmap of QNB Finansbank, carbon footprint of the digital channels of the bank neutralized by supporting related projects in this field.

As of December 2022, the "Aydın Kazançlı Müşterisi" feature was implemented in QNB Mobil. QNB Finansbank customers were offered advantages such as interest discounts on consumer loans and commission-free money transfers if they make five of certain financial transactions within a month.

In the QNB Mobil Campaigns Dashboard, Bank customers accessed discount campaigns from various streaming platforms and online shopping sites. Various prizes were given to the customers with 3 different lottery campaigns in different periods organized among the customers who logged onto QNB Mobil in 2022.

QNB Finansbank continued to focus and invest on QNB First Digital, the mobile interface specially designed for Affluent and Private Banking customers, in order to present Affluent and Private Banking privileges "digitally" and to increase the satisfaction and loyalty of its customers in 2022. As a self-service online channel, all banking services (deposits, investment products, credit cards, cash flow products, and insurance etc.) are provided and promoted within QNB First Digital. In addition to banking services, the non-banking privileges such as "Free Dry Cleaning", free/discounted books from the "QNB First Library", QNB First Loyalty Program and special discounts on digital platforms such as Netflix, App Store were offered to the customers via QNB First Digital. As of June, airport privileges were added to non-banking privileges. By integrating with the systems of airports in Istanbul, lounge, fast track and buggy services are offered free of charge via QR code that can be obtained within seconds on QNB First Digital. With this new privilege, customers have been provided with a smooth travel experience with free buggy, fast track and lounge services. By using the discounted airport VIP transfer service, customers can enjoy the comfortable experience that will make them feel special as soon as they leave their homes for travel. In 2022, an average of 500 privileges were used per day and 98% of privileges were used via QNB First Digital. As a result of all marketing efforts, QNB Finansbank increased Affluent & Private customers' mobile banking penetration by 6% in 2022.

In the field of digital performance marketing, 2022 has been a year in which the Bank focused on increasing the share of digital channels and improving processes through which Bank customers can access the products and services whenever and wherever they want. QNB Finansbank increased its investments in the use of digital channels by leaving traditional methods behind and providing instant solutions to its customers' needs; and continued to offer its customers a unique experience.

Communications continued through digital media owned and/or purchased by the bank in order to achieve performance-based goals such as new customer acquisition, existing customer activation, new product sales, and brand awareness. At the same time, new projects and activities that increase the application/

Retail and Small Business Banking *(continued)*

sales performance on all websites and mobile applications of the bank and its products and continuously improve the user experience were continued.

Small Business Banking

QNB Finansbank's Small Business Banking (SBB) is composed of two segments, namely Micro and Agriculture Banking. Enterprises up to an annual turnover of TL 12 million are served by the Micro Banking all firms operating in agriculture considered in SBB segment regardless of their turnover.

QNB Finansbank continued to support micro enterprises seen as the lifeline of the economy, with 1,058 employees, Relationship Managers (RMs) and Branch Managers, at 375 branches that serves to SBB. Thanks to projects it has brought to life and a high level of focus, SBB loans correspond to approximately 12% of total loan portfolio of the bank.

QNB Finansbank stands out in the sector with its business model that is both profitable for the bank and attractive for customers. Customer-oriented services such as Digital Transformation, SME Easy Line, internet/mobile credit usage have been the key to success in the SBB segment.

Investment in out-of-branch channels was in the scope of QNB Finansbank in 2022 for clients to complete all banking transactions in a swift and efficient manner, without paying a visit to physical branches. SMEs were offered such ease and comfort through "SME Easy Line", serving only SMEs and offering instantaneous and professional support by "remote RMs", allowing SMEs to carry on transactions on the phone. QNB Finansbank internet and mobile branches, specifically designed with SMEs in mind, continued to offer services with newly added functions. Further improvements in an end-to-end digitized credit underwriting and drawdown system's first phase was launched as a "new micro project" in last quarter of 2022. QNB Finansbank SBB continued to lead the sector: Since April 2022, the Bank has provided electronic letter of guarantee up to TL 5 million which minimizes the risk and contribute to the sustainability with less paperwork. In December 2022, first phase of "Ayın Kazançlı Firması", which aims to become the main bank of segment customers was launched. Customers who complete various transactions such as sending money, using digital bridge, an automatic bill payment system became eligible to attain benefits for that month. Also through digital channels, customers can observe their cash flow commitments for the first time. In addition, in "360 Finansçı" (Financier 360) project, initiated in 2018 and planned to be repeated annually, QNB Finansbank SME Banking RMs were extensively trained in providing 360-degree services and financial consultation.

Digital Bridge, which is the first "banking-as-a-platform" in Türkiye and a unique example in the world, was found in 2019 to transform SMEs' way of business and make them ready for the digital era by meeting their banking and non-banking needs. Digital Bridge Platform stands out with 14 different solutions from 12 fintech experts under 4 main categories, namely e-Commerce, e-Transformation, Management, and Financial Solutions as well as its brand, which is the gateway for customers' banking and non-banking transactions and the sole brand in QNB Finansbank for the corporate segment. By 2022, Digital Bridge and its integrated solutions were preferred by approximately 100 thousand firms for their digitalization process. As a final word, Digital Bridge has proven its success both at national and international levels by winning 9 awards in 2 years; and will maintain its efforts as the leader in digitalization in 2023.

2022 Digital Transformation QNB Finansbank Awards:

PSM Awards - Digital Transformation Golden Award 2022

Global Banking and Finance - Best Bank for Digital Transformation Türkiye 2022

Global Banking and Finance - Best Online Services for Micro and SME Türkiye 2022

QNB Finansbank provides its expertise in foreign trade. Allowing clients to carry out foreign trade transactions via the Internet branch leads QNB Finansbank clients swift and easy access through all channels. Also aiming to bolster SME power by siding with clients in global competition, QNB Finansbank provides training and consultancy in foreign trade transactions. The "Step by Step Export Program" was put into place last year to support the financing of exports, and Step by Step Export experts have continued to offer their services without charge to address any inquiries about international trade, particularly exports. Clients of QNB Finansbank are also eligible to obtain services from qualified solution partners within the framework of this program, with favorable price support in a variety of fields including logistics, customs, marketplace, warehousing, and training. Another support was given in the area of international trade is collaboration with İhracatı Geliştirme A.Ş. (İGE), which exporters funding with İGE Guaranteed Loans. Additionally, customers became able to issue IBKBs (export price acceptance certificates) via corporate internet banking, providing them with more convenience when transacting online.

With the new project launched in 2022, QNB Finansbank created a portfolio group covering both retail and SBB customers, and this group aimed to maximize customer satisfaction and optimize customer profitability. QNB Finansbank will continue its activities to expand the project, which is currently in the pilot phase with 10 branches.

"To become the main bank of its customers" was one of the main pillars of SBB's strategy in 2022, and numbers of customers who uses QNB as their main bank increased by 30% in 2022 on an annual basis. New customer acquisition and total loans were other focus areas, and they increased by 35% and 104% in 2022, respectively.

With client comfort as a priority, QNB Finansbank continues to improve its "Rahat Paket" (Comfortable Deal) product which offers its customers the unique comfort advantage in the sector. With the renewed "Rahat Paket" product, the management approach focused on customer satisfaction. 70% of the customers who uses QNB as their main bank uses the "Rahat Paket". The increase in the number of such clients was a sure sign of the focus of always being there for our clients as "Finansçı" and increasing the number of customers whose main bank is QNB Finansbank. In addition, QNB Finansbank has included its customers with Rahat Paket to the "Kobi Loca" (SME Lounge) segment, which has offered them various advantages.

Prioritizing the satisfaction of RMs working in branches, SME Banking teams got together with RMs in online meetings, and reward and recognition programs such as "Kristal Finansçı" were realized through online award ceremonies.

Currently, QNB Finansbank serves the agricultural sector through all its channels including Small Business Banking and Medium-sized Enterprise Banking RMs. SBB Banking will continue to support SME's financially in 2023 with a customer-oriented approach.

Enpara.com

Launched by QNB Finansbank in October 2012 as the first direct banking model in Türkiye, Enpara.com offers retail and SME banking services through digital channels only (Internet, mobile, call center and ATMs), without utilizing physical bank branches as a service channel.

In 2022, Enpara.com has reached a total of 4.2 million customers, achieving a 40% growth. Starting from 2016 serving SME customers under the Enpara.com Şirketim brand, Enpara.com reached 147 thousand customers with a year-on-year increase of 48%.

As of 31 December 2022, its deposits reached TL 57.3 billion, and on the loan side together with credit card receivables, balance reached TL 30.9 billion.

The “no annual fee” Enpara.com Credit Card, launched in December 2017, reached 1.4 million customers in 2022 with an annual growth rate of 62%. In addition to this, for SME customers Enpara.com Şirketim launched “no annual fee” corporate credit card product and reached to 18,459 customers.

Enpara.com started to offer a fee-free POS product to its SME customers in the second half of 2020, and it reached 27 thousand POS terminals at the end of 2022.

With its field team visiting customers all around Türkiye, its call center team answering calls in 30 seconds, and its focus on flawless user experience and customer friendly practices, Enpara.com received numerous notes of gratitude from its customers and for 2022 once again promoter score realized at 79%, explicitly higher than sector average.

Last but not least, Enpara.com has been awarded as the best brand in online banking category in Brandverse Awards 2022 which is one of the most reputable platform for digital business models in Türkiye.

Payment Systems

CardFinans

CardFinans ranked among the top six brands in the Turkish credit cards market in 2022 with approximately 9.5 million cards issued and TL 37 billion turnover. In 2022, CardFinans ranked fifth in the market with a market share of 9.8% and a total credit card receivables balance amounting to TL 63.5 billion.

CardFinans has aimed to infuse meaning into the lives of its customers with innovative solutions backed up by “Financial Intelligence: Q”. Customers have been offered money point campaigns up to TL 150 during Ramadan, up to TL 250 back-to-school and up to TL 300 in new year’s periods.

QNB First

QNB First credit cards, under the rebranded affluent segment programme in 2019, continued to offer privileged services to its customers in 2022. Designed exclusively for QNB First banking customers, QNB First offers a number of privileges like QNB First Library, discounted car rental and dry-cleaning services.

Miles & Smiles QNB Finansbank Credit Cards

With the contract signed by QNB Finansbank and Turkish Airlines in 2019, the cooperation with Türkiye’s global brand Turkish Airlines’ passenger program “Miles&Smiles” continued to grow in 2022 as well. Customers with Miles&Smiles QNB Finansbank credit cards continued to earn miles at preferential rates from the purchases they made with their credit cards and the campaigns they benefited from. In addition, cardholder customers can issue an award ticket for themselves or their relatives on Turkish Airlines with the miles they earn, use their miles when purchasing tickets with Cash&Miles, pay the tax of their ticket with Tax&Smiles, make an upgrade, choose their seat or shop at Shop&Miles. During 2022, Miles&Smiles QNB Finansbank credit cards organized campaigns for customers to earn extra miles in various sectors such as restaurants, e-commerce, markets, new year’s campaigns and on special days, and offered discounts to various restaurants and venues, especially during summer.

CardFinans GO

CardFinans GO, one of the first digital credit cards in the Turkish market, has become a preferred brand. Designed exclusively to serve the needs of e-commerce, CardFinans GO continued to provide privileged services to cardholders. CardFinans GO has a significant contribution to the increase in the share of digital channels in new acquisitions.

CardFinans Retiree

Retirement payroll account holders at QNB Finansbank were introduced with this credit card product, providing discounts and advantages at pharmacies and food stores, back in 2014. The CardFinans Retirement portfolio, which has been updated to reach an annual discount of up to TL 1,200 in market and pharmacy campaigns, has grown rapidly in 2022 as well.

CardFinans Debit

CardFinans Debit has continued to be the customers’ card of choice, thanks to its wide range of campaigns, and ranked 7th in the Turkish debit card market, capturing a 5.24% market share in terms of POS sales in 2022.

CardFinans Commercial Cards

CardFinans commercial credit cards, designed for supporting cash management of business owners, represented %8.77 of the total Turkish commercial credit card market with 817,612 cards issued. CardFinans KOBİ had offered numerous advantages such as payment deferrals, after-sales installments, statement deferral and instant loans, making it possible for the card holders to earn while shopping.

New Customer Acquisition

Credit card portfolio has been expanded with the use of targeted campaign offers to new customers. Digital channels increased their market shares in customer acquisition, as spot delivery card practice, which has increased its market share, enhancing customer satisfaction and productivity.

POS

Thanks to QNB Finansbank’s strong technological infrastructure and wide correspondent network for different needs, QNB Finansbank POS products contribute to the competitive presence of businesses. LinkPOS designed to ensure that member merchants can easily and securely receive credit card payments by sending payment link and CepPOS offers the opportunity to use mobile phone in payments without the need for any additional device. Virtual POS support member merchants on receiving payment in e-commerce and Tahsilat Kolay solution designed to collect periodical fees. QNB Finansbank’s POS devices aim to provide a secure and convenient way of receiving Payments and offers customers to make mobile payments with QR codes as well as contactless payments with debit or credit cards. QNB Finansbank POS captures 4.6% market share in terms of POS sales turnover in 2022 with 251,657 POS terminals and 166,870 member merchants.

Credits

Credits Department aims to manage the quality of the loan portfolio by expert teams in compliance with credit policies set by the Bank, while increasing credit assessment quality in every stage of the loan process via developed models, systems and designed workflows. Experienced teams are responsible for carrying out lending work cycle operations in all stages from loan application and underwriting to close monitoring and legal proceedings. This structure is also supported by the Bank's strong analytical and portfolio management organization.

In line with the Bank's principle of decentralization in management, loan underwriting and monitoring activities are carried out by the Head Office and credit region teams in close cooperation with the field staff. Written credit policies, credit directives and procedures enable the Bank to perform effective risk management and preserve all loan records in the Bank's corporate organizational memory.

By the help of the credit decision system, which is developed with analytical solutions, technology investments and digitalization, it is ensured that a common credit culture is created, rapid end-to-end decision mechanisms are developed, credit decision processes are efficient, customer satisfaction is created by meeting customer needs rapidly, and the credit quality of the loan portfolio is sustained with timely actions.

QNB Finansbank carries out the lending activities and the environmental and social risk assessments process of the financed projects, in line with the Environmental and Social Risk Assessments Policy and Sustainability Policy. As of 2022, QNB Finansbank decided not to finance new coal thermal power plant and new coal mine investment projects. Also it has also been committed to close the existing risks of this kind by 2032.

Retail Loans (Consumer and Small Business Segments)

Loan policies and strategies are determined according to analytically driven and rational methods. Loan evaluation and intelligence processes are designed using high technology in a highly automated manner to ensure efficiency and customer satisfaction. To reach targeted quality of the portfolio, efficient portfolio management is performed by using credit decision support models with high accuracy ratio.

The Bank aims to provide appropriate limits to the proper customers as quickly as possible using data obtained from internal and external data sources such as the Credit Bureau, the Risk Center etc. integrated in the Credit Assessment System. Collection processes are managed quickly and efficiently with different strategies and sources (internal and external agent calls, sending letters, IVN, SMS, etc.) used for customer segments. Experienced law firms located countrywide follow collection of loans transferred to prosecution. On the other hand, central collection teams are involved in the collection process. Collection performance is monitored by using analytical methods.

Corporate Credit

Corporate Credit Management activities are carried out in line with the segment division (Corporate, Commercial, Small and Medium-Sized Enterprises, Project/Syndication, Agriculture, Real Estate Project Financing) by underwriting, monitoring, and legal prosecution teams, who are experts in their respective fields. The corporate credit assessment processes and credit analyses are carried out using credit rating models having high discriminatory power that are developed with analytical perspective, considering size and sector of the debtor.

All credit portfolio in corporate segments are monitored closely through central information sources such as the Risk Center and the Credit Bureau, early warning systems, credit decision support models. All early warning signals are evaluated on time and necessary actions are taken accordingly. The credit decision framework containing up-to-date customer financials as well as rule sets support underwriting and monitoring functions in a proper manner.

Project financing and syndication loans are managed with the most appropriate financing model for the unique needs of each project by specialized staff specific to the sectors.

Financial Institutions Credit Management

In 2022, Financial Institutions Credit Management Division has continued to assess the risks of all domestic and international banks and to allocate limits within the framework of the Bank's credit and risk policies and by expert teams.

Treasury

Balance Sheet Management

Balance Sheet Management team consists of Liquidity Management, Balance Sheet Analysis and Asset-Liability desks. The Liquidity Management Desk is responsible for managing the liquidity of the Bank, while carrying out the responsibilities of the Bank vis-a-vis its customers, the CBRT and the BRSA. It aims to maintain the optimal liquidity composition in line with balance sheet evolution, growth expectations, business strategies and internal and regulatory requirements. The Desk fulfills the Bank's reserve requirement obligation and monitors the liquidity ratios enforced by the BRSA. It performs transactions in Money, Swap and Repo markets and is actively involved in deposit pricing processes.

Balance Sheet Management manages the risks of the Bank's balance sheet, executes funds transfer pricing, and evaluates the cost of funding. Balance Sheet Management monitors balance sheet items that have risk exposure potential, evaluates various developments in terms of risks, and executes the Bank's risk management strategies determined by the Asset and Liability Committee. The Desk uses derivative instruments for the purpose of risk aversion. In order to better implement the Bank's balance sheet strategies with respect to risk appetite and market developments, The Desk carries out simulations regarding various ratios, net interest income and evaluates future risks' and expectations' impact on the balance sheet. It increases efficiency by developing Financial Machine Learning applications. Balance Sheet Management is also responsible for harmonizing the bank subsidiaries' Asset-Liability Management strategies, policies and procedures with the bank, ensuring the necessary coordination with the subsidiaries, and providing the necessary support to the subsidiaries in the management of interest, liquidity and currency risks.

FX and Fixed-income

The FX and Fixed Income Markets Division carries out fixed-income securities, foreign exchange and derivatives transactions. Trading limits, limit utilization and profitability are closely monitored. In 2022, the Division scrupulously analyzed and successfully managed market volatility and accordingly incurred risks, contributing positively to the profitability of the Bank.

Treasury Sales

Treasury Sales Desk carries out its customers' treasury transactions with the aim of increasing its existing customer base, transaction volumes and contributing to QNB Finansbank's leading position in capital markets. While providing tailor made hedging solutions to its customers, it offers innovative derivative products as opposed to conventional products, ranging from risk management ideas to investment products including capital-protected investment alternatives.

The Desk is responsible for pricing all treasury products such as deposits, credits, derivatives and fixed income assets of internal and external customers. Treasury Sales Department structures derivative products to help its customers with eliminating the risk of commodities, FX and interest rate for hedging purposes. Through its in-house developed, AI-based and customer-specific deposit pricing model, it also assists the Bank to reduce its funding costs by providing the right price for the right customer. Additionally, it devises strategies for designing

and marketing the most suitable products in cooperation with other departments in compliance with legal regulations.

Structured Funding

Structured Funding Division continued successful diversification of QNB Finansbank's funding portfolio with new funding instruments together with enhancing the correspondence with its investors and creditors along with the Bank's short, mid and long-term funding strategy within 2022.

In 2022, within the scope of the Women in Business Program, a third loan agreement was signed with EBRD with a maturity of 2 years and up to a total of USD 50 million. This financing is being on-lend to small and medium-sized (SME) businesses owned or managed by women. With this new deal signed with EBRD, QNB Finansbank increased the total amount of commitment to support sustainable growth to 150 million dollars.

Structured Funding Division became the first bank to receive CMB approval for Green and Sustainable issuance eligibility under its MTN Program in 2022. QNB Finansbank managed to issue Private Placements under its MTN Program with around USD 650 million and the Bank has the highest market share among its Turkish peers with 29%.

QNB Finansbank also raised funding from alternative funding instruments along with expanding its Bank/Financial Institution counterparty network within 2022. QNB Finansbank together with financing small and medium size enterprises, as well as agri-business, also support and incentivized energy efficiency projects.

Correspondent Banking

Correspondent Banking Division continued diversification of its wide correspondent network also in 2022 by adding new jurisdictions and countries under its coverage and established new banking relationships.

While mediating over foreign trade transactions and international payments of the Bank's customers, Correspondent Banking Division as well has significantly strengthened QNB Finansbank's market share on foreign trade. The Bank's widespread correspondent network provided access to alternative funding sources both for the Bank, and for its customers and reinforced its operations in international payments, correspondent account management and treasury transactions.

QNB Finansbank, so determined to obtain sustainable funding from abroad, therefore renewed both of its syndications with sustainability linked USD 360 million in May and USD 448 million in November in 2022. While it continues its commitment to procure its electricity consumption from renewable resources in 2022, it has given itself 2 new Sustainability targets such as providing innovative solutions to SMEs through its Digital Bridge Platform and being included in the Bloomberg Gender Equality Index.

Syndicated loans renewed over 100% rollover ratio and above sector average aimed to be used in foreign trade financing to support the real sector and sustainable development.

Aside from syndication, correspondent banking also put efforts to increase its sustainable product range, therefore prioritizing funding green trade in its strategy.

Information Technologies, Operations and Business Development

Information Technologies

In line with QNB Finansbank's 2022 strategies, the core banking system, Core Finans, alternative distribution channels and card payment systems have been enriched in terms of products and functions, thus rendering operational procedures more efficient.

New products and services have been offered for QNB Finansbank, its subsidiaries and affiliates. In 2022, QNB Finansbank Information Technologies (IT) completed 86 projects, requested by QNB Finansbank, its subsidiaries and affiliates, and spent 72,195 man-days in total for these projects, corresponding to 840 man-days per project. In addition, 11,120 software change requests regarding Core Finans, card payment systems and alternative distribution channels were completed in 2022.

Since 2005, IBTech has provided services at TÜBİTAK Marmara Research Center Technology Free Zone, with more than 1,000 employees. From 2018 on, IBtech has actively provided products and services to QNB Finansbank and its affiliates at DEPART, the techno-park of Dokuz Eylül University, Tinaztepe Campus, İzmir and IBTech R&D Center at Kristal Tower.

Through R&D projects carried out on the software infrastructure of Core Finans, QNB Finansbank was enabled to play a critical role in the Fintech ecosystem. Vast resources and time have been devoted to data analytics, artificial intelligence, machine learning, big data analysis and similar innovation activities.

Efforts were made to develop products and services that directly respond to the needs of Bank customers and generate added value for the economy. Different innovation projects carried out with QNB YÖNÜ were implemented in 2022. New improvements regarding the E-money infrastructure provided from the front-end of the Kassa application and work on the establishment of the Prepaid infrastructure has been carried out. The process tracking, reminder, understanding and response capabilities of the bank's digital assistant, Q, were improved by adding new scenarios, new functions, and the experience was smoothed by making necessary UI/UX changes based on customer feedback.

Within the framework of the "Regulation on the Operational Principles of Digital Banks and Service Model Banking" published by the BRSA, a program has been initiated to start "Service Banking" activities. Within the scope of the "Service Banking", a digital partnership has been established to enable QNB Finansbank to offer some of its banking services to their customers through non-bank (interface providers) applications or websites. Other companies that offer their services electronically, such as marketplaces, e-commerce companies, financial institutions (except banks), may be interface provider. Logo Yazılım is the first interface provider that the Bank will work with. In this context, in the first phase of the program, work has been started to take lead from business customers, to become a customer through the interface provider, to become an internet and mobile banking customer, to monitor their accounts, to transfer money, to pay corporate

bills and to use credit by taking lead. The projects are targeted to be implemented in 2023.

Designed with a new and up-to-date design approach, QNB Mobil's new interface, which is user-friendly and offers dynamic solutions to customer needs, has made additional improvements in the workflows such as payments, money transfers and credit card transactions, and its performance has been improved by enriching the application with data analytics implementation.

A software development kit has been started to be developed to prevent fraud and increase security in the QNB Finansbank mobile banking application. Functions to be developed are malware detection, anti-hook/anti-debug, custom SSL pinning, code obfuscation, anti-tempering/file integrity, anti-root/jail break, trusted web view and remote connection. The project is targeted to be implemented by 2023.

A project has been initiated to create a panel in the QNB Finansbank mobile banking application, where the customers can monitor which main bank products they have in the relevant month, thus increasing the number of active products and profitability of the customer by making encouraging offers to customers. The project is targeted to be completed in 2023.

In addition to the R&D studies carried out within the scope of the projects for harmonization with the communiqué on remote identification methods that can be used by the banks published by the BRSA in acquiring new customers and verifying customer identity, remote identification of sole proprietorships and providing customer acquisition and credit and loan from the web card application processes have also been added. Thus, the number of digital customer acquisitions, digital activity rates and product usage/sales ratios from digital channels were increased.

EKDS (Electronic Identity Verification System) is verification system used in electronic services, by recording that the chipped Turkish Republic ID card is issued by the authorized institution, the person is the owner of the card, the person is at the place, where the service is provided during the identity verification, where, when, by whom and why the identity verification process is performed. In the project, which was carried out to reduce fraud, fraud and financial losses that may occur in the identity verification process, to speed up business processes that require authentication, and to reduce the workload of fraud control and approval, KEC (Card Access Device) was used in banking transactions in branches, and the customer's chipped ID card and biometric (fingerprint) verifications were provided.

The contracts used in digital approval have been updated, a digital approval structure has been created for joint accounts and corporate customer foreign exchange transactions, and necessary application infrastructure arrangements have been made so that foreign customers can also use the digital approval structure. Digital approval process has been extended to new products and services. Some of these products and services are setting of the electronic banking user limits and authorizations, passbook

Information Technologies, Operations and Business Development *(continued)*

delivery, credit card automatic payment order cancellation, receiving customer orders in overdraft transactions, adding mobile financier id cards verification with AI, pension transfer promotion entry product and pension transfer, secured consumer loans and expertise requests.

New solution partners have been added to the Digital Bridge services implemented in previous years within the framework of the Corporate Digital Transformation Program. With the new application flow, Magnetic Integration, Call Center-IVR Integration, Factoring-Product-Free Application Flow, Smart Segmentation, Corporate Mobile Branch Harmonization and Visual Improvements Projects, new advantages were offered to SMEs and their experiences were enriched.

The second phase development work of the project, which provided an integrated solution with Arabic and English language support for QNB ALAHLI (Egypt), was carried out. With this phase, the product features were enriched and the user experience and dependency on the product increased.

New projects continued to be implemented within the scope of harmonization with the Regulation on Banks' Information Systems and Electronic Banking Services. Efforts were made to comply with legal regulations, especially the KVKK (Personal Data Protection Law), and necessary actions were taken quickly. PSM and AAM solutions were put into use to ensure the security of privileged user and application accounts. Necessary studies were carried out with the projects carried out within the scope of the obligation to use the current versions of 3rd party applications as per the BRSA regulations. Within the scope of BRSA regulations' regarding the sharing the confidential data and the reportings to the BRSA, studies were carried out on the creation, classification and data governance of the bank's data sharing inventory. Titus solution for privacy classification and security of email shares and files has been implemented. ISO 27001 certificate was obtained to cover all systems, applications and data center of the bank. CB DDO Information Security Guideline harmonization studies were carried out.

A large-scale project was carried out to switch from a product and channel-based fraud prevention structure to a customer-based fraud structure. Within the scope of the project, it was ensured that the customer's past behaviors could be followed, and holistic business rules were entered, managed and monitored by the business units through user-friendly interfaces. Unnecessary checks and verifications are prevented thanks to the score and risk-based follow-up facility. Unnecessary verifications are reduced by using SMS OTP and IVN streams. The ability to examine end-to-end cases, the decrease in the number of monitored customers and transactions, and the fact that fewer customers are called/disturbed have also increased the benefit obtained from the project. Transition has been made for digital channels, and the transition of card payment systems will be completed in 2023.

Regular reviews on file server and shared folders have been carried out to ensure control of existing authorizations and removal of authorizations other than business requirements. As a result of the Business Impact Analysis

studies, the applications approved by the Information Systems Continuity Committee were backed up by the Disaster Recovery Center (DRC).

Within the scope of the BRSA request, necessary actions have been started for the active use of DRC by 8 big banks in 2023. Within the scope of the project, the purchase/ installation of the necessary devices to operate in the DRC environment, the installation and commissioning of the system/application software will be provided.

With the regulations made by the CBRT pursuant to Article 12 of the Law No. 6493 on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions, banks can also offer some services through APIs through other banks and financial technology companies (Fintech). With the projects under the Open Banking Program carried out within this scope, an infrastructure has been created that will enable Bank customers to manage their accounts in other banks through the Bank's channels and independent applications, in compliance with the regulations of the CBRT, banks and Fintechs regarding API sharing, and necessary developments have been made to make transactions through QNB Finansbank channels with accounts in other banks.

Institutional invoice collections are made available to other banks and fintechs through the developed APIs. Developed as an application layer (KFT) between third party companies and bill payment institutions, the application has been integrated with QNB Finansbank, Enpara and other banks. A new source of income was created for the Bank from the intermediary invoice transactions, and thanks to the KFT module, the transaction volumes were increased without creating a system load for CoreFinans.

Necessary infrastructure and software development studies were carried out for the MX (XML format) conversion by adapting the MT (text formatted) messaging format used in the SWIFT system to ISO 20022 standards. QNB Finansbank became the first bank in the Middle East and the 5th bank in the world to be added to the Swift ISO 20022 compliance list.

Different sound recording, screen recording and agent quality evaluation infrastructure used within QNB Finansbank were replaced with Sestek Ses Record and Speech analytics systems. Thanks to this work, all records are centrally recorded in data centers, branch phone calls are recorded as text, the agent quality evaluation process is improved and annual maintenance costs are reduced. At the same time, the consolidation of the products used with the products of a company has reduced the IT operational costs. By analyzing the phone calls of the branches that have been translated into text, it has been ensured that quick action can be taken in order to better understand and meet the customer's feelings and requests.

It has been ensured that the new generation merchant operations processes system is developed in-house instead of the service received from Banksoft and it is done within the CoreFinans application. Instead of making observations and approvals from different applications in the approval

flows of the branch users, it was ensured that they could perform the entrance observation approval processes with a single application after this project.

Due to the inability of the application used by the Legal Compliance teams for Anti Money Laundering transactions to meet the changing business requirements and performance and security problems, the Inhouse AML application was developed and put into use. With the help of the frontends of the Inhouse AML application, it is ensured that business units define their own scenarios, test them, put them in the production environment, monitor the alarms and take action.

DevOps is a set of practices that combine software development and information technology operations aimed at shortening the system development lifecycle and ensuring continuous delivery with high software quality. DevOps studies initiated in previous years continued in line with new technologies and needs.

New projects were also implemented on the hardware infrastructure of the core banking application, Core Finans, and the entire bank. Infrastructural compliance studies have been carried out regarding the BRSA regulations. Data Center server arrangements, consolidation, upgrades, storage system updates, Disaster Center capacity increases were made, and the security infrastructure was developed. Additional layers have been put into use in the attack prevention infrastructure. It continued its efforts to upgrade critical databases to current versions.

Many projects and requests have been completed in line with QNB Finansbank's strategic goals for achieving its business goals and digitalization.

ATM Operations

As of the end of 2022, the size of the ATM network reached a total of 3,113 ATMs, including 2,201 off-site and 912 branches. In total, in 2022, TL 156.1 billion, USD 235.4 million, EUR 119.7 million deposits / TL 84.1 billion, USD 257.6 million, EUR 76.6 million withdrawal transactions were realized from Bank ATMs.

In order to increase ATM functionality, in addition to enlarging the ATM network, coin units started to be extended to off-site ATMs along with branch ATMs. Coin units are actively used in 417 branches and 66 offsite ATMs. Every Bank branch has a coin unit in an ATM unit.

In the new ATM world, which has transformed into Single Tower ATMs, the Double Recycle Cassette (DRC) project has been started at the branches, breaking new ground in Türkiye in order to fully use all existing clippings. DRC transition was made in 201 branches and 244 ATMs. Transitions will continue with new ATM installations in 2023.

It is aimed to switch to the Audit Cassette system, which will be used for the first time in the country, enabling the supply and automatic reconciliation of all cassettes with a single cassette. Pilot monitoring continues at 10 branch ATMs.

Istanbul General Banking Operations

The foreign exchange amounts subject applications were purchased from the foreign customers who made a citizenship application within the scope of the 20th Article of the Regulation on the Implementation of the Turkish Citizenship Law; and these amounts were sold to CBRT on the very same day in compliance with the regulations of CBRT, and related arrangements were completed on the systems accordingly. These arrangements enabled customers to receive services faster as well as enabling protection of Turkish Lira and complying with economical regulations in the country.

Moreover, with reference to the amendment on the Communiqué on Capital Movements, foreign exchange transactions were performed for foreign customers purchasing real estate, and the FX purchase certificates started to be notified to related title deed registry via Registered Electronic Mail (REM).

The Unit also participated in workshops carried out under the projects related to amendments in regulations and legal reporting processes.

Within the scope of improving operational processes, end-to-end operations in promissory notes were reviewed, and related transactions were resolved to be transferred to BPM process. The improvement work still goes on, and the deploy is planned to take place in 2023. As a result of resolutions, single-centered management model was adopted. The promissory note circulation was minimized, customer transactions were accelerated, mail and stationery expenses were minimized, human resource was used more efficiently, process performances were assessed in a more accurate way with the help of monitoring screens, these processes were enhanced with functions like performing promissory note transactions on internet and mobile banking channels, and thus operational processes became more proactive and more efficient. Upon the finalization of the project, we expect to have the chance of delivering high value-added services to customers of the Bank.

Erzurum General Banking Operations

Responses to letters of request for information and lien letters sent from official institutions to the Bank are automatically transmitted to institutions with suitable digital infrastructure in the Registered Electronic Mail (KEP) medium, regardless of the channel through which the notification is received. With this development, operational errors and damages were prevented, and significant savings were achieved in postal and stationery expenses.

The increasing work load has been managed with the help of system developments carried out for e-notice portal transactions of Revenue Administration, attachment, execution and bankruptcy processes. In 2022, attachment, execution, and bankruptcy processes were automatized up to 51% by system developments along with ML (Machine Learning) supported RPA (Robotic Process Automation) applications.

Information Technologies, Operations and Business Development *(continued)*

Foreign Trade and Loan Operations

Further improvements will be made in Foreign Trade Operations in 2023. Projects to improve end to end service level agreements (E2E-SLA) and increase customer satisfaction were completed. Transactions, which do not require special expertise, were delegated to OSDEM in 2022 and we will continue to delegate transactions in 2023.

In order to increase efficiency and expand automation in operational processes, processes will be regularly monitored. Whenever new rules and needs arise, new solutions will be designed and produced accordingly.

Business Development and Strategy

QNB Finansbank Business Development and Strategy Office (FIGS) monitors the business processes and workloads to increase efficiency of sales and operation processes, and channel usage; offers end-to-end or local solutions depending on strategies, changing needs and technological innovations; and carries out projects to realize such solutions for unique customer experience.

In the digital approval journey that started in previous years, new products and transactions were added to the scope in 2022, and the digital approval rate of digitally approvable documents in retail and corporate customers has reached 91%. Foreign currency buy-sell transactions for corporate customers, limit application and credit card renewal are in the new transactions included. In 2023, projects regarding digital approval of banking services provided at the branches will continue.

Deep learning algorithm studies have been carried out to process customer orders faster. Deep learning algorithms started to be used in the check entry process, and further improvements will continue in 2023.

Automation of processes were achieved by using RPA to make services faster, efficient and higher quality for internal and external customers, and completed studies regarding 46 processes. The RPA studies will further continue for the identified new candidate processes in 2023.

In 2022, within the scope of the Bancassurance Transformation Project, enhancement works have been carried out to improve processes, screens and services for insurance products sold through branches and self-service channels. System errors encountered in proposal process have been eliminated and workflows have been optimized. Offline manual transactions in sales process will be performed and followed on Core Finans application at the end of the project in 2023.

In order to increase work force productivity and reduce process time in valuation processes, enhancements were made covering request and collection activities for new valuation works and renewals. In addition, within the scope of compliance with the changes made in the regulations regarding the appraisal processes during the year, systemic and procedural innovations were implemented.

In 2022, systemic improvements were made to facilitate the use of e-signatures in bank's internal processes, and studies were carried out to increase the customers' e-sign usage in

their banking transactions. Valuable documents counting process done manually at certain periods in the branches was improved by using barcode scanning in order to make it faster and easier, thus productivity was increased.

During the year, works carried out on SME Banking processes, region organizations and promissory notes transactions, personal loan and onboarding process in branches in order to increase efficiency and service quality. The journey of foreign customers was examined and the notifications started to be delivered according to their communication language preferences. Studies will further continue in 2023.

SME turnaround project in HBTF Jordan was completed. Within the scope of this project, field observations were made in the relevant bank and recommended solutions were proposed in order to enhance the processes. In 2023, another project regarding to the retail credit process is planned.

Internal Chatbot development was completed in order to enable Bank employees to access any necessary information, documents, guidance, and instructions via a single platform which are currently distributed over several platforms. In 2023, usage of the platform will be fully expanded in the bank.

Re-design of Instruction Tracking System was continued to improve the user experience by merging the Instruction Tracking System and Document Management Systems in a single application and adding new functions. The development of the new branch screens has been completed and started to be used, and operations side is planned to be completed in 2023.

In order to increase security of ID validation and the speed of the sales process in direct sales channel, the developments regarding Near-Field Communication (NFC) technology to read national ID cards were completed. The products sold in the relevant channel were expanded by adding commercial credit cards application and transferring pension salary.

In order to enhance security in identity verification and ease the processes in transactions performed at branches, the improvements have been initiated to enable biometric verification with an Identity Access Device (KEC Device) for national ID cards in updating mobile phone number and unblocking sim card processes. In 2023, it is aimed that the usage of the technology will be fully expanded in the bank.

In the year 2022, QNB Finansbank implemented many projects within digitalization framework to ensure best possible customer experience and increase digital channels' share in total sales.

Improvements and developments within the new QNB Mobile application, which we offered to the Bank customers in 2021, continued in 2022 as well. Menu options, products and transactions have been enhanced with the consumer feedbacks received, market searches placed and in line with the vision of QNB Finansbank.

In 2022, a new quick access tool went live and proposed transactions (based on the transaction history of the customers) were displayed to the customers to ease and

speed up the most frequent transactions; money transfer and utility payments. These proposed transactions experience was extended to all customers and was welcomed with many positive feedbacks.

At the same time, customer journeys for money transfer and utility payments were redesigned with new interfaces and went live for a limited customer group. Based on their feedback, we will continue to improve the new workflows and the interfaces will be available to every user.

Throughout the year, many product and transaction flows were restructured due to the changes in regulations that are published by the BRSA. For example, all customer loan flows were redesigned with or without insurance purchase options within all banking channels. Instantaneously, the necessary infrastructure has been established to enable new account types such as Kur Korumalı (FX Protected Deposits) account and Yuvam (Deposit and Participation System for Residents Abroad) account. Developments were completed in 2022 so as the customers were able to open, observe and place transactions with these accounts through the digital channels.

By providing integration with e-commerce companies, shopping loan products that will meet the financial needs of consumers instantly on time of payment have been developed and infrastructure has been designed for the future development of different financing products for e-commerce.

27 million questions were answered with chatbot feature positioned under the Q - Digital Intelligence. Throughout the year, a natural language processing algorithm was developed with hot topics, and it has gained more ability to give comprehensive answers to the questions. we increased Q-Digital Intelligence comprehension success rate by working closely with the bank's other teams to understand customers' intents better and improve their conversational journey. After implementation of overdraft installments payment menu in QNB Mobile, we started to direct the customers to this menu instead of directing them to a live customer representative.

As of today, Q can answer questions about credit card periodic limit increase inquiries, offers advanced options related to questions that are frequently asked by customers. Q can reply with personalized answers to credit card questions in line with the customers' credit card payment period and display credit and credit card total debt within the chatbot dialogue. Q can now finalize internet banking customer registrations. In rush hours, Q also offers "customer representative live call" to the customers who want to contact to the customer representative via Q - Digital Intelligence.

The Unit took the first step to equip Q with social skills and go beyond a Banking service. Q offered entertaining content about the history of the World Championship to its customers in the World Championship time period. Finally, the Unit increased Q-Digital Intelligence comprehension success rate by working closely with the bank's other teams to understand customers' intents better and improve their conversational journey.

QNB Finansbank's strategic goals for digitalization, the opportunity to become a bank customer with a completely digital process started to be offered to the individual customers as of May 1, 2021. Retail users who want to become a bank customer can become a QNB Finansbank customer quickly and easily via video call by downloading the QNB Mobil application and completing the relevant steps for identification without going to the bank branch. In 2022, 17% of the total customers acquired at the bank were achieved through remote customer acquisition. In 2022, efforts have been made to ensure that commercial enterprises of real person will also become customers of the Bank with the method of remote customer acquisition. It is planned to be implemented in the first quarter of 2023.

In 2021, improvements were made so that individual customers can make payments from all QNB Finansbank POS devices that can receive payment via QR even if they do not have a credit card with them. Furthermore, it was ensured that QR payments can be made from the POS of other banks participating in the application through the Bankalararası Kart Merkezi (BKM). In addition to these improvements, in 2022, FAST EFT with QR code over POS devices and Virtual POS devices was implemented. With these improvements in 2022, the obligation to carry a credit card has been greatly reduced.

With the spread of digitalization, the use of mobile banking and internet banking by the corporate customers is also increasing. In this context, improvements have been made so that the corporate customers can login to mobile application more easily. With the development made in 2022 in order to enable the corporate customers to login to the mobile application more easily and quickly, they were also enabled to enter the application by using their identification number in addition to their customer code.

In 2022, the renewal of the QNB Mobile application continued with the renewal of the Money Transfer menus. Recorded transactions and recent transactions were presented as a smart list, and screens were prepared that allow customers to perform transactions faster and easier. Renovation of the function continues with the redesign of the remittance and EFT transfer screens as transfer to IBAN and transfer to account. In addition, new features, such as reading IBAN from the camera, that allow customers to perform transactions more easily, were offered to the customers.

With the ongoing ATM frontend renewal developments, 89% of all transactions are carried out through the renewed frontends. In accordance with the needs of the customers; Bank's efforts to increase the number of ATMs and the variety of transactions made at ATMs will continue in 2023 as well. The rate of using the money withdrawal feature with the QR code reached 14.5% as of 2022.

With the aim of being the main bank of its customers, main bank developments were carried out in 2022 to the customers who met the main bank criteria of the Bank; the Bank started to offer free eft/money order and discounted consumer loan interest rate opportunities. In 2023, the Bank aims to expand its main bank customer base by offering its corporate customers the advantage of additional credit to

Information Technologies, Operations and Business Development *(continued)*

Digital Bridge solutions and free cash withdrawals from other bank ATMs and various discounts on digital platforms for its individual customers.

In 2022, the efficiency efforts for the Call Center channel continue, and by including Bank's customers who use the Call Center frequently in their Q referral flow, the Bank meets the needs of its customers without the need to call the Call Center or talk to a representative.

By 2023, with the Open Banking system, a reliable service model where financial data is shared with third-party institutions in order to provide Bank customers with better banking and finance opportunities, all financial resources will be managed through a single application of the Bank. By saving time and effort, QNB Finansbank customers will be able to monitor account activity and perform money transfers via QNB Mobile.

Direct Banking

Efforts to expand the use of Direct Banking Channels (QNB Mobile, Internet Branch and ATM) continued in 2022 as well, in coordination with QNB Finansbank's strategic targets for digitalization. Diversity was increased throughout the year together with the relevant business units; in order to attract more customers to the channels, increase customer satisfaction, and reduce the workload and service costs in branches, product and services.

As of the end of 2022, the size of the ATM network grew up by 6.2% in total, resulting in 2,201 non-branch and 912 branch ATMs, reaching a total number of 3,113. With the mutual ATM usage project (Tek ATM) launched in 2019, QNB Finansbank customers continued to be able to make free transactions up to 3 per month at nearly 7,800 ATMs. Easy accessibility, geographical prevalence and uninterrupted service were provided to the customers by this way.

The increasing tourism potential of the country was taken into consideration during the year by making more than 20 strategic installations at important tourism locations such as Bodrum, Marmaris and Çeşme etc. In addition, installations continued at important points in Istanbul such as the main artery and metro stations throughout 2022

QNB Finansbank continued its services within the scope of the "Accessible Banking" program. QNB Finansbank customers with physical disabilities or over a certain age have access to banking services by offering solutions and services tailored to their needs. 100% of the total number of ATMs in 2022 consists of sight and hearing, and 4% orthopedically disabled friendly ATMs.

In addition to the efforts to expand the ATM network, 24% of the QNB Finansbank branch ATMs have switched to Dual Recycle structure, reducing the workload of branch personnel and ensuring that the customers receive a higher rate of uninterrupted service. In 2022, ATM park renovation works continued, and 6% of the offsite ATMs were replaced with brand new machines, aiming to increase the functionality as well as decrease the breakdown and intervention costs.

Call Center and Tele Sales

QNB Finansbank Telephone Banking Department continued to provide fast, accessible and solution-oriented services to customers at first contact. QNB Finansbank Telephone Banking Department, with over 1,000 qualified employees in Erzurum, Istanbul Ümraniye and Kristal Tower locations, received 25.0 million voice calls and 5.6 million chat calls in 2022. 60% of voice calls ended in Interactive Voice Response (IVR).

QNB Finansbank Call Center and Tele Sales Departments offered a wide range of products in line with both internal and external customer preference and expectations. 10 million outbound calls were made during the year, aiming to promote and sell products and services.

With speech analytics made via Call Steering (steering with voice in IVR) technology, variety of operations in IVR were increased and faster and more comfortable service was provided to customers. Efforts continue to increase customer satisfaction with Speech Analytics technology as well.

During the pandemic period, which continued in 2022, Bank's customers were able to reach QNB Finansbank customer advisors quickly and easily, with an uninterrupted service focus. The service network has been expanded with English and Arabic language options. In addition, with the video call processes started in May 2021, the teams receive calls and guide for those who want to be a customer of QNB Finansbank. Also in April 2022, QNB Finansbank started to send internet and mobile banking password via video call. Over 100 qualified employees in Istanbul Ümraniye and Kristal Tower locations, QNB Finansbank aims to provide the best service via video call.

SME Cloud team and OBI Branch Marketing Support team, which serve SME Banking customers via telephone, made over 2 million calls in 2022, including calls from corporate customers to branches. They met customer demands for a wide range of products and services during these calls.

Customer Solution Center

The Customer Solution Center ensures that the processes starting with recording the claims, complaints and objections of customers, which could not be met at first contact, up to being resolved and informed to the customers, are realized within the framework of identified quality standards.

In the process of incident solution, the potential of the same problem being experienced by other customers is evaluated, root causes, if any, creating the problem are identified, and necessary follow-up and coordination is provided until corrective actions with regard thereto are identified and implemented. In 2022, 80 corrective actions were implemented successfully. Improving customer satisfaction and service quality has absolute priority. For the incidents, realized that they could be met at first contact, necessary feedback and support are given to the front offices. By means of the analysis, flow changes and developments determined to improve the meeting ratio at first contact are ensured to be implemented.

Human Resources

Being conscious that most valuable asset is the human resource, QNB Finansbank shaped its Human Resources Policy with the principle of placing humanitarian values on its core for all the employees to ensure a sustainable development and improve the performance by acquiring the talent, developing and retaining them with opportunities offered to uncover potentials of all employees. In the light of Servant Leadership and Appreciative Leadership, 2022 was a year when health remained to be a priority especially for Human Resources and relevant processes were managed with all related teams jointly; and great effort was paid in order to maintain the culture and engagement. Among the main “leadership” principles, trust, compassion, persistence and hope were adopted in a sincere way, and we will continue to sustain them.

QNB Finansbank completed the year of 2022 with an increase by 483 employees and the overall headcount adds up to 11,427. Measures and processes taken in action for health of QNB Finansbank employees, their families, and customers remained in place, and sustainability of operations was achieved thanks to home/office work models depending on the very nature of the work and the needs. Practices of Human Resources reached to employees via online platforms as detailed below: Rituals as to working from home period, Open Door meetings (Açık Kapı) designed to maintain the culture, offering learning programs to employees on various remote platforms, online internship programs, online manager candidate assessment center programs are some of the major practices.

Processes of Human Resources Planning and Recruitment, Performance Management, Talent Management, Engagement and Rewarding and Digitalization have become even more important in 2022. In the upcoming period, human-oriented approach will be at the forefront. Different working methods and processes, maintaining the culture, accessing and retaining talent will become more of importance. Focusing on competencies such as adaptation skill, navigating through uncertainty, agility, effective decision-making, openness for self-development, learning agility will be required more than before.

To this end, QNB Finansbank Human Resources practices focus on the following subjects:

Human Resources Business Partners and Recruitment:

With the purpose of being an employer of choice and attracting skilled people to work in the Bank; we carry out the brand employer management and labor force management in parallel with the needs of the Bank, support the recruitment process through analysis and business development projects, closely communicate with new financiers to support and guide them in their career journey by adopting a “consultancy point” approach, and we aim to be the first point of contact for providing guidance and listening to the needs on any subject regarding Human Resources.

Performance Management:

We transform success for being assessed through solid and measurable criteria by serving for performance increase of the Bank in line with individual performances of the employees, and create engaged employee climate with a fair and transparent system,

Talent Management:

We detect potential of current human capital for future, put certain plans into action to feed the pipeline internally through current employees for managerial positions, and create different projects to shape Career Paths of our employees.

Learning and Development Management and Organizational Development:

We take our employees to a development process to last during their path of career right from their first steps in parallel with the Bank’s strategies.

Engagement and Rewarding:

We develop policies for enhancing employee engagement, and thus increase their share and contribution in success of the Bank in achieving its targets.

Employer Brand Management and Projects:

With workforce composed of 85% fresh graduates, we conduct analysis on career choices of university students; and carry out activities in universities and social media in the light of the results.

Young people are supported to step in their dreams with the help of Finans Up Career Club, FIN-ALLY MT Program, Career, Finans Pro, Audit Pro and Finans 101 brands. Selected as The Most Popular Career Club by university students in Most Popular Companies Survey of 2021 and becoming the first practice that brings Global Business Excellence Award to Türkiye in 2013, Finans Up Career Club has a distinctive feature: the ability of helping students and professionals from Finans Up Society ask for consultancy in both their professional and social lives by means of Up Society Process for Alumni. In addition to Finans Up Career Club, projects are carried out for raising awareness of university students in their career path with Career “I Know What I Don’t Want”; Q-MBA learning program and personalized career consultancy are offered at FIN-ALLY MY Program, launched in 2022, for internship, personal and professional development of candidates at our strategic departments with a focus on experience, aiming to support recruitment processes of strategic departments of the Bank; opportunities of internship are offered for the students who want to gain experience in branch management with Finans 101 and in Head Office with Finans Pro; and opportunities of employment are also provided for the students who want to set off in audit field with Audit Pro. All talent acquisition programs were re-designed to be compatible with digital environment along with the pandemic. All learning programs and events of Finans Up and Career were held on online platforms, and hybrid model was employed in both

Human Resources *(continued)*

programs during 2021. Likewise, FIN-ALLY MT Program will be carried out by adopting a hybrid model for internship and learning processes, social interactions and network events. While Internship program that provides support to Finans Pro Head Office employees on 3 days a week continued, monthly project interns were recruited for Head Office employees with Finans Pro VIP brand. Finans 101 program was transformed into a 2-week program intended for all universities. Besides, we continued to attend and sponsor online summits that were held by universities and institutions. Additionally, Days@QNB Finansbank event enabled both managers and MTs to describe the Bank's units to the students.

Performance Management:

Performance management process in QNB Finansbank is a managerial means to encourage development with an everlasting feedback culture and to guide Financiers for increasing their performance and making it sustainable, and to develop themselves personally in addition to increasing corporate performance through individual performance development. With 4 performance assessments made for the teams who require so, and 2 performance assessments throughout the Bank in an annual basis, we:

- Determine the employees with potential to achieve targets of the Bank, create difference with their performance and affect the performance of the Bank.
- Measure and find technical performance results 4 times in a year per employee by means of targets of business lines and departments set in line with the Bank's targets; and to find the development performance results by evaluation to determine areas of development of employees.
- Assess strengths and areas of development individually for each employee with customized performance model applied for all the Financiers. Individual development needs are determined with consideration of such areas.
- A map is created with the purpose of determining and following up the actions pertaining to areas of development.

Results are transparently shared with the Financiers. Individual performance is evaluated with concrete and measurable criteria in order to increase employee engagement through a fair and transparent system.

Talent Management:

Within the scope of the practices of QNB Finansbank Talent Management,

- We evaluate potentials for identifying current manager and manager candidates for whom the Bank should invest in. With potential evaluation process, we pay effort to identify and raise awareness on what our employees need in their career path, and we aim to train banking leaders of future internally.
- With assessment center practices employed in QNB Finansbank, we contribute in cultivation of leadership value, and thus, we internally address most of the Bank's need for executive positions by creating a managerial

brand for the Bank and by ensuring that candidates fitting to managerial roles are elected in a transparent, measurable, rational and systematic fashion.

- Besides, we plan to develop new projects and work to this end in order to make sure that employees are aware of their capabilities, shape their "Career Path", help them adopt in changing work environment, and thus offer them new opportunities.
- Applied for Head Office teams for the first time in June 2021, "Flexible Innovation Program" aims to offer a chance to employees to work part-time in-house and thus support them to acquire new skills and learn in different areas. Leaving 4 semesters behind, Flexible Innovation Program has received 25 applications with 26 projects in total; 16 employees have been involved in these projects and 7 participants have completed their projects.
- Revised in line with the Financiers' needs for branch employees to help them reach their career goals and create a more transparent and sophisticated process, Career Architecture process is a development journey which has been redesigned with the motto of "It's Your Journey" and it helps employees define actions in advance as they are required for creating a personal career plan. With the new structure, the limits will be eliminated for inter-segment transitions, and thus we aim to take our employees one step closer to their teams by supporting them with new learning programs both before and after the transition.

As for Organization and Talent Management projects,

- In our Career Management operations, we aimed to differentiate the assistant manager group by adding a new title as "Senior Assistant Manager" to be positioned between Manager and Assistant Manager titles for the Financiers serving in Head Office teams; we initiated "Parallel Grade" which promised career development for Financiers in their current roles as they served in branch/region office teams, and thus we proposed to support career developments of Financiers in parallel axis.
- In addition, we carry out operations to define career paths for different domains/business families, review the title and layer structure, popularize parallel grade and implement career architecture; the aim here is to prepare our human resource to changing needs of changing business and redesign career development.

Employee Engagement:

The employee engagement survey exclusive for QNB Finansbank has been conducted every year since 2007 with the purpose of evaluating effects of the satisfaction factors shaping employee engagement. Survey results are examined on the basis of divisions; relevant analyses are made and actions are exclusively identified for each division with the participation of top management.

Conducted on annual basis, the Employee Engagement/ Satisfaction surveys and other works supporting these surveys continued in 2022, as well.

The results were analyzed by breaking down per different consideration. This year, the results were also analyzed and reviewed in detail by comparison to the past years and the tendencies in the sector.

In general, the rates were higher in comparison to the last year, engagement and satisfaction rates were found to be increasing in a sustainable fashion.

Learning and Development Management and Organizational Development:

QNB Finansbank takes its employees to a development process to last during their path of career right from their first steps. Employees who are recently employed or reassigned attend to certificate programs designed exclusively for their positions. In line with the Bank's strategies, learning programs in project form are designed per segment for current employees; objective here is to contribute in performance improvement of our employees.

Considering the new learning media, method and learning motivation shaped by the pandemic, the focus of Learning and Development Management was to support Financiers' development by means of design personalized digital learning tools.

Focused on personalized development structure in development programs, the topics covered many subjects focused on financial sectors like sales, customer relations and risk; and the priority was mostly updates on fast-changing economy agenda, team work, resilience, change management, management of crisis, and leadership. In 2022, 3,137 different learning programs were planned in various subjects such as personal development and leadership development, banking, economy-finance, sales/marketing, product, audit, design-oriented thinking, stress/anxiety management and risk management.

The learning programs planned for 2022 arranged to be held by remote access methods such as virtual classes, video e-learning, e-book by adopting an approach with blended learning model. Blended learning approach aims participants experience different learning methods such as webinar, dramatization, simulation and virtual classes; thus, participants reinforce the provided information and that information is permanent for extended period of time.

Video production studio was established in the Bank in order to support the variety of learning materials, and contribute in personalized learning journeys of Financiers with different learning tools. To this end, a range variety of videos were produced to contribute in technical and soft skills of Financiers who wished to serve in different positions in the Bank.

In 2022, personalized development program continued to be provided under Finansçı 360 Development Program, and "Branch 360" workshops were new to add in this program, as they were designed with the theme of "Being 'We'" in order to achieve internal communication, engagement, synergy, motivation and team spirit between the teams for every branch, including relevant Branch Manager. Report Z in Economy seminars were among the highlights of the year as they were designed to update our Financiers about the hot topics of the economic developments. In addition,

Follow-up Module sessions continued to fortify technical learning with first-hand practices as a sample of personalized development structure.

To enhance efficiency for Financiers in online learning programs of 2022, personalized learning centers were designed by following the health measures. The learning centers which our Financiers can exploit in person are designed as isolated structures, which locate close to working environment with all technical equipment and needs addressed.

Development Summit was organized in 2022 and it was designed as a professional summit with participation of speakers, each of them is professional in their fields; this summit's aim was to support development journeys of the Head Office teams in any field, and to make sure that the value added to Financiers is effective and useful with trend topics and development areas.

In 2021, we started DigiLearn Development Journey for the purpose of enhancing digital literacy among Financiers, and it continued in 2022. Taken off with Digital Terms Package in February, DigiLearn Development Journey continued to provide information with exclusive articles, videos, podcasts (digital voice records) on a digital topic selected for each and every month. Besides, we hosted specialists, each reputable professionals in one's field, in the webcasts every month.

Leadership Development Programs

Centered in the heart of leadership culture of the Bank and adopting a caring management principle, Servant Leadership approach remained as a priority in 2022, as well. As we settled to fortify common mindset in our leadership approach, refresh what was learned and be inspired from different disciplines, we held "Servant Leadership Development Sessions" throughout the year open for any manager.

Leadership development programs were provided with Manage Yourself and Your Relations, Manage Your Team and Manage Your Work modules, with consideration of new leadership skills. Considering the above, learning programs tailored for executives assigned in Head Office with titles higher than manager were taken alive; and these were also supported with virtual class learning programs. In addition, technical and competency programs remained to be provided with a personalized structure for Regional Managers, Branch Managers, Regional Sales Managers, who had been recently appointed to serve for onsite teams.

Moreover, Financiers are supported in their development journeys before assessment center process. Within this scope, Financiers are included in development workshops that are designed for getting ready before assessment center process. Development workshops are completely based on voluntary effort. 156 Financiers among the ones included in assessment center had participated in development workshops in 2022.

We touched 404 employees with "Coaching and Mentoring Center" which contributed in uncovering and advancing the potentials in Financiers by raising the awareness. The number of internal coaches has reached up 42; 22 were from

Human Resources *(continued)*

Human Resources, 20 were from various departments as they completed an accredited coaching program. Since its foundation, Coaching and Mentoring Center served with 546 sessions with external coaches, and with 314 sessions with internal coaches in total. 57% of coaching requests are addressed by internal coaches.

The number of mentors has become 62, and 20 of these employees serve in Head Office teams and 42 serve in onsite teams. 194 hours of mentoring support was provided in Head Office and 286 hours in onsite teams, which adds up to 480 hours.

95 employees became a member of Cambly in a structure, which enables to practice English, plan their time to learn on will, and select any suitable lecturer. In addition, 19 Financiers received support for English language in person, for 290 hours.

Being a Development Program created to bring our Executives together with visionary speakers, Leaders Club continued to support employees serving in top management positions for their development, as well. Team coaching works kicked off in order to define how top management team works as a team, define their needs and initiate the transformation to carry the Bank to the future. These processes will also continue in 2023.

Average period of learning programs provided during the year of 2022 per employee was 9.9 days, whereas the utilization ratio of the employees from such learning activities was 98%.

Organizational Corporate Culture Project

Initiated with the aim of assessment of current organizational culture of QNB Finansbank, defining the culture to carry the Bank to the future in line with vision and strategies of the Bank, and to create the road map for smoothing the way to make such culture live, this Project included workshops with top management, Culture Survey assigned to 3,000 employees in addition to personal meetings, and 53 workshops designed for various title groups and segments to ask about their view on QNB Finansbank's culture. Aiming to define current culture of the Bank in 2022, the project will continue to be implemented through design and encouragement of Desired Culture in 2023.

Remuneration Management:

Objective of remuneration management in QNB Finansbank is to acquire new talents and enhance employee engagement, satisfaction, motivation and synergy in the Bank. To this end, the Bank applies a fair and transparent remuneration methodology which is compliant to ethical values and internal balances, and which keeps the level of competition. Preventing excessive risk-taking with an emphasis on individual and holistic performance, remuneration models were adopted in parallel with the value added. Thus, the strategic targets of the Bank were supported and productivity was enhanced. Within scope of the Bank's premium and bonus models, each employee received a bonus in 2022, amounting to approximately two salaries depending on their performance. In addition to remuneration and recognition

management, employees are provided with many benefits in various fields such as healthcare, leave of absence, transportation, meal, communication and technological opportunities, allowance packages and employee support services.

Employee Engagement:

In 2022, 15,504 employees of QNB Finansbank met up in 268 activities in 154 physical and 114 online events organized in various online platforms by HR Employee Engagement Unit, which helps the Financiers keep the balance between their professional and private lives, and aims to increase motivation by contributing to employee engagement and satisfaction as well as the privileged feeling of becoming a Financier. In addition to these activities, discount agreements were signed with 100 companies during the year, and Financiers were provided with advantages in shopping.

Functioning as another structure where employees can be recognized, "Thank You" platform received 1,182 thanks during 2022, and overall entry number has reached up to 18,510. By thanking to each other and showing their appreciation, employees motivate each other and create synergy. "+1 Rewards" also granted to eligible employees in 2022, within the scope of Appreciation and Recognition Program. Development and Customer Satisfaction Awards were given to 21 Financiers.

For celebrating employees' respect and commitment to the Bank as well as their selfless efforts, Employee Engagement organizes seniority awards ceremony each year. Through online platforms, these awards were given to 643 employees, who completed their 15th, 20th, 25th, 30th and 35th years in QNB Finansbank Family on 21st of December with dear participation of top management and 808 employees; and 165 Financiers received their seniority awards in Conrad Hotel with top management participation in person. Employee Engagement Unit sends the plaques and badges of employees who complete their 5th and 10th years, and in these terms, plaques and badges of 1,093 employees were delivered to their work places/ homes this year.

Legal Counseling

The divisional structure of Legal Counsel consists of Consulting, Litigation, Process and System Management and Secretariat to the Board of Directors.

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

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

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

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

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

Subsidiaries and Affiliates

Cigna Health, Life and Pension (Cigna Sağlık Hayat ve Emeklilik A.Ş.)

Cigna Health, Life and Pension, a private pension and life insurance company, was established in 2007 as a 99.9% subsidiary of QNB Finansbank with the title Finans Emeklilik ve Hayat A.Ş.. In 2012, Cigna, one of the world's leading health and life insurance companies, entered into a partnership agreement with QNB Finansbank A.Ş. to expand its operations in Türkiye and the merger of Cigna and Finans Emeklilik became official.

At the extraordinary general assembly meeting on 15.10.2020, it was decided to change its commercial and business names: The commercial name was changed from "Cigna Finans Emeklilik ve Hayat A.Ş." to "Cigna Sağlık Hayat ve Emeklilik A.Ş.", and the business name was changed from "Cigna Finans" to "Cigna". This decision was registered at Istanbul Chamber of Commerce on 22.10.2020 and was published in the Türkiye Trade Registry Gazette on 22.10.2020. In December 2022, the stake owned by Cigna was acquired by QNB Finansbank A.Ş., and after the completion of the legal proceedings regarding the acquisition transaction Cigna will be a fully-consolidated subsidiary of QNB Finansbank A.Ş. as of first quarter of 2023.

Cigna, growing stronger through the merger, and with its global experience, wide service network and innovative products and solutions that go beyond insurance, has taken the offering of a better quality of life to its customers as a mission. Cigna achieved, 6.77% market share in the life insurance through a premium production of TL 2 billion, 3.51% market share in the personal accident through a premium production of TL 165 million and 0.33% market share in the health insurance through a premium production of TL 99.6 million, according to data announced by the Insurance Association of Türkiye (TSB) in December 2022. As a result, Cigna grew by 113% in life, health and personal accident insurance combined.

According to official data announced by the Pension Monitoring Center published on 31.12.2022, funds of pension participants grew by 85.8% compared to 2021 year-end, reaching TL 2 billion 129 million in total net asset value.

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

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

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

In 2022, leasing sector generated USD 4,051 million new business volume, and QNB Finansleasing's share reached 10.6% with USD 429 million. As leasing receivables amounted to TL 14,026 million as of 31 December 2022, QNB Finansleasing's market share in terms of leasing receivables realized at 12%. QNB Finansleasing ranked

third in the sector both in terms of leasing receivables and total assets. In 2022, QNB Finansleasing continued to finance business in services, textile, manufacturing, construction, chemistry and energy industries, as well as to undertake sale and lease back transactions.

QNB Finansleasing has prioritized sustainable business models and practices in its financing decisions, and has allocated EUR 25 mn facility obtained from EBRD under the Green Economy Financing Facility (GEFF) in the last quarter of 2022, and also signed a 3-year loan agreement with ABC International Bank Plc for the financing of international trade.

QNB Finansfactoring (QNB Finans Faktoring A.Ş.)

QNB Finansfactoring has been operating in the sector since 2009 through its headquarters located in Istanbul, 17 branches throughout Türkiye and digital channels.

QNB Finansfactoring, wholly-owned subsidiary of QNB Finansbank, aims to provide its customers with effortless and fast financing in accordance with the needs of the day, with its continuous development-oriented structure. For this purpose, it develops new products and carries its technological infrastructure forward day by day in line with its strategic goals.

At the end of 2022, the total turnover volume reached TL 29 billion, and factoring receivables amounted to TL 9.5 billion.

QNB Finansfactoring aims to rank among the top 3 private companies in the sector by making its already strong balance sheet structure even stronger with its extensive risk management. QNB Finansfactoring has made it its most important strategic goal to increase the share of SME customers in its balance sheet. In this context, it implemented automatic evaluation of customers through the scoring system, a digital approval structure that enables contracts to be signed electronically, automating operational processes that do not require human intervention, and an automatic pricing structure. These developments have allowed QNB Finansfactoring to accelerate its processes and minimize operational risks caused by human error. In addition, the effectiveness of mobile and web application channels was closely monitored and continuous improvement was achieved.

In 2022, synergy projects with QNB Finansbank were focused on Digital Bridge integration, customer acquisition campaign setup, modeling specifics to the provinces where QNB Finansbank branches are located, and dynamic personnel positioning. In 2023, with its expert staff, QNB Finansfactoring aims to make a difference in the sector and continue its growth with its focus on providing financing under the umbrella of sustainability and spreading its risk to the base by continuing its practices that shape the sector.

QNB Finansinvest (QNB Finans Yatırım Menkul Değerler A.Ş.)

QNB Finansinvest has left behind more than 25 years in which it has achieved customer satisfaction in every area and achieved many successes in the sector as one of a leading company in the sector.

QNB Finansinvest Retail and Wealth Management operates 14 branches in 12 cities across Türkiye with its professional and experienced staff, sales team at the headquarters and digital platforms. Working in great harmony and synergy with all QNB Finansbank branches spread throughout Türkiye, the QNB Finansbank stands by its customers in their investment journeys.

As a full-fledged investment company, QNB Finansinvest offers a vast range of products such as fixed income instruments, mutual funds, equities, derivative transactions and options markets, international markets, and leveraged purchase/sales transactions while also providing financial solutions and investment advisory services complying with the risk understanding of its investors. QNB Finansinvest offers equity advice with the “Akıllı Robo” application, which makes life easier for individual investors in making investment decisions on equities and uses artificial intelligence technology.

QNB Finansinvest Institutional Sales offers brokerage and research services for customers who perform transactions involving corporate sales, international brokerage institutions, domestic and foreign funds as well as algorithmic/high frequency transactions. QNB Finansinvest is one of the leading institutions in the sector in algorithmic/high frequency transactions.

QNB Finansinvest Investment Banking, acquisition and merger consultancy, primary and secondary public offerings and issue of borrowing tools. In 2022 QNB Finansinvest issued 25.5 billion debt instruments with 110 bonds and 6 lease certificates. In 2022, as the consortium leader and co-leader, it mediated public offering of TL 3.1 billion with 4 public offerings. It occupied the first place in the public offerings, it mediated as the consortium leader and co-leader, with a market share of 14% according to the apportioned public offering size. As a consortium leader, Kocaer Çelik public offering was the second largest public offering of 2022 with a size of TL 1.5 billion. In 2022, QNB Finansinvest took part as a consortium member in 18 public offerings and took part in 22 public offerings as an intermediary institution.

QNB Finansinvest is the first company to introduce exchange traded funds to the sector. Since 2014, it has also been providing fund operation services to portfolio management companies in accordance with the CMB legislation and other legal regulations. It also provides portfolio custody services of general custody and collective investment institutions as a broadly authorized intermediary institution. As of 2022, it reached a custody size of TL 55 billion with a total of 208 mutual funds. QNB Finansinvest is one of the leading institutions in the sector with a 40% market share in the niche Real Estate Investment Funds and Venture Capital Investment Funds market.

QNB Finansinvest has been rated in the investment grade category at the national and international level by the international credit rating agency JCR Eurasia Rating, and its long-term credit rating has been affirmed at AAA+.

QNB Finansinvest renewed its digital channels in the post-COVID-19 period when digitalization has accelerated, allowing its customers to perform all their investment transactions more quickly and securely. In 2022, the

mobile application reached 250 thousand downloads. Having implemented industry-leading technological projects such as Data Warehouse, Chatbot and IVR, QNB Finansinvest carries out non-personal, fast and error-free operational processes with Robotic Process Automation.

QNB Finansinvest owns 100% of QNB Finans Varlık Kiralama A.Ş., founded with a capital of TL 200,000. As of 2022 year-end, QNB Finansinvest has paid-in capital of TL 300 million, consolidated assets' of TL 3.4 billion, consolidated shareholders' equity of TL 1.119. QNB Finansinvest has increased its consolidated net profit by 179% in 2022 compared to the previous year.

It ranked 9th in BIST Istanbul A.Ş.'s trading volume with a market share of 3.31%, and 3rd in VIOP transaction volume with a market share of 5.99%.

In 2023, QNB Finansinvest will continue to maintain its leading position in the sector and continue to grow and develop in the areas it has determined to do so. Taking immediate actions to the changing customer needs, it aims to maintain to offer high quality and secure services. QNB Finansinvest will continue to bring together investors with high potential companies that will contribute to the capital markets through various public offering projects it is working on. In 2023, it will continue to add new functions to its digital channels to provide a well-structured customer experience for its customers and prospects.

QNB Finans Asset Management (QNB Finans Portföy Yönetimi A.Ş.)

QNB Finans Asset Management was founded in September 2000 with QNB Finansbank being its main shareholder with an 88.89% stake. Under the new legislation and compliant to the authorization dated 17 April 2015 of the Capital Markets Board, QNB Finans Asset Management was re-established as an asset management company, which has a paid-in capital of TL 45 million.

In 2022, QNB Finans Asset Management played a leading role in the sector by managing 4 exchange traded funds (ETF), 14 mutual funds, 32 hedge funds, 1 venture capital mutual fund, 23 pension funds and private portfolios of high-income individuals and companies.

QNB Finans Asset Management also established its private hedge funds in order to meet the needs of high-income investors in 2022. QNB Finans Asset Management held a mutual fund market share of 3.12% as at 2022 year-end. QNB Finans Asset Management achieved a consolidated profit of TL 59.3 million in 2022 with its assets under management of TL 27.5 billion.

As in the past, QNB Finans Asset Management aims to meet the investors with funds investing in domestic and international equity indices in 2023 by keeping pace with growing and changing conditions. QNB Finans Asset Management aims to add diversity to investors' portfolios by adding new themes to its thematic fund portfolio launched with Technology Fund of Funds, Clean Energy and Water Fund of Funds and Commodity Fund of Funds. QNB Finans Asset Management also aims to develop its wide product range by enhancing artificial intelligence and quantitative measurement-based funds.

Subsidiaries and Affiliates *(continued)*

QNB eFinans (QNB eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.)

QNB eFinans, established in 2013 to integrate e-Invoice into the financial sector, is a wholly-owned subsidiary of QNB Finansbank.

QNB eFinans has all the necessary licenses to serve in e-Invoice, e-Ledger, e-Archive Invoice, e-Waybill, Registered Electronic Mail (REM), POS e-Invoice, e-Currency Purchase-Sale Document, e-Self-Employment Receipt and e-Producer Receipt products and services along with tied-in value-added products and services. Continuing its steady growth since its establishment, QNB eFinans increased the number of customers by 21% on a year-on-year basis to 2022 year-end, serving more than 95,000 companies with more than 407,000 products. By the integration of renewed and expanding e-Transformation applications into the financial sector, QNB eFinans has transformed into a fintech company.

With its ERP independent structure, QNB eFinans is compatible with over 350 different local and international of ERP & Accounting software houses.

QNB eFinans provides uninterrupted service with its remote connection business model using digital technologies. A full end-to-end customer experience is offered via all digital channels with a digital assistant and live support.

In 2020, QNB eFinans was awarded in the category of Technology Partner of the Year in International Stevie Awards for Customer Service Solutions. In addition, CIO Applications Europe, published in the Silicon Valley, has recognized QNB eFinans as one of the top 10 e-Invoice solution providers in the last three consecutive years (2019-2020-2021). QNB eFinans was deemed worthy of the Bronze PSM Award with its e-Ledger and Financial Analysis project in the Digital Transformation Category of the PSM Awards 2022.

QNB eFinans digitalized the documentation and sending processes of financial statements to banks with the “e-Ledger Financial Analysis” in cooperation with QNB Finansbank. In addition, QNB Finansbank continues to provide its customers with eCredit, an alternative finance tool based on e-Invoice collateralization thanks to its integration with QNB eFinans.

With Finance Star, a cloud-based application of QNB Finansbank, created and serviced by QNB eFinans, the Bank's Direct Debiting Systems (DDS), Supplier Finance (SF) transactions and payment transactions of businesses are integrated into QNB eFinans infrastructure, hence enabling QNB Finansbank to provide cash management options to its customers.

QNB eFinans is the largest solution partner in the Digital Bridge Project commissioned by QNB Finansbank in 2019. Developed by QNB eFinans, Neovade product has been launched to meet funding needs of companies and offer an alternative solution on the Digital Bridge Platform, ultimately serving SMEs with their e-Transformation needs.

IBTech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.

IBTech was established in 2005 and is located in İstanbul. IBTech's focus is to provide software design and enhancement, such as Core Banking (Core Finans), credit cards and internet banking, and to develop applications for the use of the Group. As of 31 December 2021, the total assets of IBTech reached TL 151.8 million, and 2022 net profit was TL 7.4 million.

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.

Established in 2009, Bantaş is owned by QNB Finansbank A.Ş., Denizbank A.Ş. and Türk Ekonomi Bankası A.Ş., each shareholder owning a 33.33% stake. Bantaş securely carries assets between branches and cash centers and gives ATM cash support. As of 31 December 2022, the Company's total assets were TL 272.9 million, and 2022 net profit was TL 56.5 million.

Corporate governance

Transparent, fair, accountable and responsible corporate governance practices lie at the heart of sustainable growth of QNB Finansbank.



Committees under the Board of Directors

Audit Committee

On behalf of the Board of Directors, the Audit Committee is responsible for monitoring the effectiveness, efficiency and adequacy of the internal systems of the Bank, functioning of these systems together with the accounting and reporting systems in accordance with law and applicable regulations and the integrity and reliability of the information generated by these systems. The Committee is also responsible for making necessary preliminary evaluations required for the selection of the independent auditors and rating, valuation and support service institutions by the Board of Directors; regularly monitoring the activities of the institutions selected and contracted; ensuring that the internal audit activities of subsidiaries subject to consolidation are carried out on a consolidated basis and in coordination with internal audit activities of the Bank.

Members of the Audit Committee are as follows:

- Ali Teoman Kerman: Member of the Board of Directors (Chairperson of the Committee)
- Ramzi T. A. Mari: Member of the Board of Directors
- Durmuş Ali Kuzu: Member of the Board of Directors
- Noor Mohd Al-Naimi: Member of the Board of Directors

Risk Committee

The Risk Committee is responsible for defining the Bank's risk management policies and strategies, reviewing all types of risks that the Bank is exposed to, monitoring the implementation of risk management strategies and bringing important risk related issues to the attention of the Board.

Members of the Risk Committee are as follows:

- Mehmet Ömer A. Aras: Chairperson of the Board of Directors
- Fatma Abdulla S.S. Al-Suwaidi: Member of the Board of Directors
- Adel Ali M. A. Al-Malki: Member of the Board of Directors
- Ali Teoman Kerman: Member of the Board of Directors and Chairperson of the Audit Committee

Credit Committee

The Credit Committee, within the scope of authorization granted by the Board of Directors as per the Banking Law numbered 5411, is responsible for evaluating and approving the loans and ensuring efficient credit risk management in accordance with the prevailing legislations.

Members of the Credit Committee are as follows:

- Mehmet Ömer A. Aras: Chairperson of the Board of Directors
- Yousef Mahmoud H. N. Al-Neama: Vice Chairperson of the Board of Directors
- Temel Güzelöglü: Member of the Board of Directors
- Fatma Abdulla S.S. Al-Suwaidi: Member of the Board of Directors
- Osman Ömür Tan: General Manager and Member of the Board of Directors
- Alternate Members: Ramzi T.A. Mari and Noor Mohd Al-Naimi

Corporate Governance Committee

Corporate Governance Committee is responsible for attaining best practice standards of corporate governance, monitoring the bank's compliance with corporate governance principles set by Banking Law and capital markets legislation, ensuring that the Board of Directors composition, structure, working principles and procedures meet all relevant and regulatory requirements. The Bank has not established a separate Nomination Committee, and Corporate Governance Committee fulfills the duties of the Nomination Committee as per Article 4.5.1. of the CMB Communiqué on Corporate Governance (II.17.1).

Members of the Corporate Governance Committee are as follows:

- Ramzi T.A. Mari: Member of the Board of Directors (Chairperson of the Committee)
- Ali Teoman Kerman: Member of the Board of Directors and Chairperson of the Audit Committee
- Burcu Günhar: Investor Relations Manager

Remuneration Committee

The Remuneration Committee was established in order to define remuneration and incentive policies of all employees including Board members and senior management and to advise the Board of Directors on such matters in order to comply with the Bank's ethical values, implementations and targets.

Members of the Remuneration Committee are as follows:

- Yousef Mahmoud H. N. Al-Neama: Vice Chairperson of the Board of Directors
- Temel Güzelöglü: Member of the Board of Directors

Other Committees in the Bank

Business Loans Management Risk Committee

The primary purposes of the Business Loans Management Risk Committee of QNB Finansbank are effective management, risk monitoring and steering of activities of the Bank, as well as reviewing strategy and activity proposals for all business loans, i.e. micro, SME, agriculture, commercial and corporate portfolios. Members of the Corporate Credit Policies Committee are as follows:

- CEO
- Executive Vice President of Retail and SME Credits
- Executive Vice President of Retail and SME Banking
- Executive Vice President of Corporate and Commercial Credits
- Executive Vice President of Corporate and Commercial Banking
- Executive Vice President of Commercial Banking and Project Finance

Retail Loans Management Risk Committee

The primary purposes of the Retail Loans Management Risk Committee of QNB Finansbank are effective management, risk monitoring and steering of activities of the Bank, as well as reviewing strategy and activity proposals for all retail loans, i.e. credit cards, personal need loans, mortgage and overdraft portfolios. Members of the Retail Credit Management and Policies Committee are as follows:

- CEO
- Executive Vice President of Retail and SME Credits
- Executive Vice President of Retail and SME Banking
- Executive Vice President of Payment Systems
- Executive Vice President of Retail Banking
- Executive Vice President of Enpara.com

Operational Risk Management Committee

The Operational Risk Management Committee is responsible for determining operational risk policies, reviewing and discussing operational risk issues of the Bank and ensuring to minimize them by action planning. Members of the Operational Risk Management Committee are as follows:

- Head of Risk Management
- Head of Internal Control and Compliance
- Executive Vice President of IT, Operations, Channels and Business Development
- Executive Vice President of Payment Systems
- IBTech Information Security Director (CISO)
- Executive Vice President of Corporate and Commercial Banking
- Operational Risk and Business Continuity Division Manager

Reputational Risk Management Committee

Reputational Risk Committee is established in order to manage reputational risk of the Bank; adopt and implement related policies on reputational risk within the scope of the BRSA regulations. Committee members are as follows:

- Chief Legal Officer
- HR Management Systems Income Management, Compensation and System Authorization Division Manager
- Communications and Customer Experience Director
- Compliance Division Manager
- Customer Experience Management Division Manager
- Customer Solutions Center Division Manager
- Enpara.com Digital Banking Director
- Investor Relations Manager
- Operational Risk and Business Continuity Division Manager

Asset and Liability Committee

The primary purpose of Asset and Liability Committee is to monitor and manage the balance sheet structure and structural asset liability mismatch of the Bank, as well as to monitor, control and manage the liquidity risk within the limits set by the Board of Directors. The Committee evaluates monthly reports submitted by Risk Management and determines critical issues regarding risk. Members of the Asset and Liability Committee are as follows:

- Chairperson of the Board of Directors
- Vice Chairperson of the Board of Directors
- CEO
- Executive Vice President, Financial Control and Planning
- Executive Vice President, Treasury
- Asset Liability Management Division Manager

Other Committees in the Bank *(continued)*

Sustainability Committee

The Sustainability Committee, in broad terms, is established to provide adequate, effective and strategic oversight for the Bank's overall sustainability initiatives, to monitor sustainability performance of the Bank and to provide support and guidance to ensure sustainability projects are on track.

Members of the Sustainability Committee are as follows:

- CEO
- Executive Vice President, Information Technologies, Operations, Channels and Business Development
- Executive Vice President, Retail and SME Banking
- Executive Vice President, Enpara.com
- Executive Vice President, Treasury / International Banking
- Executive Vice President, Human Resources
- Executive Vice President, Corporate and Commercial Banking
- Executive Vice President, Corporate and Commercial Credits Allocation
- Executive Vice President, Financial Control and Planning / Procurement
- Executive Vice President, Retail and SME Credits
- Communications and Customer Experience Office Director

Information Security Committee

Information Security Committee is generally responsible for determining information security strategy, determining risk appetite on information security subjects and observation, following information security risks and measures taken, evaluating legal requirements and compliance, reviewing information security policy and standards regularly and ensuring efficiency in line with the needs of the Bank. QNB Finansbank Information Security Committee members are General Manager, Chief Information Security Officer and executive vice presidents or representatives of units stated below:

- CEO
- Information Technologies, Operations, Channels and Business Development
- Chief Information Security Officer
- Consumer Banking and Payment Systems
- Corporate and Commercial Banking
- Enpara
- Internal Audit Department
- Head of Internal Control and Compliance
- Risk Management
- Human Resources
- Legal Affairs

Information Sharing Committee

The Information Sharing Committee is responsible for coordinating the sharing of customer secret, bank secret information, assessing the appropriateness of sharing requests and recording these assessments, including the working procedures and principles approved by the Board of Directors in accordance with the principle of proportionality and the obligations assigned to it.

Members of the Information Sharing Committee are as follows:

- Head of Internal Control and Compliance
- Legal Department
- Internal Control and Compliance Department
- Business line manager, who requested information sharing or was requested to share information
- Related Asset Owner

Information Systems Strategy Committee

Information Systems Strategy Committee is responsible for managing Information Systems goals, strategies and investments in line with the business goals and strategies of the Bank on behalf of the the Board of Directors of the Bank. The Committee members are defined as CEO/ General Manager, Senior Manager Responsible for Information Systems and Senior Managers Responsible for Related Business Units.

Information Systems Steering Committee

Information Systems Steering Committee, which was established to assist the Information Systems Strategy Committee and senior management in the fulfillment of its duties for the management of Information Systems strategy and risks delegated by Bank's Board of Directors to, consists of CEO/General Manager, Senior Manager Responsible for Information Systems, Information Systems Representatives, Human Resources Representative/ Representatives, Representative/ Representatives from the Bank's Related Business Units, Legal Compliance Representative/Representatives, Legal Affairs Representative/Representatives and Project Management Office.

Information Systems Continuity Committee

Information Systems Continuity Committee is responsible for ensuring the continuity of Information Systems Services used in carrying out banking activities. The Committee Members are Information Systems Continuity Management Process Officer, Executive Vice President responsible for IT and Operations, Chief Risk Officer, Chief Information Security Officer, Operational Risk and Business Continuity Management, Human Resources, Related Business Units Representatives, Information Security Management Unit, Information Systems Department Representatives, Internal Control and Compliance Department, Construction and Purchasing and Legal Affairs.

Participation in Board Committee Meetings

In 2022, the Board of Directors held 7 meetings and all members were present at these meetings except for exceptional circumstances. Within the scope of Article 390 of the Turkish Commercial Code, the Board of Directors adopted several Board resolutions without holding a meeting.

The Audit Committee held 17 meetings in 2022, and all members were present at these meetings excluding exceptional circumstances.

The Risk Committee held 12 meetings in 2022, and except for exceptional circumstances all members were present at all meetings.

The Corporate Governance committee held 5 meetings in 2022, and all members were present at these meetings except when their attendance was prevented due to reasonable circumstances.

In 2022, the Credit Committee held 35 meetings, and except for exceptional circumstances all members were present at all meetings.

The Remuneration Committee held 7 meetings in 2022.

Agenda of the Ordinary General Assembly

1. Opening and constitution of the Presidential Board; authorization of the Presidential Board to sign the meeting minutes of the General Assembly of Shareholders;
2. Presentation of 2022 Annual Report of the Board of Directors to approval of the General Assembly upon reading and deliberations;
3. Presentation of 2022 Annual Report of the Auditor to approval of the General Assembly upon reading;
4. Presentation of 2022 financial statements (balance sheet-profit & loss accounts) to approval of the General Assembly upon reading and deliberations;
5. Resolution concerning the accrued profit of 2022 in accordance with the balance sheet and the contingency reserves of the past year;
6. Approval of the appointment of the Board Members elected temporarily as per Article 363 of the Turkish Commercial Code numbered 6102;
7. Appointment of Board of Directors members; determination of the number of the Board members and their term of offices;
8. Resolution regarding the release of the members of the Board of Directors for their activities in 2022;
9. Determination of the remuneration of the members of the Board of Directors;
10. Determination of the Auditor as per the Turkish Commercial Code and related legislation;
11. Information regarding donations made in 2022;
12. Resolution on determination of the upper limit of donations to be made in 2023 as the Capital Markets Law and related legislation;
13. Information regarding disclosure policy of the Bank;
14. Information of dividend distribution policies;
15. Resolution on granting permissions to the Board members within the scope of Articles 395. and 396. of the Turkish Commercial Code;
16. Information on transactions performed in 2022 within the scope of Article 1.3.6 of the Communiqué on Corporate Governance Principles of the Capital Markets Board numbered II-17.1.;
17. Information regarding remuneration policies of the Board members and senior management;
18. Wishes and hopes.

Dividend Distribution Proposal

Board of Directors' Proposal to General Assembly with regard to dividend distribution

The Board of Directors resolved that year 2022 net profit amounting to TL17,223,765,514.79, which was calculated on the basis of the Bank's 2022 financial statements by deducting the taxes and other financial obligations, is to be allocated in part to the Real Estate Sales Profit Fund in accordance with CIT 5-1/e with an amount of TL28,297,062.89 and the remaining TL17,195,468,451.90 to be transferred to general reserves, since statutory reserves have reached 20% of paid in capital in the frame of Article 591/1 of the Turkish Commercial Code, and to submit such allocation to the approval of the Ordinary General Assembly to be held on 30 March 2023.

Summary of Board Report Submitted to the General Assembly Meeting

QNB Finansbank continued to support the Turkish economy throughout the year 2022, in a challenging operating backdrop dominated by elevated inflation, ongoing war in Europe and the global economic slowdown. As of 31 December 2022, the total assets of the Bank increased by 62%, compared to 2021 year-end, reaching TL 601 billion 755 million. In the same period, the Bank's net loans grew by 72% to TL 344 billion 957 million. With its securities portfolio growth of 107%, the Bank strengthened its robust liquidity as well as supporting its balance sheet growth.

The Bank sustained its deposit-oriented funding strategy, and the Bank's customer deposits rose by 80% to TL 384 billion 58 million as of 31 December 2022. Having diversified its funding base with long-term external funding, QNB Finansbank rolled its two syndicated loan transactions in 2022 based-on sustainability performance criteria, with the awareness of the banking sector's responsibility in sustainable development. The Bank raised USD 360 million from its May, and USD 448 million from its November syndication transactions, respectively.

The Bank's net interest income including swap costs rose by 326%, compared to the previous year, reaching TL 32 billion 665 million in 2022, thanks to the growth in average interest earning assets, improvement in loan deposit spreads and also contribution of the CPI-indexed securities portfolio. Net fees and commissions income amounted to TL 6 billion 128 million, recording an annual growth of 81%. The Bank's profit before tax for 2022 reached TL 24 billion 283 million, and net profit increased reached TL 17 billion 224 million.

We would like to thank all our colleagues, our customers, strategic business partners and all our stakeholders for their contributions.

QNB Finansbank Board of Directors

Independent Auditor's Report on the Annual Report



To the General Assembly of QNB Finansbank A.Ş.

1. Qualified Opinion

We have audited the annual report of QNB Finansbank A.Ş. (the “Bank”) and its subsidiaries subject to consolidation for the accounting period of 1 January 2022 - 31 December 2022.

In our opinion, except for the effect of the matter described in the Basis For Qualified Opinion paragraph below, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Bank’s position in the Board of Directors’ Annual Report are consistent and presented fairly, in all material respects, with the audited full set unconsolidated and consolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Qualified Opinion

As expressed in the auditor’s reports dated 31 January 2023 on the full set unconsolidated and consolidated financial statements for the 1 January - 31 December 2022 period; unconsolidated and consolidated financial statements as of 31 December 2022 include a free provision amounting to TRY 5,400,000 thousand which was written of as expense and was provided in the current year by the Bank management which is not within the requirements of BRSA Accounting and Financial Reporting Legislation.

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the “TSA”) issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”) and the scope of “Regulation on Independent Audit of Banks” published on the Official Gazette No.29314 dated 2 April 2015. Our responsibilities under those standards are further described in the Auditor’s Responsibilities in the Audit of the Board of Directors’ Annual Report section of our report. We hereby declare that we are independent of the Bank in accordance with the Ethical Rules for Independent Auditors (including Independence Standards) (the “Ethical Rules”) and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our qualified opinion.

3. Our Audit Opinion on the Full Set Unconsolidated and Consolidated Financial Statements

We expressed a qualified opinion in the auditor’s reports dated 31 January 2023 on the full set unconsolidated and consolidated financial statements for the 1 January 2022 - 31 December 2022 period.

4. Board of Director’s Responsibility for the Annual Report

The Bank management’s responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code (“TCC”) No. 6102, Capital Markets Board’s (“CMB”) Communiqué Serial II, No:14.1, “Principles of Financial Reporting in Capital Markets” (the “Communiqué”) and “Regulation on Principles and Procedures Regarding Preparation and Promulgation of Annual Reports by Banks” published in Official Gazette No.26333 dated 1 November 2006 are as follows:

- a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- b) to prepare the annual report to reflect the Bank’s operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report, financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Bank may encounter are clearly indicated. The assessments of the Board of Directors in regard to these matters are also included in the report.
- c) to include the matters below in the annual report:
 - events of particular importance that occurred in the Bank after the operating year,
 - the Bank’s research and development activities,
 - financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Banking Regulation and Supervision Agency, Ministry of Trade and other relevant institutions.



5.Independent Auditor’s Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of the TCC, Communiqué and “Regulation on Independent Audit of Banks” published on the Official Gazette No.29314 dated 2 April 2015 provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited unconsolidated and consolidated financial statements of the Bank and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited unconsolidated and consolidated financial statements and with the information obtained in the course of audit.

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

Talar Gül, SMMM
Partner
Istanbul, 7 March 2023

2022 Annual Report Statement of Responsibility

QNB Finansbank's annual report is prepared and presented in accordance with the principles and regulations stated in the "Regulation on the Preparation and Publication of Annual Report for Banks" as appeared in the Official Gazette on 1 November 2006, with number 226333.

Mehmet Ömer Arif Aras
Chairperson

Ali Teoman Kerman
Board Member and Chairperson
of the Audit Committee

Ramzi T.A. Mari
Board Member and
Audit Committee Member

Durmuş Ali Kuzu
Board Member and
Audit Committee Member

Noor Mohd J. A. Al-Naimi
Board Member and
Audit Committee Member

Osman Ömür Tan
CEO and Board Member

Adnan Menderes Yayla
Executive Vice President responsible
for Financial Control (CFO)

Corporate Governance Compliance Report

| | Company Compliance Status | | | | | Explanation |
|--|---------------------------|---------|----|----------|----------------|--|
| | Yes | Partial | No | Exempted | Not Applicable | |
| Corporate Governance Compliance Report | | | | | | |
| 1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS | | | | | | |
| 1.1.2. - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website. | X | | | | | |
| 1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION | | | | | | |
| 1.2.1. - Management did not enter into any transaction that would complicate the conduct of special audit. | X | | | | | |
| 1.3. GENERAL ASSEMBLY | | | | | | |
| 1.3.2. - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics. | X | | | | | |
| 1.3.7.- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting. | | | | | X | There is no such transaction. |
| 1.3.8. - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting. | X | | | | | |
| 1.3.10. - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions. | X | | | | | |
| 1.3.11. - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak. | | X | | | | Within the scope of the Internal Directive on Working Principles and Procedures of the General Assembly approved at the General Assembly meeting of our Bank on 28.03.2013, the Bank's employees, guests, audio and video technicians can participate at the General Assembly unless otherwise decided by the chairperson and except for those who are required to attend the meeting in accordance with the legislation |
| 1.4. VOTING RIGHTS | | | | | | |
| 1.4.1. - There is no restriction preventing shareholders from exercising their shareholder rights. | X | | | | | |
| 1.4.2. - The company does not have shares that carry privileged voting rights. | X | | | | | |
| 1.4.3. - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control. | | | | | X | |

Corporate Governance Compliance Report *(continued)*

| | Company Compliance Status | | | | | Explanation |
|---|---------------------------|---------|----|----------|----------------|---|
| | Yes | Partial | No | Exempted | Not Applicable | |
| 1.5. MINORITY RIGHTS | | | | | | |
| 1.5.1. - The company pays maximum diligence to the exercise of minority rights. | X | | | | | Minority rights are not specified as less than one twentieth of the Bank's capital in the Articles of Association of the Bank. However, utmost attention is paid to using minority rights in conformity with the Turkish Commercial Code (TTK) and Capital Markets Board (SPK) regulations. |
| 1.5.2. - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights. | | | X | | | Given the shareholding structure of the Bank, minority rights are not specified as less than one twentieth of the Bank's capital in the Articles of Association of the Bank. However, utmost attention is paid to using minority rights in conformity with the Turkish Commercial Code (TTK) and Capital Markets Board (SPK) regulations. |
| 1.6. DIVIDEND RIGHT | | | | | | |
| 1.6.1. - The dividend policy approved by the General Shareholders' Meeting is posted on the company website. | X | | | | | |
| 1.6.2. - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future. | X | | | | | |
| 1.6.3. - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item. | X | | | | | |
| 1.6.4. - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company. | X | | | | | |
| 1.7. TRANSFER OF SHARES | | | | | | |
| 1.7.1. - There are no restrictions preventing shares from being transferred. | X | | | | | |
| 2.1. CORPORATE WEBSITE | | | | | | |
| 2.1.1. - The company website includes all elements listed in Corporate Governance Principle 2.1.1.. | X | | | | | |
| 2.1.2. - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months. | X | | | | | |
| 2.1.4. - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content. | X | | | | | |
| 2.2. ANNUAL REPORT | | | | | | |
| 2.2.1. - The board of directors ensures that the annual report represents a true and complete view of the company's activities. | X | | | | | |
| 2.2.2. - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.. | X | | | | | |

| | Company Compliance Status | | | | | Explanation |
|--|---------------------------|---------|----|----------|----------------|---|
| | Yes | Partial | No | Exempted | Not Applicable | |
| 3.1. CORPORATION'S POLICY ON STAKEHOLDERS | | | | | | |
| 3.1.1. - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles. | X | | | | | |
| 3.1.3. - Policies or procedures addressing stakeholders' rights are published on the company's website. | X | | | | | |
| 3.1.4. - A whistleblowing programme is in place for reporting legal and ethical issues. | X | | | | | |
| 3.1.5. - The company addresses conflicts of interest among stakeholders in a balanced manner. | X | | | | | |
| 3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT | | | | | | |
| 3.2.1. - The Articles of Association, or the internal regulations (terms of reference/ manuals), regulate the participation of employees in management. | | | X | | | A model has not been established for the participation of stakeholders in management. However, there are independent members in the Board of Directors in order to provide assurance that the rights of minority shareholders and other stakeholders are protected equally within the scope of taken decisions. Suggestions for improvement of work and working conditions are evaluated by taking Employee Satisfaction Surveys and employees' expectations about the Bank and Management. The Bank regularly monitors the level of customer satisfaction through periodical researches and social channels and plans the necessary actions meticulously in areas that are open for improvement and quickly put them into practice in accordance with opinions and suggestions of the customers. |
| 3.2.2. - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them. | X | | | | | |
| 3.3. HUMAN RESOURCES POLICY | | | | | | |
| 3.3.1. - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions. | X | | | | | |
| 3.3.2. - Recruitment criteria are documented. | X | | | | | |
| 3.3.3. - The company has a policy on human resources development, and organises trainings for employees. | X | | | | | |
| 3.3.4. - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health. | X | | | | | |

Corporate Governance Compliance Report *(continued)*

| | Company Compliance Status | | | | | Explanation |
|---|---------------------------|---------|----|----------|----------------|-------------|
| | Yes | Partial | No | Exempted | Not Applicable | |
| 3.3.5. - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken. | X | | | | | |
| 3.3.6. - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration. | X | | | | | |
| 3.3.7. - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment. | X | | | | | |
| 3.3.8. - The company ensures freedom of association and supports the right for collective bargaining. | X | | | | | |
| 3.3.9. - A safe working environment for employees is maintained. | X | | | | | |
| 3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS | | | | | | |
| 3.4.1. - The company measured its customer satisfaction, and operated to ensure full customer satisfaction. | X | | | | | |
| 3.4.2. - Customers are notified of any delays in handling their requests. | X | | | | | |
| 3.4.3. - The company complied with the quality standards with respect to its products and services. | X | | | | | |
| 3.4.4. - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers. | X | | | | | |
| 3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY | | | | | | |
| 3.5.1. - The board of the corporation has adopted a code of ethics, disclosed on the corporate website. | X | | | | | |
| 3.5.2. - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery. | X | | | | | |
| 4.1. ROLE OF THE BOARD OF DIRECTORS | | | | | | |
| 4.1.1. - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place. | X | | | | | |
| 4.1.2. - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance. | X | | | | | |
| 4.2. ACTIVITIES OF THE BOARD OF DIRECTORS | | | | | | |
| 4.2.1. - The board of directors documented its meetings and reported its activities to the shareholders. | X | | | | | |
| 4.2.2. - Duties and authorities of the members of the board of directors are disclosed in the annual report. | X | | | | | |

| | Company Compliance Status | | | | | Explanation |
|---|---------------------------|---------|----|----------|----------------|---|
| | Yes | Partial | No | Exempted | Not Applicable | |
| 4.2.3. - The board has ensured the company has an internal control framework adequate for its activities, size and complexity. | X | | | | | |
| 4.2.4. - Information on the functioning and effectiveness of the internal control system is provided in the annual report. | X | | | | | |
| 4.2.5. - The roles of the Chairman and Chief Executive Officer are separated and defined. | X | | | | | |
| 4.2.7. - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders. | X | | | | | |
| 4.2.8. - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital. | | X | | | | As any damages that may be caused during the duties of the members of the Board of Directors has been insured by professional liability insurance, the coverage is below 25% of the capital. |
| 4.3. STRUCTURE OF THE BOARD OF DIRECTORS | | | | | | |
| 4.3.9. - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy. | | | X | | | No target ratio has been set for the number of female members in the Board of Directors. There are three female members in the Board, and 25% ratio for female directors has been attained. |
| 4.3.10. - At least one member of the audit committee has 5 years of experience in audit/ accounting and finance. | X | | | | | |
| 4.4. BOARD MEETING PROCEDURES | | | | | | |
| 4.4.1. - Each board member attended the majority of the board meetings in person or electronically. | | X | | | | In order to facilitate the participation of all members to the Board of Directors' meetings, our Bank also offers remote access and participation to meetings electronically by video-conference. |
| 4.4.2. - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members. | X | | | | | |
| 4.4.3. - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members. | X | | | | | |
| 4.4.4. - Each member of the board has one vote. | X | | | | | |
| 4.4.5. - The board has a charter/written internal rules defining the meeting procedures of the board. | X | | | | | |
| 4.4.6. - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any. | X | | | | | |
| 4.4.7. - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting. | | X | | | | Members of the Board of Directors can take duties outside the Bank under the conditions permitted by the legislation; these duties are included in the Annual Report. |

Corporate Governance Compliance Report *(continued)*

| | Company Compliance Status | | | | | Explanation |
|--|---------------------------|---------|----|----------|----------------|--|
| | Yes | Partial | No | Exempted | Not Applicable | |
| 4.5. BOARD COMMITTEES | | | | | | |
| 4.5.5. - Board members serve in only one of the Board's committees. | | | X | | | The members of the Board of Directors, depending on the number of members on the Board of Directors and in accordance with their experience, may take part in different committees. These members serve a crucial, supportive role on matters, which require exchange of information between and cooperation among committees. |
| 4.5.6. - Committees have invited persons to the meetings as deemed necessary to obtain their views. | X | | | | | |
| 4.5.7. - If external consultancy services are used, the independence of the provider is stated in the annual report. | | | | | X | |
| 4.5.8. - Minutes of all committee meetings are kept and reported to board members. | X | | | | | |
| 4.6. FINANCIAL RIGHTS | | | | | | |
| 4.6.1. - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively. | X | | | | | |
| 4.6.4. - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them. | | X | | | | Loans to be extended by the Bank to the Members of the Board of Directors and Managers are restricted by a certain limits in Article 50 of the Banking Law. No loans are granted to the Members of the Board of Directors and Managers outside this limits. |
| 4.6.5. - The individual remuneration of board members and executives is disclosed in the annual report. | | X | | | | Remuneration of Board of Directors and executives is disclosed collectively in the financial statements and footnotes in the annual report, but the disclosure is not on an individual basis. |

I. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

a) As detailed below and throughout the Report, QNB Finansbank has complied with the imperative principles of the Corporate Governance Principles numbered 1.3.1.-1.3.5.-1.3.6.-1.3.9.-4.2.6.-4.3.1.-4.3.2.-4.3.3.-4.3.5.-4.3.6.-4.3.7.^(*)-4.3.8.^(*)-4.5.1.^(**)-4.5.2.-4.5.3.-4.5.4.^(***)-4.5.10.-4.5.11.^(****)-4.6.2. and 4.6.3. set out in of the Corporate Governance Communiqué No.II-17.1., published by the Capital Markets Board (CMB), throughout the financial reporting year of 01.01.2022-31.12.2022.

Principles numbered 4.5.9.-4.5.12. and 4.5.13. is not being applied to banks as per the Principle 4.5.1.

Principle 4.3.4. is an exemption for banks within the scope of Article 6 of the Corporate Governance Communiqué.

b) QNB Finansbank does not implement principles nr. 1.5.2.-1.7.1.-2.1.2.-2.1.3.-2.2.2. (Most of the information herein is stated in the Annual Report.) -3.1.-3.2.-4.3.9.-4.5.5., which are advisory principles. However, the Bank has set up a Corporate Governance Committee responsible for monitoring whether the Corporate Governance Principles are complied with, describing the problems that may arise due to noncompliance and offering corrective actions to the Board of Directors. The Committee consists of Ramzi T.A. Mari, Ali Teoman Kerman and Burcu Günhar. During meetings held in 2022, work was done for improvement of the corporate governance practices in the Bank. The Corporate Governance Committee shall consider the said principles in its activities in 2023 and work towards the improvement of corporate governance practices. The Committee also coordinates the operations of the Investor Relations Division.

Corporate Governance Compliance Report and Corporate Governance Information Form for 2022 published on the Public Disclosure Platform are approved by the Board of Directors along with the Annual Report.

^(*) Article three of the Principle numbered 4.3.7. and Article two of the Principle 4.3.8. shall not be implemented by banks, accordingly such Articles are not implemented.

^(**) Article 4.5.1 includes exceptions for banks with regard to committees.

^(***) The general manager should be appointed to the Credit Committee within the scope banking legislation, this Article is implemented with this exception.

^(****) Corporate Governance Committee is responsible for this Article within the scope of organizational structure of the Bank.

II - AUDIT COMMITTEE REPORT

The related report of the Audit Committee is included in the Risk Section of the Annual Report.

III - INVESTOR RELATIONS

Investor Relations Division

QNB Finansbank established Investor Relations Division in 2005, for the purposes of overseeing the rights of shareholders and ensuring effective communication between the Board of Directors and shareholders. Activities of Investor Relations Division are carried out in line with the Corporate Governance Communiqué Part 4 Article 11, dated 03.01.2014 and published by the Capital Markets Board. Investor Relations Division is managed by Ms. Burcu Günhar and supervised by the Corporate Governance Committee. Ms. Burcu Günhar holds Capital Markets Activities Level 3 License, Derivatives License and Corporate Governance Rating License and appointed as Corporate Governance Committee Member as disclosed in the Public Disclosure Platform on 14.05.2018.

In 2022, all telephone and e-mail inquiries were answered within the scope of the relevant legislation. During the year representing the Bank, Investor Relations attended 1 investor conference and participated in meetings with 58 international investors, rating agencies and analysts. Each quarter presentations based on financial results of the bank were prepared and uploaded on the Investor Relations website.

Shareholders' Right to Access Information

Within the scope of the Informational Policy of QNB Finansbank as approved at the General Assembly on 27 March 2014, all information in relation to shareholders' rights, such as capital increases, are sent to Borsa Istanbul (Istanbul Stock Exchange) and published in print and on the Public Disclosure Platform (www.kap.gov.tr) in Material Event Disclosure format. Shareholders are informed through emails, meetings and telephone calls, and through the Bank's website, regarding material financial and/or operational information that may affect the exercise of the rights of shareholders.

Appointment of a special auditor is not regulated by the Articles of Association of the Bank. The Bank is audited both by the auditors appointed by the Bank's General Assembly and by the Banking Regulation and Supervision Agency ("BRSA") in accordance with the Banking Law.

Corporate Governance Compliance Report *(continued)*

General Assemblies

The Annual General Assembly was held on 30 March 2022 at the Head Office located at Esentepe Mahallesi, Büyükdere Caddesi Kristal Kule Binası No: 215 Şişli/İstanbul with a meeting quorum of 99.8%. The Board of Directors invitation for the Assembly was published in the Turkish Trade Registry Gazette and two daily newspapers, namely, Milliyet and Posta. Shareholders were duly provided with the date, agenda and information form regarding the agenda of the Meeting through the website of the Bank, the Public Disclosure Platform as well as the electronic General Assembly System. At the Annual General Assembly held in 2022, none of the shareholders has been proposed any items to be included to the agenda. Questions of shareholders are answered and dissenting opinions given during the meeting have been attached to the meeting minutes and such minutes of the Annual General Assembly is presented to our shareholders' review in our website and Public Disclosure Platform. In the General Assembly, within the scope of item 12, shareholders were provided information regarding the total amount of donations made in 2021.

In addition, pursuant to Art. 1.3.6. of the Corporate Governance Communiqué Nr. II-17.1., information was provided regarding transactions conducted in 2021. The General Assembly was informed that other than transactions conducted in 2021 within the limits allowed by the Banking Law and relevant legislation, no significant transactions of the nature to cause a conflict of interest with the Bank or its affiliated companies were carried out by shareholders in charge of management, members of the Board, members of upper management, and their spouses and kind of second degree by blood and marriage; that they did not conduct, in their own account or on behalf of third parties, any transactions of the type falling under the field of operation of the Bank or its affiliated companies; and that they did not join as a partner with unlimited liability another company carrying out similar commercial transactions.

Voting Rights and Minority Rights

No voting privilege is granted and no cumulative voting procedure is adopted by the Bank's Articles of Association. Minority rights is not determined as less than %5 (1/20) of the share capital by the Articles of Association.

Dividend Distribution Policy

Dividend distribution policy of the Bank is approved in the General Assembly dated 27.03.2014. The dividend is calculated under the provisions of the applicable regulations and provisions of the Bank's Articles of Association and determination and distribution of the annual profit are regulated by Article 25 and 26 of the Articles of Association of the Bank; there is no restriction on participation to the annual profit. Besides, distribution of the profit is included to the agenda.

Transfer of Shares

QNB Finansbank's Articles of Association do not restrict shareholders from transferring their shares. However, share transfer is subject to the BRSA approval pursuant to the relevant provisions of the Banking Law.

IV - STAKEHOLDERS

Informing Stakeholders

Bank employees are informed about the Bank's operations when deemed necessary via internal communications tools. In addition, managers at the Headquarters and branches are informed about developments via regularly held meetings. The tip-off hotline, set up for informing regarding transactions contrary to the Bank's procedures and instructions, and that are against legislation and improper ethically, is open to access by stakeholders through a number of channels.

Participation of Stakeholders in Management

The Bank does not have a model to ensure stakeholders' involvement in management.

V - BOARD OF DIRECTORS

Detailed information is disclosed in Board of Directors and Corporate Governance Information Form Sections of the Annual Report.

Corporate Governance Information Form

| | |
|---|---|
| Related Companies | |
| Related Funds | |
| 1. SHAREHOLDERS | https://www.kap.org.tr/tr/Bildirim/1007864 |
| 1.1. Facilitating the Exercise of Shareholders Rights | |
| The number of investor meetings (conference, seminar/etc.) organised by the company during the year | In addition to one-on-one investor meetings, the Bank participated at 1 investor conference with the attendance of Senior Management in 2022. At these organizations, 58 analyst and investor meetings were held in total. As regular meetings were carried out with three credit rating agencies, inquiries submitted by analysts and investors via telephone or e-mails were responded. |
| 1.2. Right to Obtain and Examine Information | |
| The number of special audit request(s) | None. |
| The number of special audit requests that were accepted at the General Shareholders' Meeting | None. |
| 1.3. General Assembly | |
| Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d) | https://www.kap.org.tr/tr/Bildirim/1007864 |
| Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time | Provided both in Turkish and English at the same time Turkish: https://www.qnbfinansbank.com/yatirimci-iliskileri/kurumsal-yonetim/genel-kurul English: https://www.qnbfinansbank.com/en/investor-relations/corporate-governance/general-assembly |
| The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9 | None. |
| The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1) | None. |
| The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1) | None. |
| The name of the section on the corporate website that demonstrates the donation policy of the company | None. |
| The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved | None. |
| The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting | Participation of stakeholders to the General Assembly is not regulated in the Articles of Association. |
| Identified stakeholder groups that participated in the General Shareholders' Meeting, if any | Shareholders and Bank employees attended the Ordinary General Assembly held in 2022. |
| 1.4. Voting Rights | |
| Whether the shares of the company have differential voting rights | No |
| In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares. | No voting privileges |
| The percentage of ownership of the largest shareholder | 99.88% |
| 1.5. Minority Rights | |
| Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association | No |
| If yes, specify the relevant provision of the articles of association. | - |
| 1.6. Dividend Right | |
| The name of the section on the corporate website that describes the dividend distribution policy | Disclosed on Investor Relations Section of the Bank's Corporate Website under the title "Corporate Governance Policies and Rules": https://www.qnbfinansbank.com/en/investor-relations/corporate-governance/corporate-governance-policies-and-rules |
| Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend. | The 6th item of the agenda and the motion regarding the said item was read. Pursuant to the proposal, allocation of the year 2021 net profit amounting to TL3,928,113,726.25, which was calculated on the basis of the Bank's 2021 financial statements by deducting the taxes and other financial obligations, in part with an amount of TL670,079.04 to the Real Estate Sales Profit Fund in accordance with CIT 5-1/e, and transfer of the remaining TL3,927,443,647.21 to general reserves, since statutory reserves have reached 20% of paid in capital in the frame of Article 591/1 of the Turkish Commercial Code, and the authorization of the Board of Directors regarding the use of the reserves were accepted by majority of votes, with TL3,345,892.249.466 of capital, against the rejection vote representing TL1,755 of capital. |
| PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends | https://www.kap.org.tr/tr/Bildirim/1014250 |

Corporate Governance Information Form *(continued)*

| General Assembly Meetings | | | | | |
|---------------------------|---|---|--|---|--|
| General Meeting Date | The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting | Shareholder participation rate to the General Shareholders' Meeting | Percentage of shares directly present at the GSM | Percentage of shares represented by proxy | |
| 30.03.2022 | 0 | 99.88% | 0% | 99.88% | |

| | Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against | Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them | The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions | The number of declarations by insiders received by the board of directors | The link to the related PDP general shareholder meeting notification |
|--|---|---|---|---|---|
| | Disclosed at QNB Finansbank Corporate Website's Investor Relations Section under the Corporate Governance Subsection under the title "General Assembly" for each year specified (https://www.qnbfinansbank.com/en/investor-relations/corporate-governance/general-assembly) | Disclosed at QNB Finansbank Corporate Website's Investor Relations Section under the Corporate Governance Subsection under the title "General Assembly" for each year specified (https://www.qnbfinansbank.com/en/investor-relations/corporate-governance/general-assembly) | Article 17 | 786 | https://www.kap.org.tr/tr/Bildirim/1014250 |

Corporate Governance Information Form *(continued)*

| | |
|--|---|
| 2. DISCLOSURE AND TRANSPARENCY | |
| 2.1. Corporate Website | |
| Specify the name of the sections of the website providing the information requested by the Principle 2.1.1. | Listed at Bank's Corporate Website's Investor Relations Section: (https://www.qnbfinansbank.com/en/investor-relations) |
| If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares. | Listed at Bank's Corporate Website's Investor Relations Section under the Corporate Governance Subsection under the title 'Shareholder Structure' (https://www.qnbfinansbank.com/en/investor-relations/shareholder-structure) |
| List of languages for which the website is available | Turkish and English |
| 2.2. Annual Report | |
| 2.2.2. The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle | |
| a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members | Information on duties of the Board members and Senior Management conducted outside of the Bank was given in Annual Report 2022 under sections "Board of Directors" and "Senior Management" |
| b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure | Annual Report 2022 - Committees under the Board of Directors |
| c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings | Annual Report 2022 - Participation in Board and Board Committee Meetings |
| ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation | Annual Report 2022 - Additional Information on the Activities of the Bank |
| d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof | Annual Report 2022 - Additional Information on the Activities of the Bank |
| e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest | None |
| f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5% | No cross ownership |
| g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results | Annual Report 2022 – Human Resources |
| 3. STAKEHOLDERS | |
| 3.1. Corporation's Policy on Stakeholders | |
| The name of the section on the corporate website that demonstrates the employee remedy or severance policy | - |
| The number of definitive convictions the company was subject to in relation to breach of employee rights | 47 |
| The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism) | Ombudsman and Internal Audit |
| The contact detail of the company alert mechanism | Notifications can be submitted to Internal Audit via mail: ihbarhatti@qnbfinansbank.com ; Bank employees may also report their complaints and/or notices by contacting the ombudsman. |
| 3.2. Supporting the Participation of the Stakeholders in the Corporation's Management | |
| Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies | As there are no written internal regulations, participation of employees is ensured in all projects and studies conducted in line with the strategic priorities of the Bank. |
| Corporate bodies where employees are actually represented | Employees are encouraged to take part in decision making through committee memberships of middle-and upper- level management and also intranet portals, which serve a means for employees to submit their opinions and suggestions. |

| | |
|--|--|
| 3.3. Human Resources Policy | |
| The role of the board on developing and ensuring that the company has a succession plan for the key management positions | As there are succession plans for the key management positions, these are regularly reviewed by the General Manager, who is at the same time a Executive Board Member and re-evaluated by the Board of Directors if needed. |
| The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy. | Although human resources policies are not available on the Bank's corporate website, the relevant regulations are summarized in the Human Resources Section of the Annual Report 2022. |
| Whether the company provides an employee stock ownership programme | There isn't an employee stock ownership programme. |
| The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy. | Although the human resources policy is not available on the corporate website, the relevant regulations are summarized in the Human Resources Section of the Annual Report 2022. |
| The number of definitive convictions the company is subject to in relation to health and safety measures | None |
| 3.5. Ethical Rules and Social Responsibility | |
| The name of the section on the corporate website that demonstrates the code of ethics | Although there is no Ethical Rules Policy approved by the Board of Directors, there is an "Anti-Bribery and Anti-Corruption Policy" available on the Bank's corporate website. In addition, there are "QNB Finansbank Finance Professionals Code of Conduct Procedure" and "QNB Finansbank Employees Code of Conduct Procedure" published by the Board of Directors decision. |
| The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues. | Although there is no corporate social responsibility report published on the corporate website, Studies in this area can be accessed from the Corporate Social Responsibility and Sponsorships Section of the Bank's corporate website. Sustainability Policy, Environmental and Social Risk Management Policy and other sustainability policies are also available on the Sustainability Section of the Bank's corporate website. (https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-related-policies) |
| Any measures combating any kind of corruption including embezzlement and bribery | QNB Finansbank Anti-Bribery and Corruption Policy is published at the QNB Finansbank's corporate website (About QNB Finansbank-Policies - https://www.qnbfinansbank.com/en/about-qnb-finansbank/policies) |
| 4. BOARD OF DIRECTORS-I | |
| 4.2. Activity of the Board of Directors | |
| Date of the last board evaluation conducted | The self-evaluation process of the Board of Directors for 2022 was made in March 2023. |
| Whether the board evaluation was externally facilitated | No |
| Whether all board members released from their duties at the GSM | Yes |
| Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties | No delegated duties and/or authorities |
| Number of reports presented by internal auditors to the audit committee or any relevant committee to the board | The Internal Control Unit submitted 4 reports to the Audit Committee in 2020 (an activity report for each quarter) |
| Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls | Annual Report 2022 -Evaluations of the Audit Committee on the activities of Internal Control, Internal Audit and Risk Management Systems and Information about their activities in the accounting period |
| Name of the Chairman | Dr. Mehmet Ömer Arif Aras |
| Name of the CEO | Osman Ömür Tan |
| If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles | The roles of the Chairman and CEO are undertaken by different individuals. |
| Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital | As any damage that may be caused by the members of the board of directors during the discharge of their duties has been insured by professional liability insurance, the coverage amount is below 25% of the capital. |
| The name of the section on the corporate website that demonstrates current diversity policy targeting women directors | - |
| The number and ratio of female directors within the Board of Directors | The Board of Directors consists of 11 members, of which 3 are female. |

Corporate Governance Information Form *(continued)*

| Board Members | | | | |
|--------------------------------|---|---------------------------------|----------------------------------|--|
| Name-Surname | Real Person Acting on Behalf of Legal Person Member | Independent Board Member or not | The First Election Date To Board | |
| Dr. Ömer Arif Aras | Non-executive | Not independent director | 16.04.2010 | |
| Yousef Mahmoud H. N. Al-Neama | Non-executive | Not independent director | 28.05.2019 | |
| Adel Ali M. A. Al-Malki | Non-executive | Not independent director | 28.05.2019 | |
| Esel Yıldız Çekin | Non-executive | Independent director | 2.09.2022 | |
| Ali Teoman Kerman | Non-executive | Independent director | 16.04.2013 | |
| Durmuş Ali Kuzu | Non-executive | Independent director | 25.08.2016 | |
| Fatma Abdulla S. S. Al Suwaidi | Non-executive | Not independent director | 16.06.2016 | |
| Noor Mohd J. A. Al-Naimi | Non-executive | Independent director | 22.06.2017 | |
| Temel Güzeloğlu | Non-executive | Not independent director | 1.01.2022 | |
| Ramzi T. A. Mari | Non-executive | Independent director | 16.06.2016 | |
| Osman Ömür Tan | Executive (CEO) | Not independent director | 1.01.2022 | |

| | Link To PDP Notification That Includes The Independency Declaration | Whether the Independent Director Considered By The Nomination Committee | Whether She/He lost the Independence or Not | Whether the Director has at Least 5 Years' Experience on Audit, Accounting and/or Finance or not |
|--|---|--|--|---|
| | - | - | (No) | (Yes) |
| | - | - | (No) | (Yes) |
| | - | - | (No) | (Yes) |
| | - | It was considered by the Corporate Governance Committee | (No) | (Yes) |
| | Members of the Audit Committee are considered as independent members within the scope of Article 6 of the Corporate Governance Communiqué | Not considered | (No) | (Yes) |
| | Members of the Audit Committee are considered as independent members within the scope of Article 6 of the Corporate Governance Communiqué | Not considered | (No) | (Yes) |
| | - | - | (No) | (Yes) |
| | Members of the Audit Committee are considered as independent members within the scope of Article 6 of the Corporate Governance Communiqué | Not considered | (No) | (Yes) |
| | - | - | (No) | (Yes) |
| | Members of the Audit Committee are considered as independent members within the scope of Article 6 of the Corporate Governance Communiqué | Not considered | (No) | (Yes) |
| | - | - | (No) | (Yes) |

Corporate Governance Information Form *(continued)*

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|---|--|
| 4. BOARD OF DIRECTORS-II | |
| 4.4. Meeting Procedures of the Board of Directors | |
| Number of physical board meetings in the reporting period (meetings in person) | The Board of Directors held 7 meetings physically in 2022. In addition, the Board of Directors took various resolutions within the scope of Article 390 of the Turkish Commercial Code in 2022 without having a meeting. |
| Director average attendance rate at board meetings | 97.40% |
| Whether the board uses an electronic portal to support its work or not | Evet (Yes) |
| Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter | Information and documents are submitted to the Board of Directors at least 5 days prior to the board meeting. |
| The name of the section on the corporate website that demonstrates information about the board charter | QNB Finansbank Corporate Website – Investor Relations – Corporate Governance (https://www.qnbfinansbank.com/en/investor-relations/corporate-governance) |
| Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors | Limits specified in the banking legislation are applied. |
| 4.5. Board Committees | |
| Page numbers or section names of the annual report where information about the board committees are presented | Annual Report 2022 - Committees under the Board of Directors |
| Link(s) to the PDP announcement(s) with the board committee charters | As there is no PDP notification link, the working principles are summarized in the annual report. Annual Report 2022 - Committees under the Board of Directors |

| Composition of Board Committees-I | | | | |
|---|---|-----------------------------------|--------------------------------|---|
| Names Of The Board Committees | Name Of Committees Defined As "Other" In The First Column | Name-Surname of Committee Members | Whether Committee Chair Or Not | Whether Board Member Or Not |
| Kurumsal Yönetim Komitesi (Corporate Governance Committee) | - | Ramzi T. A. Mari | Evet (Yes) | Yönetim kurulu üyesi (Board member) |
| Kurumsal Yönetim Komitesi (Corporate Governance Committee) | - | Ali Teoman Kerman | Hayır (No) | Yönetim kurulu üyesi (Board member) |
| Kurumsal Yönetim Komitesi (Corporate Governance Committee) | - | Burcu Günhar | Hayır (No) | Yönetim kurulu üyesi değil (Not board member) |
| Denetim Komitesi (Audit Committee) | - | Ali Teoman Kerman | Evet (Yes) | Yönetim kurulu üyesi (Board member) |
| Denetim Komitesi (Audit Committee) | - | Ramzi T. A. Mari | Hayır (No) | Yönetim kurulu üyesi (Board member) |
| Denetim Komitesi (Audit Committee) | - | Durmuş Ali Kuzu | Hayır (No) | Yönetim kurulu üyesi (Board member) |
| Denetim Komitesi (Audit Committee) | - | Noor Mohd J A Al-Naimi | Hayır (No) | Yönetim kurulu üyesi (Board member) |
| Riskin Erken Saptanması Komitesi (Committee of Early Detection of Risk) | - | Mehmet Ömer Arif Aras | Hayır (No) | Yönetim kurulu üyesi (Board member) |
| Riskin Erken Saptanması Komitesi (Committee of Early Detection of Risk) | - | Fatma Abdulla S S Al-Suwaidi | Hayır (No) | Yönetim kurulu üyesi (Board member) |
| Riskin Erken Saptanması Komitesi (Committee of Early Detection of Risk) | - | Adel Ali M A Al-Malki | Hayır (No) | Yönetim kurulu üyesi (Board member) |
| Riskin Erken Saptanması Komitesi (Committee of Early Detection of Risk) | - | Ali Teoman Kerman | Hayır (No) | Yönetim kurulu üyesi (Board member) |
| Diğer (Other) | Credit Committee | Ömer Arif Aras | Hayır (No) | Yönetim kurulu üyesi (Board member) |
| Diğer (Other) | Credit Committee | Temel Güzeloğlu | Hayır (No) | Yönetim kurulu üyesi (Board member) |
| Diğer (Other) | Credit Committee | Fatma Abdulla S S Al-Suwaidi | Hayır (No) | Yönetim kurulu üyesi (Board member) |
| Diğer (Other) | Credit Committee | Yousef Mahmoud H N Al-Neama | Hayır (No) | Yönetim kurulu üyesi (Board member) |
| Diğer (Other) | Credit Committee | Osman Ömür Tan | Hayır (No) | Yönetim kurulu üyesi (Board member) |
| Diğer (Other) | Credit Committee | Noor Mohd J A Al-Naimi | Hayır (No) | Yönetim kurulu üyesi (Board member) |
| Diğer (Other) | Credit Committee | Ramzi T. A. Mari | Hayır (No) | Yönetim kurulu üyesi (Board member) |
| Ücret Komitesi (Remuneration Committee) | - | Temel Güzeloğlu | Hayır (No) | Yönetim kurulu üyesi (Board member) |
| Ücret Komitesi (Remuneration Committee) | - | Yousef Mahmoud H N Al-Neama | Hayır (No) | Yönetim kurulu üyesi (Board member) |

Corporate Governance Information Form *(continued)*

| | |
|---|---|
| 4. BOARD OF DIRECTORS-III | |
| 4.5. Board Committees-II | |
| Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website) | Annual Report 2022 - Committees under the Board of Directors |
| Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website) | Annual Report 2022 - Committees under the Board of Directors |
| Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website) | Annual Report 2022 - Committees under the Board of Directors |
| Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website) | Annual Report 2022 - Committees under the Board of Directors |
| Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website) | Annual Report 2022 - Committees under the Board of Directors |
| 4.6. Financial Rights | |
| Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report) | Annual Report 2022 - Assessment of the Bank's Financial Position, Profitability and Solvency |
| Specify the section of website where remuneration policy for executive and non-executive directors are presented. | None |
| Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report) | Disclosed in the Annual Report 2022 under Financial Reports Section - Section Five Footnote VII.1.4. titled "Information regarding benefits provided to the top management" |

| Composition of Board Committees-II | | | | | |
|---|--|--|---|--|---|
| Names Of The Board Committees | Name of committees defined as "Other" in the first column | The Percentage Of Non-executive Directors | The Percentage Of Independent Directors In The Committee | The Number Of Meetings Held In Person | The Number Of Reports On Its Activities Submitted To The Board |
| Denetim Komitesi (Audit Committee) | - | 100% | 100% | 17 | 4 |
| Kurumsal Yönetim Komitesi (Corporate Governance Committee) | - | 67% | 67% | 5 | 1 |
| Riskin Erken Saptanması Komitesi (Committee of Early Detection of Risk) | - | 100% | 25% | 12 | 1 |
| Diğer (Other) | Kredi Komitesi (Credit Committee) | 86% | 29% | 35 | - |
| Ücret Komitesi (Remuneration Committee) | - | 100% | 0% | 7 | 1 |

Compliance Statement on Sustainability Principles

| | | Compliance Status | | | | Explanation | Report Information/ Link To Public Disclosed Information |
|-------|--|-------------------|----|---------|-------------------|---|---|
| | | Yes | No | Partial | Not Applicable | | |
| | A. General Principles | | | | | | |
| | A1. Strategy, Policies and Goals | | | | | | |
| A1.1. | Priority Environmental, Social and Corporate Governance (ESG) issues, risks and opportunities have been determined by the partnership's Board of Directors. | x | | | | Board of Directors identifies the Environmental, Social, Governance (ESG) material issues, risks and opportunities, and discloses its sustainability performance to the public on an annual basis in sustainability report, according to the GRI guideline. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability-reports |
| | ESG policies (eg Environmental Policy, Energy Policy, Human Rights and Employee Policy etc.) have been created and disclosed to the public by the partnership's Board of Directors. | x | | | | The Board of Directors creates ESG policies, the Sustainability Policy and supporting ESG policies are approved by the Board of Directors and published in the sustainability section of the Bank's corporate website. | Sustainability Related Policies: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability-related-policies |
| A1.2. | Short- and long-term targets set within the scope of ESG policies have been disclosed to the public. | x | | | | The Bank's sustainability strategy, framework, short and long-term goals and materiality matrix created according to the United Nations Sustainable Development Goals (UN SDGs) are announced to the public in the sustainability reports and in the sustainability section of the corporate website. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability-reports |
| | A2. Implementation/ Monitoring | | | | | | |
| A2.1. | The committees and/or units responsible for the implementation of ESG policies and the highest-level officials in the partnership related to ESG issues and their duties have been identified and disclosed to the public. | x | | | | The Sustainability Committee is responsible for the overall management and oversight of the sustainability strategy and performance. The Sustainability Team is responsible for the execution of all the Bank's sustainability efforts, their compliance with the QNB Group's strategies and policies, and all sustainability reporting issues. Moreover, Sustainability Working Groups are composed of representatives of relevant business lines and units within the Bank, and create and execute projects and action plans related to sustainability. | Sustainability Governance & Management: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability-governance-and-management |
| | Activities carried out within the scope of policies by the responsible committee and/or unit have been reported to the Board of Directors at least once a year. | x | | | | The Sustainability Committee, which is responsible for the general management as well as oversight of the sustainability strategy and performance, is in charge on informing the Corporate Governance Committee and the Board of Directors on relevant issues at least twice a year and with the required frequency and reporting on sustainability activities. | Sustainability Governance & Management: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability-governance-and-management |

| | | Compliance Status | | | | Explanation | Report Information/ Link To Public Disclosed Information |
|-------|--|-------------------|----|---------|-------------------|--|---|
| | | Yes | No | Partial | Not Applicable | | |
| A2.2. | According to the ESG targets, implementation and action plans have been created and disclosed to the public. | x | | | | Project and action plans have been created within the scope of short- and long-term targets and reported to the Board of Directors and relevant committees. Although the relevant project/action plans are not disclosed to the public. Performance outputs and key performance indicators are presented to the public periodically and comparatively with sustainability reports. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability-reports |
| A2.3. | The ESG Key Performance Indicators (KPIs) and the level of reaching these indicators have been disclosed to the public on a yearly basis. | x | | | | The identified Key Performance Indicators (KPIs) of the Bank are disclosed in sustainability reports as a comparison over the years. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability-reports |
| A2.4. | Activities to improve the sustainability performance of business processes or products and services have been disclosed to the public. | x | | | | Activities to improve the sustainability performance of business processes, products and services are disclosed in the relevant sections of the sustainability reports and annual reports. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability-reports |
| | A3. Reporting | | | | | | |
| A3.1. | In the annual reports, information regarding the sustainability performance, targets and actions of the partnership is given in a comprehensible, accurate and sufficient manner. | x | | | | Although the Bank's Compliance with the Capital Markets Board of Türkiye, Sustainability Principles is explained in the annual report; The Bank's sustainability performance, targets and sustainability activities are announced to the public on an annual basis with the sustainability report. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability-reports Annual Reports https://www.qnbfinansbank.com/en/investor-relations/financial-information |
| A3.2. | Information on which of Bank's activities are related to the UN SDGs has been disclosed to the public by the partnership. | x | | | | The Bank's sustainability reports provide information on its sustainability priorities and activities related to the relevant UN SDGs. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability-reports |
| A3.3. | Lawsuits filed and/or concluded against ESG issues, which are important in terms of ESG policies and/or would be significantly affect activities, have been disclosed to the public. | x | | | | Disclosures regarding lawsuits filed and/or concluded against ESG issues are published in the relevant sections of the Bank's sustainability and/or annual reports. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability-reports Annual Reports https://www.qnbfinansbank.com/en/investor-relations/financial-information |

Compliance Statement on Sustainability Principles *(continued)*

| | | Compliance Status | | | | Explanation | Report Information/ Link To Public Disclosed Information |
|-------|---|-------------------|----|---------|-------------------|---|--|
| | | Yes | No | Partial | Not Applicable | | |
| | A4. Verification | | | | | | |
| A4.1. | The Partnership's ESG Key Performance Metrics have been verified and publicly disclosed by an independent third party. | | | x | | <p>Sustainability performance measurements are prepared according to the Global Reporting Initiative (GRI) Sustainability Reporting Guide Core Implementation Level and Financial Services Sector Supplement. They are not verified by an independent third party. In the upcoming period, it is considered to obtain assurance from an independent party for sustainability reporting.</p> <p>In addition, in order to demonstrate the environmental performance of the Bank, ISO 14001: Environmental Management System Certificate has been obtained in 2022 and shared with the public on the website. Moreover, carbon footprint for 2021 data has been calculated for scope 1, scope 2 and scope 3 (excluding category 15) regarding ISO 14064-1:2006, and scope 1 and 2 carbon footprint calculations were verified by third parties and shared on the website.</p> | <p>Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports</p> <p>ISO 14001: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports</p> <p>ISO 14064-1: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports</p> |
| | B. Environmental Principles | | | | | | |
| B1. | The partnership has made public its policies and practices, action plans, environmental management systems (known by the ISO 14001 standard) and programs in the field of environmental management. | x | | | | <p>QNB Finansbank strives to develop different methods and implement different practices to increase operational efficiency and reduce the environmental impact of its operations. Acting with the awareness that the biggest environmental impacts arise "indirectly" due to the lending processes. The Bank also takes actions to responsibly manage the "direct" impact and environmental footprint resulting from its own activities. Therefore, it aims to reduce its environmental impacts by choosing environmentally friendly devices for electrical and mechanical projects, controlling buildings through automation systems, and taking actions to reduce energy and paper consumption. Carrying out the necessary work for the operation of an environmental management system at international standards, the Bank received the ISO 14001 Environmental Management System Certificate, covering the Kristal Tower (Headquarters Building), Erzurum Operations Building, and Umraniye E Block Building.</p> | <p>Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports</p> <p>ISO 14001: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports</p> <p>ISO 14064-1: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports</p> |

| | | Compliance Status | | | | Explanation | Report Information/ Link To Public Disclosed Information |
|-----|--|-------------------|----|---------|-------------------|---|--|
| | | Yes | No | Partial | Not Applicable | | |
| B2. | The scope of the report, the reporting period, the reporting date, and the limitations regarding the reporting conditions have been disclosed to the public about the environmental reports prepared in providing information on environmental management. | x | | | | In the “About the Report” sections of the sustainability reports, the boundary of the report, the reporting period and reporting principles are detailed. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |
| B3. | It is given in A2.1. | x | | | | The Bank; within the scope of “Management of Environmental Impacts of Operations”, one of the sustainability priorities that aims to determine the climate change strategy, to identify and manage the direct and indirect effects of its operations. The management and oversight of studies on environment and climate change is the responsibility of the Sustainability Committee. In addition to contributing to the fight against climate change by reducing its environmental footprint, the Bank also aims to manage its indirect environmental and social risks by assessing the environmental and social impacts of the projects it finances and creating a roadmap for limiting and/or eliminating the environmental and social impacts of the projects in question. Moreover, 2022 Carbon Disclosure Project (CDP) Climate Change Governance topic, the Bank’s approach to the environment and climate change is presented in detail. | Sustainability & CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |
| B4. | Environmental targets included in the rewarding criteria within the scope of performance incentive systems on the basis of stakeholders (such as members of the Board of Directors, managers and employees) have been disclosed to the public. | | | x | | The Bank provides incentives related to climate change to all its employees, beginning from the top management level. In addition, a systematic incentive mechanism has been established for the Bank’s senior management, but it has not been disclosed to the public. | CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |

Compliance Statement on Sustainability Principles *(continued)*

| | | Compliance Status | | | | Explanation | Report Information/ Link To Public Disclosed Information |
|-----|--|-------------------|----|---------|-------------------|--|---|
| | | Yes | No | Partial | Not Applicable | | |
| B5. | How the priority environmental issues are integrated into business objectives and strategies has been disclosed to the public. | x | | | | The targets and strategies regarding the management of environmental risks arising from the Bank's own activities are detailed in the relevant sections of the Sustainability Report. In order to ensure that indirect environmental impacts are included in business goals and strategies, the installation of the Environmental and Social Risk Management Policy has been completed in 2020 and shared on the web site. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports Sustainability Related Policies: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-related-policies |
| B6. | It is given in A2.4. | x | | | | KPIs and remedial actions are detailed in the relevant sections of the sustainability and annual reports. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |
| B7. | It has been publicly disclosed how environmental issues are managed and integrated into business objectives and strategies throughout the partnership value chain, including the operational process, suppliers and customers. | | | x | | The Bank takes the utmost care to conduct direct operations along the value chain and actions taken in this regard. The relevant provisions of the sustainability report are detailed. However, there is currently no Responsible Sourcing/Supply Chain Management Policy approved by the Board of Directors. In the upcoming period, the publication is planned for the relevant policy. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |
| B8. | Whether relevant organizations and non-governmental organizations on the environment are involved in the policy-making processes and the collaborations with these institutions and organizations have been disclosed to the public. | x | | | | The Bank's environmental memberships and collaborations are reported in detail in the memberships section of the sustainability reports. In addition, it contributes to the meetings and working groups of the organizations. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |

| | | Compliance Status | | | | Explanation | Report Information/ Link To Public Disclosed Information |
|------|---|-------------------|----|---------|-------------------|--|--|
| | | Yes | No | Partial | Not Applicable | | |
| B9. | Environmental indicators (Greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity impacts) Information about the impacts of the company is disclosed to the public on a comparable basis periodically. | | | x | | Environmental indicators, that are directly related to the Bank's activities, are calculated periodically and comparatively, and shared with the public through sustainability & CDP reports and ISO certificates. | Sustainability & CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports ISO 14001: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports ISO 14064-1: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |
| B10. | Details of the standard, protocol, methodology, and base year used to collect and calculate data have been made public. | x | | | | International standards and methodologies have been used in data collection and calculation. The protocol methodology and base year details for the carbon footprint calculation and ISO 14001 Environmental Management Certificate are presented in the ISO certificates and sustainability reports on the website. | Sustainability & CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports ISO 14001: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports ISO 14064-1: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |
| B11. | Compared to previous years, the increase or decrease of environmental indicators for the report year has been disclosed to the public. | x | | | | In sustainability reports, environmental indicators are presented as a comparison with previous years. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |
| B12. | Short and long-term targets have been determined to reduce their environmental impacts, and the progress of these targets. These targets decided in previous years has been disclosed to the public. | | | x | | In the sustainability reports, science-based short and long-term targets are not disclosed, and the Bank is working to determine its science-based targets and to announce these targets to the public in the upcoming periods. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |
| B13. | A strategy to combat the climate crisis has been created and the planned actions have been publicly announced. | x | | | | The strategy and actions to combat the climate crisis are explained in the 2022 CDP Climate Change Report. | CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |

Compliance Statement on Sustainability Principles *(continued)*

| | | Compliance Status | | | | Explanation | Report Information/ Link To Public Disclosed Information |
|------|--|-------------------|----|---------|----------------|--|---|
| | | Yes | No | Partial | Not Applicable | | |
| B14. | Programs or procedures have been established and disclosed to the public in order to prevent or minimize the potential negative impact of products and/or services on the environment. | x | | | | The Bank's Environmental and Social Risk Management Policy, approved by the Board of Directors, has been created to prevent the potential negative impact of services on the environment and has been published on the corporate website. | Sustainability Related Policies: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-related-policies |
| | Actions have been taken to reduce greenhouse gas emissions of third parties (eg suppliers, subcontractors, dealers, etc.) and these actions have been disclosed to the public. | x | | | | As of 2021, through the evaluation of environmental and social risks in lending processes, actions for the limitation of potential negative effects by third parties have been carried out. The Bank's Environmental and Social Risk Management Policy, approved by the Board of Directors, has been published on the corporate website. | Sustainability Related Policies: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-related-policies |
| B15. | The environmental benefits and cost savings of initiatives and projects aimed at reducing environmental impacts have been disclosed to the public. | x | | | | The results of the actions taken to reduce environmental impacts are shared in the relevant sections of the sustainability reports on a project basis. In addition, studies and actions to reduce environmental impacts are explained in the 2022 CDP Climate Change Report. | CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |
| B16. | Energy consumption (natural gas, diesel, gasoline, LPG, coal, electricity, heating, cooling, etc.) data are publicly disclosed as Scope-1 and Scope-2. | x | | | | Energy consumption data is calculated periodically and comparatively. Scope 1 and Scope 2 data are disclosed in the 2022 CDP Climate Change Report. | CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |
| B17. | Public disclosure has been made about the electricity, heat, steam and cooling produced in the reporting year. | x | | | | The main consumption data within the scope of the Bank's operations are shared in detail in the relevant sections of the sustainability reports. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |
| B18. | Studies on increasing the use of renewable energy and the transition to zero or low carbon electricity have been made and publicly announced. | x | | | | Utmost care is taken to increase the use of renewable energy sources. Studies on the transition to zero or low carbon electricity are described in the 2022 CDP Climate Change Report. In 2022, 100% of electricity consumption was compensated by renewable energy sources. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |
| B19. | Renewable energy production and usage data is publicly disclosed. | x | | | | In 2022, 100% of electricity consumption was compensated by renewable energy sources. Energy consumption data is disclosed in sustainability reports. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |

| | | Compliance Status | | | | Explanation | Report Information/ Link To Public Disclosed Information |
|---|--|-------------------|----|---------|-------------------|--|---|
| | | Yes | No | Partial | Not Applicable | | |
| B20. | Energy efficiency projects have been carried out and the amount of energy consumption and emission reduction achieved through energy efficiency projects has been disclosed to the public. | x | | | | The results of the actions to increase energy efficiency on a project basis are shared in the relevant parts of the sustainability reports. In addition, energy consumption and emission reduction amounts are included in the 2022 CDP Climate Change Report. | Sustainability & CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |
| B21. | Water consumption, if any, amounts of water drawn, recycled and discharged from underground or above ground, its sources and procedures have been disclosed to the public. | | | x | | While the Bank presents the total water consumption data comparatively in its sustainability reports, the recycled water consumption, etc.it is planned to give detailed information in the next years. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |
| B22. | It has been publicly disclosed whether its operations or activities are included in any carbon pricing system (Emissions Trading System, Cap & Trade or Carbon Tax). | | | | x | There is no Emissions Trading System (ETS) in Türkiye. | - |
| B23. | Information on carbon credits accumulated or purchased during the reporting period has been disclosed to the public. | x | | | | The Bank obtained a carbon credit (I-REC Certificate) in 2022 to zero its emissions from electricity. | CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |
| B24. | If carbon pricing is applied within the partnership, the details are disclosed to the public. | | x | | | Studies continue on this subject. | Sustainability & CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |
| B25. | The platforms where the partnership discloses its environmental information are publicly disclosed. | x | | | | The Bank discloses its environmental information within the scope of sustainability and CDP Climate Change reports and publishes it on its website. | Sustainability & CDP Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |
| C. Social Principles | | | | | | | |
| C1. Human Rights and Employee Rights | | | | | | | |
| C1.1. | The Corporate Human Rights and Employee Rights Policy has been established to cover the Universal Declaration of Human Rights, ILO Conventions ratified by Türkiye and other relevant legislation, those responsible for the implementation of the policy have been determined and the policy and those responsible have been disclosed to the public. | | | x | | Human Rights and Employee Rights are mentioned in the Sustainability Policy. | Sustainability Related Policies: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-related-policies |

Compliance Statement on Sustainability Principles *(continued)*

| | | Compliance Status | | | | Explanation | Report Information/ Link To Public Disclosed Information |
|-------|---|-------------------|----|---------|-------------------|---|---|
| | | Yes | No | Partial | Not Applicable | | |
| C1.2. | Considering the effects of supply and value chain, fair workforce, improvement of labor standards, women's employment and inclusion issues (gender, race, religion, language, marital status, ethnic identity, sexual orientation, gender identity, family responsibilities, union activities, political opinion, disability, social and cultural differences, etc., such as non-discrimination) are included in its policy on employee rights. | x | | | | QNB Finansbank respects the human rights of everyone who affected by its activities; it ensures that everyone is treated with dignity and equally, regardless of race, religion, gender, age or language. The Bank offers its employees a working environment where they are treated with justice, equality and respect. The issues of providing equal remuneration and development opportunities, establishing complaint mechanisms, preventing discrimination, ensuring job security and safety of employees are assessed within this framework. QNB Finansbank expects its customers and suppliers to respect human rights, prevents child labor and forced labor within its workforce and supply chain. | Sustainability Related Policies: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-related-policies |
| C1.3. | Measures taken along the value chain regarding the observance of certain economic, environmental, social factors (low-income groups, women, etc.) or minority rights/equality of opportunity have been publicly disclosed. | | x | | | Studies are continued to report the actions taken along the value chain and to establish relevant ESG policies. | - |
| C1.4. | Developments regarding preventive and corrective practices against discrimination, inequality, human rights violations, forced and child labor have been disclosed to the public. | x | | | | Actions taken and related regulations are disclosed to the public in the Bank's related ESG policies, sustainability reports and the sustainability section of the corporate website. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports Sustainability Related Policies: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-related-policies |
| C1.5. | Investments in employees (training, development policies), compensation, fringe benefits, right to unionize, work/life balance solutions and talent management are included in the employee rights policy. Dispute resolution processes have been determined by establishing mechanisms for employee complaints and resolution of disputes. | x | | | | Relevant information is disclosed in annual and sustainability reports as well as in the Sustainability Policies. | Sustainability Related Policies: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-related-policies Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |

| | | Compliance Status | | | | Explanation | Report Information/ Link To Public Disclosed Information |
|--------|---|-------------------|----|---------|-------------------|---|--|
| | | Yes | No | Partial | Not Applicable | | |
| | Activities carried out within the reported period to ensure employee satisfaction have been disclosed to the public. | | | | | | Annual Reports https://www.qnbfinansbank.com/en/investor-relations/financial-information |
| C1.6. | Occupational health and safety policies have been established and disclosed to the public. Measures taken to prevent occupational accidents and protect health and accident statistics have been disclosed to the public. | | | x | | Statistics on occupational accidents are published in sustainability reports over the years. The relevant policies and procedures of the Bank have not been disclosed to the public. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |
| C1.7. | Personal data protection and data security policies have been established and disclosed to the public. | | | x | | The Bank has relevant policies, but they have not been disclosed to the public. | - |
| C1.8. | Ethics policy is established and disclosed to the public | | | x | | Different regulations/instructions/procedures have been established for the listed activities, and there is no Ethics Policy that covers all of them and has been disclosed to the public. Additionally, there is an Employee Code of Conduct Procedure | Employee Code of Conduct Procedure: https://www.qnbfinansbank.com/medium/document-file-1802.vsf |
| C1.9. | Explains its work on social investment, social responsibility, financial inclusion and access to finance. | x | | | | Many studies are carried out within the specified scopes. It is disclosed to the public in the relevant sections of the sustainability report. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |
| C1.10. | Information meetings and training programs have been organized for employees on ESG policies and practices. | x | | | | In addition to general awareness-raising activities and/or trainings on sustainability, trainings and meetings specific to ESG policies and practices are organized, and utmost care is taken to increase the participation of relevant employees. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |
| | C2. Stakeholders, International Standards and Initiatives | | | | | | |
| C2.1. | The customer satisfaction policy regarding the management and resolution of customer complaints has been prepared and disclosed to the public. | | | x | | The Bank has relevant policies and procedures, but they have not been disclosed to the public. | - |
| C2.2. | Information about the communication with stakeholders (which stakeholder, subject and frequency) is publicly disclosed. | x | | | | It takes the utmost care to ensure continuous and transparent communication with its stakeholders. Detailed information on Stakeholder Engagement and Communication is shared in the sustainability reports. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |

Compliance Statement on Sustainability Principles *(continued)*

| | | Compliance Status | | | | Explanation | Report Information/ Link To Public Disclosed Information |
|-------|--|-------------------|----|---------|-------------------|--|---|
| | | Yes | No | Partial | Not Applicable | | |
| C2.3. | International reporting standards adopted in reporting are explained. | x | | | | The Bank explains the international reporting standards it has adopted in its sustainability reporting. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |
| C2.4. | Principles adopted, signatory or member international organizations, committees and principles regarding sustainability have been disclosed to the public. | x | | | | The Bank discloses the institutions and principles as a signatory to in its sustainability reports. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |
| C2.5. | Improvements have been made and studies have been carried out to be included in the sustainability indices of Borsa Istanbul and/or international index providers. | | x | | | Participation in the indices is evaluated. | - |
| | D. Corporate Governance Principles | | | | | | |
| D1. | Opinions of stakeholders have been sought in the determination of measures and strategies regarding sustainability. | x | | | | In all processes, the opinions of the relevant stakeholders are sought as well as their contributions to processes and strategies are encouraged. | - |
| D2. | Social responsibility projects, awareness activities and trainings have been carried out to raise awareness about the issue of sustainability and its importance. | x | | | | To decide the Corporate Governance Strategy, developments related to sustainability, national and international best practices, sustainability priorities, targets and performance of the Bank are assessed. | Sustainability Reports: https://www.qnbfinansbank.com/en/about-qnb-finansbank/sustainability/sustainability-reports |

Additional Information on the Activities of the Bank

The Bank does not have a share repurchase program and has not bought back its own shares from the marketplace. The Bank's quarterly financial statements are subject to a limited review, whereas the annual financial statements are audited by an independent auditor. Moreover, the Bank is subject to constant surveillance under the scope of banking regulation and is subject to supervision of the Banking Regulation and Supervision Agency.

With regards to transactions carried out with the Bank's controlling main shareholder, namely Qatar National Bank Q.P.S.C. ("QNB"), and its related subsidiaries and affiliates, there exist no measures either taken in favour of the Bank or refrained from taken. Transactions and/or relevant legal deals among the group companies and related parties have been conducted on an arms-length principle and go through the regular procedures and principles as if they are conducted with an independent third party. There have been no actions taken to the detriment of the Bank either by the controlling main shareholder or its affiliates.

With regards to the Competition Board investigation, which had been initiated on 02.11.2011 and completed on 11.03.2013, against several banks including QNB Finansbank A.Ş., the Bank had paid an administrative fine in the amount of TL40.5 million. The annual action correspondingly filed by the Bank against the Competition Board resolution has finalized against the Bank. The Bank has applied to the Constitutional Court regarding such decision and the judicial process is still ongoing.

All legal transactions realized with the controlling company and other affiliated companies thereof, details of which are provided in the Affiliation Reports, have, to the best of the Bank's knowledge of circumstances and market conditions, been done so against compatible counter actions. No measures have been taken or avoided to be taken, and the Bank has suffered no damages. As a result of an inspection of financial transactions the Bank had realized with the controlling company and other affiliated companies thereof, as per Art. 199 of the Turkish Commercial Code, all transactions conducted by the Bank were compatible with ensuing market conditions and precedents, performed on an arms-length basis.

Risk management

Prudent risk management and thorough audit&control processes are fundamental components of QNB Finansbank's success, safeguarding its clients, its business and its own reputation.





Evaluations of the Audit Committee on the Activities of Internal Control, Internal Audit and Risk Management Systems and Information About Their Activities in the Accounting Period

Evaluations of the Audit Committee on the Activities of Internal Control, Internal Audit and Risk Management Systems and Information About Their Activities in the Accounting Period

Evaluations of the Audit Committee on the Activities of Internal Control, Internal Audit and Risk Management Systems and Information about their Activities in the Accounting Period

The Audit Committee is established pursuant to the provisions of Banking Law No. 5411 and Regulation on Banks' Internal Systems and Internal Capital Adequacy Assessment Process (Regulation). Internal Audit, Risk Management and Internal Control and Compliance Departments of the internal functions report to the Audit Committee. The Audit Committee Office assists the Committee in fulfilling its duties and responsibilities.

Audit Committee is authorized, on behalf of the BoD, to supervise the effectiveness and adequacy of the Bank's internal systems, functioning of these systems as well as accounting and reporting systems in accordance with the Banking Law and applicable regulations, to ensure reliability and integrity of the information generated, to make necessary preliminary evaluations in selection of independent audit institutions and rating, valuation, support service institutions by the BoD. Moreover, it is responsible for regularly monitoring the activities of these institutions selected and contracted by the BoD and ensuring that internal audit activities of subsidiaries subject to consolidation as per relevant regulations of the Law are carried out in a consolidated manner and that such activities are in coordination with those of the Bank.

The Audit Committee convened seventeen times in 2022. Based on its observations and evaluations, the Audit Committee identified that the internal systems of the Bank were efficient and functioning as planned and internal controls systems were effective.

Moreover, the Audit Committee reviewed all support services procured by the Bank, ensured that necessary actions were taken to effectively manage the risks caused by these services and that the Bank complied with Regulation on Banks' Procurement of Support Services.

A summary of the activities performed by departments reporting to the Audit Committee is stated below.

Internal Audit Department:

The Internal Audit Department has accomplished its mission to support the Board to protect the Bank's assets, reputation and the sustainability of its activities in 2022. In order to ensure objectivity and independence required

when undertaking this mission, audit engagements were carried out and reported functionally and administratively through Audit Committee to the Banks' Board of Directors.

In 2022, engagements were performed and progress was achieved related to execution of the annual audit plan, findings follow-up, performing the audits in accordance with international quality standards, conducting subject based special examinations, reporting to internal and external stakeholders, contributing to the notion of risk in the audited areas and identifying areas for improvement, developing application areas in the QNB International Governance Model, improving Risk and Control Awareness program, and contributing to the Bank's strategies and actions after Covid-19.

In the post-pandemic normalization process, the remote working model was continued gradually, thus ensuring that the audit plan was carried out without any disruption, progress was achieved by applying data-oriented audit techniques over the data obtained from digital environment, and the effectiveness and efficiency of existing audit resources continued to be increased with the adaptation of modern audit techniques and development-oriented e-trainings.

The Department maintains its activities with 92 personnel and its competent sources in terms of quality and quantity. 1 Chief Audit Executive and 2 Deputy Chief Audit Executives are assigned as the Department's management staff. Six specialized units in the Department are "Credit Processes and Business line Audits", "Treasury, Financial, Risk Management and Model Audits", "Operational and Subsidiary Audits", "Branch Audits", "Fraud and Special Investigations" and "IT Audits".

Internal auditors are encouraged to acquire professional certifications available in their field, which is a prerequisite for promotion. 36% of the personnel have a postgraduate degree. After the results of the 2022 certification exams, total number of certified employees in CIA (Certified Internal Auditor) is 7, CISA (Certified Information Systems Auditor) is 14, CFE (Certified Fraud Examiner) is 6, and SMMM (Certified Public Accountant) is 3. Total number of certifications held by the employees of the Internal Audit Department is 60 and total number of employees obtaining certification is 25. According to the mentioned data, the rate of certified auditors of Internal Audit Department is 27%, which is above the target limit of 20%.

According to International Internal Audit Standards of Institute of Internal Auditors (IIA), Internal Audit Department Activities should be subject to External

Quality Assessment Reviews (QAR) once in every 5 years via an eligible and independent external organization. As it is required by the mentioned 5-year cycle, following the QAR received in 2013, another QAR was received in 2018 and Internal Audit Department compliance with Standards was certified by the independent audit company. Assurance provided by this certificate is continuously monitored. Within the scope of the 5-year evaluation cycle, the new QAR study is planned to be carried out in 2023.

QNB Finansbank Board of Directors are periodically informed about the activities of the department on a continuous basis via quarterly activity reports submitted through the Audit Committee. In the engagements carried out by the department in 2022, internal control system of audited areas was assessed under the framework of the annual audit plan, which was prepared considering all risk exposures of the Bank.

The internal audit reports prepared as a result of the audit engagements carried out by the department are submitted to the Senior Management, Audit Committee and Board of Directors. Actions taken to remediate the identified findings are followed up and regularly reported by the department throughout the year.

Audit activities consist of Head Office units, branches, subsidiaries and information technologies processes audits. In addition to planned and unplanned audit engagements, 2022 activities covered incident-based investigations and inspections, participation in various projects and consultancy services.

In 2022, risk assessments of group affiliates and subsidiaries were considered and audits, which should be carried out by the Internal Audit Department, were determined and performed accordingly. In addition to engagements performed in coordination with the internal audit units of related companies, internal audit departments of group affiliates and subsidiaries conducted audits as well and the results were monitored by QNB Finansbank Internal Audit Department via quarterly activity reports, monthly monitoring forms and Governance, Risk and Control software system named RSA Archer. In addition, attention was paid in order to maintain that the audit methodology of these units remained in line with the audit methodology of QNB Finansbank Internal Audit Department.

In the Information Technologies area, threats, risks and the control environment over criteria such as confidentiality, integrity and accessibility of information are examined and evaluated and assurance was given regarding adequacy of the control environment. In addition

to the information technologies audit engagements at QNB Finansbank group affiliates and subsidiaries, the department also monitors closely the effectiveness, adequacy and independence of internal audit control activities regarding information technologies and if required, provides necessary support to the units. Outsource companies, which provide services to information technologies, are also audited. Internal Audit Department utilizes computer assisted audit technologies, with use of these techniques various analytical queries can be run within the context of audit activities and if needed specific data or samples can be prepared for special use.

Governance, Risk and Control software system, RSA Archer, which was deployed in the beginning of 2018, was used effectively for audit/investigation entries, follow-up activities and report preparation throughout the year.

Similarly, system use was implemented by Internal Audit Departments of the subsidiaries and methodological integration was strengthened as a consequence. In branch audits, a web-based audit application named FAST, which was developed by the Bank, is still in use. Through the application, branch audit team members can create audit records, upload work papers, enter findings and track their current statuses via online and secure web connection and they can extract audit reports automatically from the system.

Following the activities completed in 2022, the Internal Audit Department accomplished its goals by providing independent and objective assurance and consultancy services as in previous years and contributed to the regular, systematic and disciplined evaluation and improvement of effectiveness of corporate governance, risk management and internal control environment in order to improve and add value to the Bank's activities.

Internal Control and Compliance Department:

Reporting to the Audit Committee, the Internal Control and Compliance Department performed control activities to minimize the Bank's exposure to operational, regulatory and financial risks. The total number of personnel is 96.

A- Internal Control Division:

Internal control system of the Bank is designed and constructed in a way that assets of the Bank are safeguarded, daily transactions are handled in compliance with the rules, laws and regulations and the financial reporting systems are reliable, accurate and timely achievable.

As an important part of the internal control system, the Internal Control Division is responsible for carrying out

Evaluations of the Audit Committee on the Activities of Internal Control, Internal Audit and Risk Management Systems and Information About Their Activities in the Accounting Period

(continued)

control activities among the branches, subsidiaries and head-office units of the Bank. Remote and on-site control methods are used while performing second level controls.

Controllers are encouraged to acquire professional certifications from local and international institutions available in their field, which is a prerequisite for promotion. As of 2022 year-end, total number of certifications in CIA (Certified Internal Auditor) is 1, CISA (Certified Information Systems Auditor) is 3, CRMA (Certification in Risk Management Assurance) is 6, CFE (Certified Fraud Examiner) is 2, SMMM (Certified Public Accountant) is 2, CMB-Level 3 (Capital Markets Board–Level 3) is 17, CMB-Derivatives (Capital Markets Board–Derivatives) is 6. With the others, total number of certifications held by the employees of the Internal Control Division is 69 and total number of employees obtaining certification is 40.

Periodic activity reports prepared as a result of the control engagements carried out by the Division are submitted to the Audit Committee quarterly. Besides, findings and related actions are followed continuously throughout the year and results are reported to the Senior Management and the Audit Committee of the Bank quarterly.

As of 2022 year-end, the total number of staff of Internal Control Division is 54. There are three units within Internal Control Division and responsibilities of these units are as follows:

Branch and Subsidiary Controls Unit

All branches are visited at least once a year and on-site controls are conducted by selecting recent samples from a pre-defined checklist. Findings are communicated to relevant units monthly and quarterly. Moreover, findings are uploaded monthly to Branch Finding Follow-Up application in order to be completed by relevant branches. In addition to branch controls, specifically defined controls are performed at OSDEMs (Operation Field Support Centers), which constitute a significant part of operational processes in branches. Additionally, the unit conducts remote controls regarding some specific products and services among other branch activities. Besides, compliance controls required by the CGF (Credit Guarantee Fund) from banks periodically are performed twice per year. As in branch controls, all financial subsidiaries of the bank are visited and controlled throughout the year according to the checklist prepared in collaboration with subsidiary management. Moreover, every quarter, action

plans listed in periodic evaluation reports of outsource companies are followed-up and results are reported to the Audit Committee Office.

Head Office Controls Unit

Teams of controllers who are specialized in different areas of banking undertake the Head Office control points prepared with business units considering compliance, operational and financial risks. Within this context, functions like accounting, financial control, loans and deposits, banking operations, treasury, cash management and credit card businesses are mainly controlled as a second level defense mechanism. Within the context of remote controls, some specific cases are monitored daily, weekly or monthly via data derived from the system.

In addition, in order to achieve full compliance with changing rules and regulations, announcements made by the Compliance Division are followed-up by Head Office Controls Unit to identify whether necessary actions are taken by business units. Moreover, action plans in the responses to regulatory agency reports are also followed up.

Information Technologies and Management Statement Controls Unit

With respect to Information Technologies (IT); controls are carried out to comply with Regulation on Banks' Information Systems and Electronic Banking Services and also logical access rights to systems and physical access rights to Head Office and data center locations are reviewed, effectiveness of software development process is evaluated, and controls on data and system security and infrastructure are tested. And also, compliance to Best Practice Guideline of Risk Center is tested. Moreover, many periodic reviews are made regarding IT general controls.

Apart from these, the unit prepares the Management Statement report pursuant to Regulation on Audit of Bank Information Systems and Banking Process to be Conducted by Independent Audit Firms. The methodology of this work is similar to external auditors' methodology and the scope includes both business and IT processes. The results are submitted to External Auditor after the report is approved and signed by the Board of Directors.

The unit also carries out ICOFR (Internal Controls Over Financial Reporting) engagements to be submitted to the independent audit firm of QNB Qatar on relevance and operability of the controls on business processes and

information systems within the scope of the regulations of the Qatar Central Bank, which is the legal authority to which QNB Qatar is subject.

RSA Archer software, which is a joint platform for Internal Systems Departments, is used for report entries and follow-up activities regarding the controls by Internal Control Division.

B- Compliance Division:

The Compliance Division determines and manages the risks related to financial losses as a result of the Bank's loss of reputation caused by noncompliance with the laws, regulations, Bank's processes and instructions. As of 2022 year-end, 11 personnel were employed in the Compliance Division.

The Compliance Division closely follows regulatory changes and ensures that the Bank's practices are updated accordingly by providing guidance and making announcements regarding such regulatory changes. Compliance responds to the questions posed by branches and Head Office units related to regulatory issues, and plays an active role by providing opinions and recommendations in the process of developing the banking products to be offered to customers. The Compliance Division also provides guidance to financial subsidiaries of the Bank regarding their own regulatory compliance engagements. Furthermore, the Compliance Division consults with regulatory and supervisory bodies.

Within the resolution process of the Board of Directors to launch new products and services, opinions and evaluations of Compliance are required in terms of complying with applicable regulations. The activities of Compliance in 2022 were performed within this broad area of responsibility.

Three units carry out compliance activities as stated below:

Banking Regulations Unit

The unit issues circulars and announcements on new regulations and laws concerning the banking sector. The Unit approves nonstandard text of letters of guarantees, counter guarantees, standby letters of commitment and reference letters. The unit provides written and verbal consultancy to branches and head office departments. Manager of the unit represents the Bank as a member of the Foreign Exchange Regulations Working Group, established by the Banks Association of Türkiye in order to

analyze and provide solutions to any kind of sectoral problems related to foreign trade regulations. In addition, Manager of the unit is a member of the ICC Guarantees Task Force, which works on international guarantees.

Regulatory Compliance Unit

The unit reviews new products and campaigns, adverts and advertising materials on credit card, bank card, personal and commercial loan products and overdraft accounts, cash management products, digital transformation projects launched by related departments of the Bank and evaluates all marketing and sales texts, questions, processes and other information requests on these products in accordance with related regulations in effect and grant approval. Customer complaints on these topics received through regulatory authorities, auditor reports and response letter prepared within this scope are reviewed and, if necessary, related departments are advised to take appropriate actions. Also, unit provides mentorship to QNBeyond by evaluating compliance of projects and works in coordination with related units during establishment processes.

Capital Markets and Investment Products Compliance Unit

The unit reviews and approves new products and campaigns, adverts and advertising materials on capital market instruments, investment, deposit and insurance products launched by related departments of the Bank and related matters in accordance with related regulations in effect. Unit is also responsible for supply chain compliance and harmonization of policy/procedure related engagements. Also, customer complaints on these topics received through regulatory authorities and replies are reviewed, prepared response letters are controlled and if necessary, related departments are advised to take appropriate actions. This unit also makes announcements to the Bank's relevant units about regulatory issues that fall under its job description including capital markets legislation as well as to financial subsidiaries, follows up penalties on topics that are in unit's responsibility fined to the Bank and its subsidiaries, coordinates reports made to the Audit Committee and main shareholder and performs control activities within the scope of Capital Markets regulations with regards to insider trading and market manipulation. The unit gives opinion on whether outsource services procured by the Bank are "support services" and/or "external services" or not.

Evaluations of the Audit Committee on the Activities of Internal Control, Internal Audit and Risk Management Systems and Information About Their Activities in the Accounting Period

(continued)

C- Financial Crime Compliance Department (FCC):

Main responsibilities of the FCC Department is to ensure compliance with national and international laws, regulations and international standards and to prevent the Bank from being an intermediary in the laundering of criminal proceeds and financing of terrorism and to carry out control activities within this scope in order to mitigate the risk of the Bank being used to facilitate financial crimes, and to conduct fraud-based scenario analysis to prevent/detect fraud and to assess fraud risks through Fraud Control Unit. As of the end of 2022, 25 people are employed in the department.

Department activities are carried out by four units as stated below:

Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) Unit

AML/CFT Unit is responsible for following up amendments in local and international regulations within the framework and informs employees regarding amendments on the AML/CFT and sanctions issues. In addition, this unit conducts face-to-face trainings and e-learning activities and reports suspicious transactions to Financial Crimes Investigation Board (MASAK).

Suspicious Transactions Monitoring and Analytics Unit

The unit is responsible for monitoring activities, making assessments and implementing the systems, and conducting analytical engagements in order to detect suspicious transactions as required by local and international regulations.

Sanctions and KYC Unit

This unit is responsible for performing the blacklist and sanctions controls in financial activities as well as evaluating and managing customer due diligence operations.

Fraud Control Unit

The main objectives of the unit are establishing a fraud control framework within the Bank and conducting efforts to manage and reduce fraud risk. To this end, process evaluation engagements related to the activities of the Bank's units are also carried out within the framework of

fraud risk. In addition, conducting scenario analysis for detection of internal fraud, adapting the policies of QNB within the framework of fraud risk to the Bank, making regular reporting to Senior Management and QNB, preparing of data set for indebtedness and financial behaviors of Bank personnel, providing training to Bank personnel and raising fraud awareness are also among the responsibilities of the unit.

On the other hand, investigations regarding fraud incidents of certain criteria reported by the business units of the Bank can be conducted within the unit. Following necessary investigations and analysis conducted by the unit, required actions and improvements that will prevent the repetition of similar fraud cases are followed up in coordination with the Internal Audit Department.

D- Data Protection Unit:

The Personal Data Protection and Management Unit is responsible for all activities and processes of the Bank comply with the legislation in accordance with the Law on Protection of Personal Data No. 6698 and secondary regulations such as the decisions and guides prepared by the Personal Data Protection Board, code and circulars published by official authorities. Requests/complaints submitted to the Bank by official institutions and customers are reviewed and answered in detail within the framework of the rules determined by the legislation. In addition, the personal data inventory created with the participation of business units within the Bank is kept up-to-date in line with the processes, and the necessary technical and administrative measures are followed. Within the scope of the obligations in the law, explicit consent and informing texts are prepared and adapted with the processes, opinion requests sent to our unit by the business units regarding the protection of personal data are answered, periodic data deletion studies are carried out every 6 months as required by the legislation and regular examinations are carried out to prevent data breaches.

Risk Management

Risk Management is responsible for monitoring and managing all potential risks for the Bank in a centralized and efficiently coordinated manner. The primary goal of Risk Management is to provide appropriate capital allocation (economic capital) to business lines for risks they are exposed to and increase value-added by maximizing risk adjusted return on capital.

Organizational Structure

Risk management governance at the Bank starts with the Board of Directors. The Board's Risk Committee, Asset-Liability Committee (ALCO), Corporate and Retail Management Risk Committees (CPC), Operational Risk Management Committee (ORMC), Reputational Risk Management Committee (RRMC), Data Security Committee and the Risk Management Department are important bodies of the risk management structure at QNB Finansbank.

The Board of Directors is responsible for determining general risk policy and risk appetite of the Bank. The Risk Committee defines risk policies and strategies, reviews all types of risks the Bank is exposed to in its monthly meetings, monitors implementation of risk management strategies, and brings important risk issues to the attention of the Board.

The ALCO, meeting monthly, monitors and manages the structural asset liability mismatch of the Bank. It also monitors and controls liquidity risk and foreign currency exchange risk.

Credit Management Risk Committee meets monthly and is responsible for monitoring and evaluating the Bank's lending portfolio and determining principles and policies related to credit risk management processes, such as loan approval, limit setting, rating, monitoring and problem management. The ORMC, also meeting quarterly, reviews the operational risk issues of the Bank and defines the necessary actions to be taken to minimize these risks. Reputational Risk Management Committee (RRMC) is established in order to define, evaluate and monitor the reputational risk subjected by QNB Finansbank and to ensure that required actions are taken for prevention of such risks.

QNB Finansbank Risk Management Department works independently from executive management and reports to the Board of Directors through Audit Committee. Market Risk, Credit Risk Management, and Operational Risk Management Units are responsible for identification, monitoring and managing of all related risks. The Model Validation Unit is responsible for validation of risk measurement and credit rating/scoring models as well as assessment of performance.

Market Risk Management

Market Risk arises due to positions in the trading book, including trading securities, open currency position and all derivatives excluding transactions done for hedging purposes, taken by the Bank with the intention of benefiting in the short term from actual and/or expected differences between their buying and selling prices or interest rate variations. Market risk stems from the uncertainty concerning changes in market prices and rates (including interest rates, equity and bond prices and foreign exchange rates), and their levels of volatility. QNB Finansbank seeks to identify, estimate, monitor and manage these risks effectively through a framework of principles, measurement processes and a valid set of limits that apply to all of QNB Finansbank's transactions.

A set of market risk limits are defined, based on Value at Risk (VaR), nominal position, present value basis point and option greeks, in order to manage market risk efficiently and to keep market risk within desired limits. In addition to these limits, the Bank defines warning levels for certain limit types, to allow a process of review, analysis, and consultation in order to take preventive actions, prevent limit breaches, and limit possible losses. The limits are monitored on a daily basis by the Risk Management Department. VaR results are supported by regular stress testing and scenario analyses.

QNB Finansbank calculates the regulatory capital requirement for market risk using the standardized method within the framework of BRSA guidelines on a monthly basis. The methodology used for calculation of capital requirements for general market risk and specific risk is determined by the BRSA. In addition, parallel to best practices, VaR is measured daily. VaR, which is a measure of the maximum potential loss on the trading portfolio, is calculated using the historical simulation method with a 99% confidence level and one-day holding period.

While the VaR approach provides a forecast for possible losses within the last one-year market conditions, it cannot predict contingent losses under extreme conditions. Hence, the VaR approach is complemented by stress testing in order to incorporate possible extreme market movements. Stress tests simulate the impacts of crises, extreme market conditions and major changes in correlations and volatilities.

Evaluations of the Audit Committee on the Activities of Internal Control, Internal Audit and Risk Management Systems and Information About Their Activities in the Accounting Period

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The Bank uses back-testing to verify the predictive power of value at risk calculations. In back testing, theoretical gains/losses calculated by VAR on positions at closure of each business day is compared with the actual gains/losses arising on these positions on the next business day. The assumption of the VaR model is reviewed and revised, if such a need occurs as a result of the back-testing procedure.

Structural Interest Rate Risk

The Bank is exposed to structural interest rate risk resulting from differences in timing of rate changes and timing of cash flows that occur in the pricing and maturity of a bank's assets and liabilities. The Bank defines Policy for the Management of Interest Rate Risk of Banking Book (IRRBB). According to the policy, interest rate risk is calculated for the banking book, which includes all portfolios except the trading book.

Even though the Bank is exposed to structural interest rate risk on its balance sheet due to the nature of its existing activities, the policy ensures that all positions are monitored effectively and the risk stays within predefined limits.

The Asset-Liability Committee (ALCO) aims to protect the economic value of equity while sustaining a stable earnings profile. Duration GAP analyses, which rely on calculations of net discounted future cash flows of interest rate sensitive balance sheet items, are conducted to manage this risk. Moreover, the Bank runs net economic value sensitivity scenarios with changes in interest rates and interest rate margins, to calculate their impact on net economic value.

The Bank utilizes scenario analysis in order to evaluate the impact of interest rate change on net economic value. Standard interest shocks are determined in accordance with the Basel regulation. Moreover, various historical crisis financial turmoil scenarios including reverse stress test, are simulated in order to measure the Bank's sustainability against severe interest rate shocks.

Liquidity Risk

Liquidity risk is defined as the current or prospective risk to earnings and capital arising from the Bank's inability to meet its liabilities -because of its balance sheet structure or market movements- when they are due. QNB Finansbank aims to control its 'cash and available funding sources/ deposits' ratio within limits. In addition to early warning indicators, survival horizon under different stress levels and actions planned under liquidity crises are defined in the Bank's "Liquidity Contingency Plan".

Within the scope of the Basel III accord, "short-term liquidity coverage ratio" and "net stable funding ratio," to measure long-term liquidity, are calculated. Liquidity coverage ratio and net stable funding ratio are monitored on a daily and monthly basis, respectively.

Credit Risk Management

Credit risk is defined as the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the institution or otherwise fail to perform as agreed. The aim of credit risk management is to maximize the Bank's risk adjusted rate of return by maintaining the credit risk exposure within acceptable limits defined by the risk strategy document.

Credit Risk Management is embedded into the end-to-end credit processes of the Bank. While the underwriting units are responsible for day-to-day management of the credit risk, the Board of Directors controls the complete lending process by approving the lending criteria, credit risk policies and delegating authorities depending on the type of the product through Credit Policy Committees. The responsibility of Credit Risk Management Unit is establishment of effective and efficient internal policy, procedure and methodologies for definition, quantification, measurement, control and reporting of the credit risks.

The Credit Risk Management Unit performs internal and external reporting of credit risk in an appropriate way for different audiences. The Bank's Board Risk Committee monitors a comprehensive list of credit risk metrics and risk-based performance measures of credit portfolios on a monthly basis. In case of any mismatch between risk profile and risk appetite of the Bank, necessary measures

are taken immediately to make sure that the portfolio credit quality of the Bank complies with the defined risk appetite.

The Credit Risk Management Unit is also responsible for the capital management process, which includes compliance with regulatory capital requirements and establishment of the Bank's policies, processes, methods and systems relating to Internal Capital Adequacy Assessment Process (ICAAP). This process involves calculation, projection and analysis of legal and economic capital requirements necessitated by annual and long-term business plans of the Bank.

The Bank has traditionally put great emphasis on the strength of its capital base to maintain investor, creditor and market confidence and to sustain future business development. In line with this point of view, the ICAAP framework is designed to ensure that the Bank has sufficient capital resources to meet the regulatory capital requirements, and that it has available capital in line with its own risk appetite and internal guidelines.

In addition, the unit develops credit risk parameter estimation models to be used for Expected Credit Loss calculations within the scope of IFRS 9, calculates and reports the provisions to be allocated for Expected Credit Loss.

Operational Risk and Business Continuity Management

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The Operational Risk and Business Continuity Management Unit is responsible for identifying, measuring, monitoring and managing all risks under the scope of operational risk as well as Business Continuity Management. Activity process based operational risks are identified through Risk Control Self-Assessment and classified by cause, event and effect categories as proposed by Basel II and actions are taken for severe risks. Operational loss data collection process, which began in January 2005, continues. While loss data is accumulated to provide meaningful statistical data, business processes, where improvements are

required, are defined based on the results and all necessary actions for improvement are taken. Key Risk Indicators are defined and monitored regularly for severe risks. A robust operational risk management process and methodology is implemented.

The Bank has also prepared and implemented a Business Continuity Management Plan, in order to minimize losses due to business disruption. In addition, the Bank performs the comprehensive annual test of Disaster Recovery Center with participation of business units and IT Department.

Model Validation

QNB Finansbank's Model Validation Unit is responsible for validation of the risk models before they are implemented on the Bank's scale. The validity of the models regarding credit risk, market risk, IFRS 9 and ICAAP are assessed by the Model Validation Unit through qualitative and quantitative tests in terms of data quality, methodology, performance, and the compatibility with legal requirements and best practices.

Once the above-mentioned models are implemented, their performances under changing macroeconomic conditions, Bank's portfolio and risk appetite are monitored and reported on an ongoing basis via performance and stability tests.

Audit Committee Office

Established in 2011, the Audit Committee Office provides the services required for effective working of the Committee. The Office is responsible for reviewing and presenting to the Committee members reports concerning the Committee, monitoring Committee meetings, archiving all documents regarding the work carried out, coordination and follow-up of the support service activities, obtaining resource adequacy and independence statements from Independent Audit and Valuation companies and independence statements from the Bank's senior management regarding these companies, following up the implementation of the Committee decisions, reporting the Committee activities to the Board of Directors, and performing other duties assigned by the Committee.

Related Party Transactions

Regardless of the nature of transactions, relations with companies in the risk group of and controlled by the Bank, are conducted in the scope of a bank-client relationship and in compliance with the Banking Law and prevailing market conditions.

Type, amount and rate of transactions to total transactions as well as the structure, amount and rate of main items, pricing policy and other terms in the transactions with the risk group companies are set on an arms-length basis and based on prevailing market conditions. As of 31 December 2022, cash loans granted to risk group composed 1.5% of the Bank's total loans, deposits obtained from risk group composed 0.5% of the Bank's total deposits.

Transactions involving the purchase and sale of real-estate and other assets and services, agency contracts, leasing contracts, transfer of data obtained from research and development activities, license contracts, financing (including loans and cash or in-kind capital contributions), guarantees and collaterals, management contracts, and the

like) are underwritten between the Bank and QNB Finans Leasing (QNB Finans Finansal Kiralama A.Ş.). Net leasing payables incurred from these contracts amounted to TL 8.4 million as of 31 December 2022.

The Bank entered into a contract with IBTech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. for research, development, and consultancy services.

The Bank receives cash transfer services from its 33.3% subsidiary Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.

The Bank provides agency services to Cigna Health, Life and Pension (Cigna Sağlık, Hayat ve Emeklilik A.Ş.), which was a joint venture of the Bank with a 49% stake as of 31 December 2022. Legal procedures for acquisition of the remaining 51% stake by QNB Finansbank were completed in January 2023, Cigna Health, Life and Pension will be fully consolidated starting as of the first quarter of 2023.

Information on Outsourced Service Groups and the Institutions Supplying Outsourced Services

Support services were procured within the scope of Regulation on Banks' Procurement of Support Services in 2022 under the following service groups.

| Service Groups | Suppliers |
|--|---|
| IT Services | Acerpro Bilişim Teknolojileri A.Ş. Atos Bilişim Danışmanlık A.Ş. (Subcontractor of Atos Müşteri Hizmetleri A.Ş.) Bilişim Bilgisayar Hizmetleri A.Ş. (Banksoft) CyberWise Siber Güvenlik Ticaret A.Ş. Defensein Siber Savunma ve Araştırma Ltd. Şti. eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. Etcbase Yazılım ve Bil. Teknolojileri A.Ş. IBTech Uluslararası Bilişim ve İletişim Tekn. Ar-Ge Danışmanlık Destek San. ve Tic. A.Ş. Matriks Bilgi Dağıtım Hizmetleri A.Ş. Vega Bilgisayar Hizmetleri Ltd. Şti. |
| Security Service | MGS Merkezi Güvenlik Sistemleri San. Tic. A.Ş. Tepe Savunma ve Güvenlik Sistemleri Sanayi A.Ş. |
| Mortgage Service | Fu Gayrimenkul Yatırım Danışmanlık A.Ş. |
| Card Printing | Austria Card Turkey Kart Operasyonları A.Ş. Bilişim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş. Farklı Yatırım İnşaat A.Ş. |
| Courier | AGT Hızlı Kurye Hizmetleri A.Ş. Posta ve Telgraf Teşkilatı A.Ş. (PTT) |
| Cash and Valuables Transfer | Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. Brink's Güvenlik Hizmetleri A.Ş. |
| Marketing, Sales and Operational Support | Atos Müşteri Hizmetleri A.Ş. Bilge Adam Bilgisayar ve Eğitim Hizmetleri San. A.Ş. Cigna Sağlık Hayat ve Emeklilik A.Ş. DSM Turkey Teknoloji Hizmetleri A.Ş. Faturalab Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. Figopara Ticari Bilgi ve Uygulama Platformu A.Ş. Webhelp Çağrı Merkezi ve Müşteri Hizmetleri A.Ş. (Subcontractor of eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.) |
| Marketing, Sales, Operational Support and Collection Service | CMC İletişim ve Çağrı Merkezi Hizmetleri A.Ş. Webhelp Çağrı Merkezi ve Müşteri Hizmetleri A.Ş. |
| Personnel Selection and Temporary Personnel Employment | Adecco Hizmet ve Danışmanlık A.Ş. |
| POS Service | Bilişim Bilgisayar Hizmetleri A.Ş. (Banksoft) Payten Teknoloji A.Ş. Verifone Elektronik ve Danışmanlık Ltd. Şti. |
| Collection Service | Global Bilgi Pazarlama Danışma ve Çağrı Servisi Hizmetleri A.Ş. |

Financial reports

Despite the global headwinds accompanied by the regional challenges and uncertainties, QNB Finansbank delivered another year of solid financial results.





QNB Finansbank Anonim Şirketi

Independent Auditor's Report

To the General Assembly of QNB Finansbank A.Ş.:

A. Audit of the Unconsolidated Financial Statements

1. Qualified Opinion

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

In our opinion, except for the effect of the matter on the unconsolidated financial statements described in the basis for the qualified opinion paragraph below, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2022, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

2. Basis for Qualified Opinion

As explained in Section Five Part II 9.4 of Explanations and Notes to the Unconsolidated Financial Statements; the accompanying unconsolidated financial statements as at 31 December 2022 include a free provision amounting to TL 5,400,000 thousand which was recognized in the current year by the Bank management which is not within the requirements of BRSA Accounting and Financial Reporting Legislation.

Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements" section of our report. We hereby declare that we are independent of the Bank in accordance with the Ethical Rules for Independent Auditors (Including Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the unconsolidated financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our qualified opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion Section we have determined the matters described below to be key audit matters to be communicated in our report.

QNB Finansbank Anonim Şirketi

Independent Auditor's Report

| Key Audit Matters | How the key audit matter was addressed in the audit |
|---|---|
| <p>Impairment of loans determined within the framework of TFRS 9</p> <p>The Bank has total expected credit losses for loans amounting to TL 16,523,774 thousand in respect to total loans amounting to TL 361,480,972 thousand which represent a significant portion of the Bank's total assets in its unconsolidated financial statements as at 31 December 2022. Explanations and notes regarding the provision for impairment of loans are represented in Notes VIII of Section Three, II.1 of Section Four, II.4 of Section Four and 1.6. of Section Five of the accompanying unconsolidated financial statements as at 31 December 2022.</p> <p>The Bank recognizes provisions for impairment in accordance with "TFRS 9 Financial Instruments" requirements in line with the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 with number 29750. TFRS 9 is a complex accounting standard which requires considerable judgement and interpretation. These judgements and interpretations are key in the development of the financial models built to measure the expected credit losses on loans recorded at amortized cost. In addition, the operation of the models requires large data inputs that are generated through more than one system and the accuracy and completeness of the data are key in the determination of expected credit losses on loans. Impairment allowances are calculated on a collective basis for portfolios of loans of a similar nature and on individual basis for significant loans taking into account Management's best estimate at the balance sheet date and historical losses incurred.</p> <p>Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan balances; the appropriateness of classification of loans as per their credit risk (staging) in accordance with applicable regulation and the importance of determination of the associated impairment allowances. Timely and correctly identification of loss event and the level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.</p> | <p>With respect to stage classification of loans and calculation of expected credit losses in accordance with TFRS 9, we have assessed policy, procedure and management principles of the Bank within the scope of our audit. We tested the design and the operating effectiveness of relevant controls implemented in accordance with these principles.</p> <p>We checked appropriateness of matters considered in methodology applied by the Bank with TFRS 9 for calculation of the provision amount through stage classification of loans. For forward looking assumptions by the Bank's management in its expected credit losses calculations, we held discussions with management, evaluated the assumptions using publicly available information. Regarding expected credit losses methodology; we have assessed and tested appropriateness of model segmentation, lifetime probability of default model, exposure at default model, loss given default model, and approaches in relation to projection of macroeconomic expectations with our financial risk experts. We have assessed expert judgment utilized in interpretation of supportable forward looking expectations (including macroeconomic factors). Our procedures also included the following:</p> <ul style="list-style-type: none"> • Together with our financial risk experts, we evaluated and tested reasonableness of the changes in the expected credit loss allowance methodology and the performance of the impairment models used. • For a sample of exposures, we checked the accuracy of determining Exposure at Default, including the consideration of prepayments and repayments in the cash flows and the resultant arithmetical calculations. • We checked the calculation of the Loss Given Default (LGD) used by the Bank in the expected credit losses calculations, and tested collaterals, recovery and costs in addition to arithmetical calculations. • For a selected sample, we checked expected credit losses determined based on individual assessment per Bank's policy by means of supporting data, and evaluated appropriateness via communications with management. • We checked key data sources for data used in expected credit losses calculations. We tested reliability and completeness of the data used in expected credit losses calculations with our information systems specialists. • We checked accuracy of expected credit losses calculations. • To assess appropriateness of the Bank's determination of staging for credit risk, identification of impairment and timely and appropriate provisioning for impairment we have performed loan review procedures based on a selected sample. • We have reviewed disclosures made within the TFRS 9 framework in the unconsolidated financial statements of the Bank with respect to loans and related impairment provisions. |

QNB Finansbank Anonim Şirketi

Independent Auditor's Report

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

The Bank management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the BRSA Accounting and Financial Reporting Legislation, and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

5. Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette Nr. 29314 dated 2 April 2015 and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

QNB Finansbank Anonim Şirketi

Independent Auditor's Report

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Bank's bookkeeping activities concerning the period from 1 January to 31 December 2022 period are not in compliance with the TCC and provisions of the Bank's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

Additional Paragraph for Convenience Translation

BRSA Accounting and Financial Reporting Legislation explained in detail in Section Three differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board including the application of IAS 29 - Financial Reporting in Hyperinflationary Economies as of 31 December 2022. Accordingly, the accompanying unconsolidated financial statements are not intended to present fairly the unconsolidated financial position, results of operations, changes in equity and cash flows of the Bank in accordance with IFRS.

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

Talar Gül, SMMM
Partner

Istanbul, 31 January 2023

QNB Finansbank Anonim Şirketi
The Unconsolidated Financial Report of QNB Finansbank A.Ş.
For the year ended 31 December 2022

The Bank's;

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

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

- General information about the Bank
- Unconsolidated financial statements of the Bank
- Explanations on accounting policies of the Bank
- Information on financial structure and risk management of the Bank
- Footnotes and explanations on unconsolidated financial statements
- Other explanations
- Independent Auditor's Report

The accompanying unconsolidated financial statements and related disclosures and footnotes for the nine-month period are prepared and reviewed in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidances, and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying unconsolidated financial statements are presented in **thousands of Turkish Lira (TL)**.

Mehmet Ömer Arif Aras
Chairperson of
the Board of Directors

Ali Teoman Kerman
Member of the Board of
Directors and Chairperson of the
Audit Committee

Ramzi T.A. Mari
Member of the Board of
Directors and of the
Audit Committee

Noor Mohd J. A. Al-Naimi
Member of the Board of
Directors and of the
Audit Committee

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

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

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

Ercan Sakarya
Director of Financial, Statutory Reporting
and Treasury Control

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

Name-Surname/Title : Elif Akan / Financial Reporting Manager

Phone Number : (0 212) 318 57 80

Facsimile Number : (0 212) 318 55 78

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QNB Finansbank Anonim Şirketi

Notes to Unconsolidated Financial Statements

For the year ended 31 December 2022

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

SECTION ONE

GENERAL INFORMATION

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

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

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

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

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

99.88% of shares of QNB Finansbank A.Ş. are controlled by Qatar National Bank as of 31 December 2022 and remaining 0.12% of related shares are public shares.

50% of QNB shares, which is the first commercial bank of Qatar founded in 1964 and has been traded at Qatar Stock Exchange since 1997, are owned by Qatar Investment Authority while 50% of related shares are public shares. QNB is operating over 30 countries mainly in Middle East and North Africa Regions as well as being the biggest bank of Qatar. Also with respect to total assets, total credits and total deposits QNB is the biggest bank of Middle East and North Africa.

Regarding the partnership share in Cigna Sağlık Hayat ve Emeklilik A.Ş., whose capital is 49%; The Bank's Board of Directors determined that TL 981,000,000 of the 22,950,000 shares with a nominal value of TL 22,950,000, which corresponds to 51% of the capital of Cigna Sağlık Hayat ve Emeklilik A.Ş., owned by Cigna Nederland Gamma BV In this context, a Share Purchase Agreement was signed with Cigna Nederland Gamma BV on 21 October 2022. The share transfer process will be completed after the necessary permissions are obtained. The said share transfer transaction was realized with the General Assembly held on 21 December 2022, after the necessary permissions were obtained, but due to the absence of the original certificates of transfer, a lawsuit was filed by the Bank for the annulment of the certificates. The registration of the General Assembly regarding the share transfer was completed on 13 January 2023.

QNB Finansbank Anonim Şirketi

Notes to Unconsolidated Financial Statements

For the year ended 31 December 2022

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

GENERAL INFORMATION (Continued)

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

| Name | Titles | Date of Appointment | Education |
|-------------------------------|---|---------------------|-----------|
| Dr. Ömer A. Aras | Chairperson | 16 April 2010 | PhD |
| Yousef Mahmoud H. N. Al-Neama | Deputy Chairperson and Executive Member | 28 May 2019 | Masters |
| Ali Teoman Kerman | Board Member and Chairperson of the Audit Committee | 16 April 2013 | Masters |
| Ramzi T. A. Mari | Board Member and Audit Committee Member | 16 June 2016 | Masters |
| Fatma Abdulla S.S. Al-Suwaidi | Board Member | 16 June 2016 | Masters |
| Durmuş Ali Kuzu | Board Member and Audit Committee Member | 25 August 2016 | PhD |
| Osman Ömür Tan | Board Member and General Manager | 1 January 2022 | Masters |
| Temel Güzeloğlu | Board Member | 16 April 2010 | Masters |
| Esel Yıldız Çekin | Board Member | 2 September 2022 | Graduate |
| Adel Ali M. A. Al-Malki | Board Member | 28 May 2019 | Graduate |
| Noor Mohd J. A. Al-Naimi | Board Member and Audit Committee Member | 22 June 2017 | Graduate |
| Adnan Menderes Yayla | Executive Vice President | 20 May 2008 | Masters |
| Köksal Çoban | Executive Vice President | 19 August 2008 | Masters |
| Dr. Mehmet Kürşad Demirkol | Executive Vice President | 8 October 2010 | PhD |
| Enis Kurtoğlu | Executive Vice President | 14 May 2015 | Masters |
| Murat Koraş | Executive Vice President | 14 May 2015 | Masters |
| Engin Turhan | Executive Vice President | 14 June 2016 | Masters |
| Cumhur Türkmen | Executive Vice President | 11 June 2018 | Graduate |
| Cenk Akıncılar | Executive Vice President | 21 January 2019 | Graduate |
| Burçin Dünder Tüzün | Executive Vice President | 1 December 2019 | Masters |
| Zeynep Kulalar | Executive Vice President | 1 December 2019 | Graduate |
| Derya Düner | Executive Vice President | 1 January 2020 | Graduate |
| Ali Yılmaz | Executive Vice President | 1 January 2020 | Masters |
| Ahmet Erzençin | Head of the Department of Internal Control and Compliance | 12 September 2012 | Graduate |
| Ersin Emir | Head of Internal Audit | 18 February 2011 | Masters |
| Zeynep Aydın Demirkıran | Head of Risk Management | 16 September 2011 | Masters |

^(*) İsmail Işık, who served as Credits Monitoring and Follow-up Director at the reporting date, has been appointed as Credits Monitoring and Follow-up Assistant General Manager as of 18 January 2023.

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

QNB Finansbank Anonim Şirketi

Notes to Unconsolidated Financial Statements

For the year ended 31 December 2022

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

GENERAL INFORMATION (Continued)

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

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

V. Explanations on The Bank's Services and Activities

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

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

None.

QNB Finansbank Anonim Şirketi
Notes to Unconsolidated Financial Statements
For the year ended 31 December 2022

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

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

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QNB Finansbank Anonim Şirketi

Unconsolidated Statement of Balance Sheet-Assets

For the year ended 31 December 2022

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

I. BALANCE SHEET - ASSETS

| | Section 5 Part I | Current Period 31.12.2022 | | | Prior Period 31.12.2021 | | |
|---|---------------------|------------------------------|--------------------|--------------------|----------------------------|--------------------|--------------------|
| | | TL | FC | TOTAL | TL | FC | TOTAL |
| I. FINANCIAL ASSETS (NET) | | 68,402,783 | 109,337,997 | 177,740,780 | 36,875,476 | 91,014,591 | 127,890,067 |
| 1.1. Cash and Cash Equivalents | | 20,619,505 | 93,032,986 | 113,652,491 | 7,426,349 | 78,137,381 | 85,563,730 |
| 1.1.1. Cash and Balances with Central Bank | (1) | 9,719,857 | 84,817,934 | 94,537,791 | 7,436,280 | 62,858,291 | 70,294,571 |
| 1.1.2. Banks | (3) | 2,874,204 | 7,794,093 | 10,668,297 | 822 | 15,119,582 | 15,120,404 |
| 1.1.3. Money Markets | (4) | 8,040,936 | 427,044 | 8,467,980 | - | 159,508 | 159,508 |
| 1.1.4. Expected Credit Losses (-) | | 15,492 | 6,085 | 21,577 | 10,753 | - | 10,753 |
| 1.2. Financial Assets at Fair Value Through Profit or Loss | (2) | 722,557 | 549,922 | 1,272,479 | 181,903 | 499,454 | 681,357 |
| 1.2.1. Government Debt Securities | | 429,424 | 239,920 | 669,344 | 101,865 | 64,122 | 165,987 |
| 1.2.2. Equity Securities | | 151,484 | - | 151,484 | 47,353 | - | 47,353 |
| 1.2.3. Other Financial Assets | | 141,649 | 310,002 | 451,651 | 32,685 | 435,332 | 468,017 |
| 1.3. Financial Assets at Fair Value Through Other Comprehensive Income | (5) | 29,670,635 | 10,468,015 | 40,138,650 | 9,633,009 | 10,008,077 | 19,641,086 |
| 1.3.1. Government Debt Securities | | 29,662,961 | 10,468,015 | 40,130,976 | 9,625,335 | 10,008,077 | 19,633,412 |
| 1.3.2. Equity Securities | | 7,674 | - | 7,674 | 7,674 | - | 7,674 |
| 1.3.3. Other Financial Assets | | - | - | - | - | - | - |
| 1.4. Derivative Financial Assets | (12) | 17,390,086 | 5,287,074 | 22,677,160 | 19,634,215 | 2,369,679 | 22,003,894 |
| 1.4.1. Derivative Financial Assets at Fair Value Through Profit/Loss | | 12,559,235 | 3,249,441 | 15,808,676 | 16,419,234 | 2,225,197 | 18,644,431 |
| 1.4.2. Derivative Financial Assets at Fair Value Through Other Comprehensive Income | | 4,830,851 | 2,037,633 | 6,868,484 | 3,214,981 | 144,482 | 3,359,463 |
| II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET) | | 280,427,104 | 126,473,361 | 406,900,465 | 132,561,876 | 97,907,918 | 230,469,794 |
| 2.1. Loans | (6) | 251,039,775 | 110,441,197 | 361,480,972 | 129,816,752 | 82,927,002 | 212,743,754 |
| 2.2. Lease Receivables | (11) | - | - | - | - | - | - |
| 2.3. Factoring Receivables | | - | - | - | - | - | - |
| 2.4. Other Financial Assets Measured at Amortized Cost | (7) | 41,598,971 | 20,364,334 | 61,963,305 | 14,876,060 | 14,980,916 | 29,856,976 |
| 2.4.1. Public Sector Debt Securities | | 41,598,971 | 19,872,597 | 61,471,568 | 14,876,060 | 14,417,974 | 29,294,034 |
| 2.4.2. Other Financial Assets | | - | 491,737 | 491,737 | - | 562,942 | 562,942 |
| 2.5. Expected Credit Losses (-) | | 12,211,642 | 4,332,170 | 16,543,812 | 12,130,936 | - | 12,130,936 |
| III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET) | (15) | - | - | - | - | - | - |
| 3.1. Held for Sale Purpose | | - | - | - | - | - | - |
| 3.2. Related to Discontinued Operations | | - | - | - | - | - | - |
| IV. EQUITY INVESTMENTS | | 3,952,289 | - | 3,952,289 | 2,400,164 | - | 2,400,164 |
| 4.1. Investments in Associates (Net) | (8) | 45,477 | - | 45,477 | 14,026 | - | 14,026 |
| 4.1.1. Associates Valued Based on Equity Method | | - | - | - | - | - | - |
| 4.1.2. Unconsolidated Associates | | 45,477 | - | 45,477 | 14,026 | - | 14,026 |
| 4.2. Subsidiaries (Net) | (9) | 3,618,249 | - | 3,618,249 | 2,167,844 | - | 2,167,844 |
| 4.2.1. Unconsolidated Financial Subsidiaries | | 3,490,203 | - | 3,490,203 | 2,129,798 | - | 2,129,798 |
| 4.2.2. Unconsolidated Non-Financial Subsidiaries | | 128,046 | - | 128,046 | 38,046 | - | 38,046 |
| 4.3. Joint Ventures (Net) | (10) | 288,563 | - | 288,563 | 218,294 | - | 218,294 |
| 4.3.1. Joint Ventures Valued Based on Equity Method | | - | - | - | - | - | - |
| 4.3.2. Unconsolidated Joint Ventures | | 288,563 | - | 288,563 | 218,294 | - | 218,294 |
| V. PROPERTY AND EQUIPMENT (NET) | | 4,729,373 | 94 | 4,729,467 | 3,660,096 | 37 | 3,660,133 |
| VI. INTANGIBLE ASSETS (NET) | | 1,028,549 | - | 1,028,549 | 628,673 | - | 628,673 |
| 6.1. Goodwill | | - | - | - | - | - | - |
| 6.2. Other | | 1,028,549 | - | 1,028,549 | 628,673 | - | 628,673 |
| VII. INVESTMENT PROPERTY (NET) | (13) | - | - | - | - | - | - |
| VIII. CURRENT TAX ASSET | (14) | - | - | - | 2,040 | - | 2,040 |
| IX. DEFERRED TAX ASSET | (14) | 354,327 | - | 354,327 | 133,892 | - | 133,892 |
| X. OTHER ASSETS (NET) | (16) | 6,702,020 | 347,279 | 7,049,299 | 6,052,142 | 132,336 | 6,184,478 |
| TOTAL ASSETS | | 365,596,445 | 236,158,731 | 601,755,176 | 182,314,359 | 189,054,882 | 371,369,241 |

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

QNB Finansbank Anonim Şirketi

Unconsolidated Statement of Balance Sheet-Assets

For the year ended 31 December 2022

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

I. BALANCE SHEET - LIABILITIES AND EQUITY

| | Section 5 Part II | Current Period 31.12.2022 | | | Prior Period 31.12.2021 | | |
|---|----------------------|------------------------------|--------------------|--------------------|----------------------------|--------------------|--------------------|
| | | TL | FC | TOTAL | TL | FC | TOTAL |
| I. DEPOSITS | (1) | 235,567,273 | 158,716,760 | 394,284,033 | 79,660,507 | 147,262,712 | 226,923,219 |
| II. FUNDS BORROWED | (3) | 361,183 | 41,292,134 | 41,653,317 | 526,513 | 26,505,405 | 27,031,918 |
| III. MONEY MARKETS | (4) | 195,056 | 21,733,804 | 21,928,860 | 2,302,812 | 15,717,177 | 18,019,989 |
| IV. SECURITIES ISSUED (NET) | (5) | 4,655,384 | 23,284,322 | 27,939,706 | 4,609,660 | 23,779,092 | 28,388,752 |
| 4.1. Bills | | 4,655,384 | 5,911,335 | 10,566,719 | 4,609,660 | 2,154,632 | 6,764,292 |
| 4.2. Asset Backed Securities | | - | - | - | - | - | - |
| 4.3. Bonds | | - | 17,372,987 | 17,372,987 | - | 21,624,460 | 21,624,460 |
| V. FUNDS | | - | - | - | - | - | - |
| 5.1. Borrower Funds | | - | - | - | - | - | - |
| 5.2. Other | | - | - | - | - | - | - |
| VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT & LOSS | | - | - | - | - | - | - |
| VII. DERIVATIVE FINANCIAL LIABILITIES | | 3,008,663 | 3,387,575 | 6,396,238 | 9,160,015 | 3,292,413 | 12,452,428 |
| 7.1. Derivative Financial Liabilities at Fair Value Through Profit or Loss | (2) | 3,008,663 | 2,942,187 | 5,950,850 | 8,982,699 | 2,623,496 | 11,606,195 |
| 7.2. Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income | (8) | - | 445,388 | 445,388 | 177,316 | 668,917 | 846,233 |
| VIII. FACTORING PAYABLES | | - | - | - | - | - | - |
| IX. LEASE PAYABLES (NET) | (7) | 744,979 | 339 | 745,318 | 491,912 | 777 | 492,689 |
| X. PROVISIONS | (9) | 8,624,321 | 293,936 | 8,918,257 | 1,567,815 | - | 1,567,815 |
| 10.1. Restructuring Provisions | | - | - | - | - | - | - |
| 10.2. Reserve for Employee Benefits | | 2,443,812 | 18,146 | 2,461,958 | 977,114 | - | 977,114 |
| 10.3. Insurance Technical Provisions (Net) | | - | - | - | - | - | - |
| 10.4. Other Provisions | | 6,180,509 | 275,790 | 6,456,299 | 590,701 | - | 590,701 |
| XI. CURRENT TAX LIABILITY | (10) | 2,766,075 | - | 2,766,075 | - | - | - |
| XII. DEFERRED TAX LIABILITY | | - | - | - | - | - | - |
| XIII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET) | (11) | - | - | - | - | - | - |
| 13.1. Held for Sale | | - | - | - | - | - | - |
| 13.2. Discontinued Operations | | - | - | - | - | - | - |
| XIV. SUBORDINATED DEBT INSTRUMENTS | (12) | - | 17,127,724 | 17,127,724 | - | 11,852,564 | 11,852,564 |
| 14.1. Subordinated Loans | | - | 17,127,724 | 17,127,724 | - | 11,852,564 | 11,852,564 |
| 14.2. Other Debt Instruments | | - | - | - | - | - | - |
| XV. OTHER LIABILITIES | | 18,843,473 | 16,886,646 | 35,730,119 | 10,570,280 | 11,925,527 | 22,495,807 |
| XVI. SHAREHOLDERS' EQUITY | | 44,937,472 | (671,943) | 44,265,529 | 24,785,657 | (2,641,597) | 22,144,060 |
| 16.1. Paid-in Capital | (13) | 3,350,000 | - | 3,350,000 | 3,350,000 | - | 3,350,000 |
| 16.2. Capital Reserves | | 714 | - | 714 | 714 | - | 714 |
| 16.2.1. Share Premium | (14) | 714 | - | 714 | 714 | - | 714 |
| 16.2.2. Share Cancellation Profits | | - | - | - | - | - | - |
| 16.2.3. Other Capital Reserves | | - | - | - | - | - | - |
| 16.3. Other Comprehensive Income/Expense Items not Reclassified to Profit or Loss | | (672,158) | - | (672,158) | (223,943) | - | (223,943) |
| 16.4. Other Comprehensive Income/Expense Items Reclassified to Profit or Loss | | 4,054,334 | (671,943) | 3,382,391 | 678,070 | (2,641,597) | (1,963,527) |
| 16.5. Profit Reserves | | 20,980,816 | - | 20,980,816 | 17,052,702 | - | 17,052,702 |
| 16.5.1. Legal Reserves | | 771,684 | - | 771,684 | 757,842 | - | 757,842 |
| 16.5.2. Status Reserves | | - | - | - | - | - | - |
| 16.5.3. Extraordinary Reserves | | 20,209,132 | - | 20,209,132 | 16,294,860 | - | 16,294,860 |
| 16.5.4. Other Profit Reserves | | - | - | - | - | - | - |
| 16.6. Profit/Loss | | 17,223,766 | - | 17,223,766 | 3,928,114 | - | 3,928,114 |
| 16.6.1. Prior Periods' Profit/Loss | | - | - | - | - | - | - |
| 16.6.2. Current Period's Net Profit/Loss | | 17,223,766 | - | 17,223,766 | 3,928,114 | - | 3,928,114 |
| 16.7. Minority Interest | | - | - | - | - | - | - |
| TOTAL LIABILITIES | | 319,703,879 | 282,051,297 | 601,755,176 | 133,675,171 | 237,694,070 | 371,369,241 |

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

QNB Finansbank Anonim Şirketi

Unconsolidated Balance Sheet–Liabilities and Equity

For the year ended 31 December 2022

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

II. STATEMENT OF OFF-BALANCE COMMITMENTS AND CONTINGENCIES

| | Section 5 8Part III | Current Period 31.12.2022 | | | Prior Period 31.12.2021 | | |
|---|---------------------------|------------------------------|--------------------|----------------------|----------------------------|--------------------|--------------------|
| | | TL | FC | TOTAL | TL | FC | TOTAL |
| A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III) | | 477,282,216 | 597,878,783 | 1,075,160,999 | 250,865,291 | 432,479,100 | 683,344,391 |
| I. GUARANTEES | (1), (2), (3), (4) | 29,691,070 | 35,538,119 | 65,229,189 | 13,161,207 | 34,332,017 | 47,493,224 |
| 1.1. Letters of guarantee | | 25,624,515 | 20,031,380 | 45,655,895 | 13,025,750 | 17,491,611 | 30,517,361 |
| 1.1.1. Guarantees subject to State Tender Law | | 884,755 | 188,383 | 1,073,138 | 553,377 | 133,441 | 686,818 |
| 1.1.2. Guarantees given for foreign trade operations | | 12,326,738 | 19,842,997 | 32,169,735 | 7,285,611 | 17,358,170 | 24,643,781 |
| 1.1.3. Other letters of guarantee | | 12,413,022 | - | 12,413,022 | 5,186,762 | - | 5,186,762 |
| 1.2. Bank loans | | 4,028,331 | 9,696,287 | 13,724,618 | 71,783 | 8,635,893 | 8,707,676 |
| 1.2.1. Import letter of acceptance | | 4,028,331 | 9,696,287 | 13,724,618 | 71,783 | 8,635,893 | 8,707,676 |
| 1.2.2. Other bank acceptances | | - | - | - | - | - | - |
| 1.3. Letters of credit | | 38,224 | 5,810,452 | 5,848,676 | 63,674 | 8,204,513 | 8,268,187 |
| 1.3.1. Documentary letters of credit | | 38,224 | 5,228,027 | 5,266,251 | 63,674 | 7,424,841 | 7,488,515 |
| 1.3.2. Other letters of credit | | - | 582,425 | 582,425 | - | 779,672 | 779,672 |
| 1.4. Prefinancing given as guarantee | | - | - | - | - | - | - |
| 1.5. Endorsements | | - | - | - | - | - | - |
| 1.5.1. Endorsements to the Central Bank of Türkiye | | - | - | - | - | - | - |
| 1.5.2. Other endorsements | | - | - | - | - | - | - |
| 1.6. Securities issue purchase guarantees | | - | - | - | - | - | - |
| 1.7. Factoring guarantees | | - | - | - | - | - | - |
| 1.8. Other guarantees | | - | - | - | - | - | - |
| 1.9. Other collaterals | | - | - | - | - | - | - |
| II. COMMITMENTS | | 251,402,245 | 23,241,741 | 274,643,986 | 150,120,272 | 5,965,872 | 156,086,144 |
| 2.1. Irrevocable commitments | (1) | 172,054,958 | 23,241,741 | 195,296,699 | 81,745,417 | 5,965,872 | 87,711,289 |
| 2.1.1. Forward asset purchase commitments | | 4,018,129 | 10,831,566 | 14,849,695 | 1,107,989 | 2,858,065 | 3,966,054 |
| 2.1.2. Forward deposit purchase and sales commitments | | - | - | - | - | - | - |
| 2.1.3. Share capital commitment to associates and subsidiaries | | - | - | - | - | - | - |
| 2.1.4. Loan granting commitments | | 47,343,805 | 1,870 | 47,345,675 | 27,050,703 | 793,507 | 27,844,210 |
| 2.1.5. Securities underwriting commitments | | - | - | - | - | - | - |
| 2.1.6. Commitments for reserve deposit requirements | | - | - | - | - | - | - |
| 2.1.7. Payment commitment for checks | | 3,895,823 | - | 3,895,823 | 2,885,779 | - | 2,885,779 |
| 2.1.8. Tax and fund liabilities from export commitments | | 118,666 | - | 118,666 | 29,314 | - | 29,314 |
| 2.1.9. Commitments for credit card expenditure limits | | 111,928,372 | - | 111,928,372 | 49,733,289 | - | 49,733,289 |
| 2.1.10. Commitments for promotions related with credit cards and banking activities | | 109,533 | - | 109,533 | 71,498 | - | 71,498 |
| 2.1.11. Receivables from short sale commitments | | - | - | - | - | - | - |
| 2.1.12. Payables for short sale commitments | | - | - | - | - | - | - |
| 2.1.13. Other irrevocable commitments | | 4,640,630 | 12,408,305 | 17,048,935 | 866,845 | 2,314,300 | 3,181,145 |
| 2.2. Revocable commitments | | 79,347,287 | - | 79,347,287 | 68,374,855 | - | 68,374,855 |
| 2.2.1. Revocable loan granting commitments | | 79,347,287 | - | 79,347,287 | 68,374,855 | - | 68,374,855 |
| 2.2.2. Other revocable commitments | | - | - | - | - | - | - |
| III. DERIVATIVE FINANCIAL INSTRUMENTS | (5), (6) | 196,188,901 | 539,098,923 | 735,287,824 | 87,583,812 | 392,181,211 | 479,765,023 |
| 3.1. Derivative financial instruments for hedging purposes | | 20,638,338 | 127,538,657 | 148,176,995 | 12,146,306 | 102,778,047 | 114,924,353 |

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

QNB Finansbank Anonim Şirketi

Unconsolidated Balance Sheet–Liabilities and Equity

For the year ended 31 December 2022

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

| | Section 5 8Part III | Current Period 31.12.2022 | | | Prior Period 31.12.2021 | | |
|------------|--|------------------------------|----------------------|----------------------|----------------------------|--------------------|----------------------|
| | | TL | FC | TOTAL | TL | FC | TOTAL |
| 3.1.1. | Fair value hedge | 4,808,155 | 36,409,473 | 41,217,628 | 5,829,388 | 42,107,334 | 47,936,722 |
| 3.1.2. | Cash flow hedge | 15,830,183 | 91,129,184 | 106,959,367 | 6,316,918 | 60,670,713 | 66,987,631 |
| 3.1.3. | Hedge of net investment in foreign operations | - | - | - | - | - | - |
| 3.2. | Held for trading transactions | 175,550,563 | 411,560,266 | 587,110,829 | 75,437,506 | 289,403,164 | 364,840,670 |
| 3.2.1. | Forward foreign currency buy/sell transactions | 10,544,244 | 19,818,125 | 30,362,369 | 7,288,292 | 16,053,812 | 23,342,104 |
| 3.2.1.1. | Forward foreign currency transactions-buy | 10,071,714 | 5,490,339 | 15,562,053 | 6,377,847 | 4,862,254 | 11,240,101 |
| 3.2.1.2. | Forward foreign currency transactions-sell | 472,530 | 14,327,786 | 14,800,316 | 910,445 | 11,191,558 | 12,102,003 |
| 3.2.2. | Swap transactions related to foreign currency and interest rates | 105,471,315 | 326,590,280 | 432,061,595 | 66,545,184 | 268,882,455 | 335,427,639 |
| 3.2.2.1. | Foreign currency swap-buy | 6,408,566 | 132,828,947 | 139,237,513 | 2,126,829 | 98,404,122 | 100,530,951 |
| 3.2.2.2. | Foreign currency swap-sell | 60,927,351 | 75,675,597 | 136,602,948 | 37,918,755 | 62,467,695 | 100,386,450 |
| 3.2.2.3. | Interest rate swaps-buy | 19,067,699 | 59,042,868 | 78,110,567 | 13,249,800 | 54,005,319 | 67,255,119 |
| 3.2.2.4. | Interest rate swaps-sell | 19,067,699 | 59,042,868 | 78,110,567 | 13,249,800 | 54,005,319 | 67,255,119 |
| 3.2.3. | Foreign currency, interest rate and securities options | 58,709,719 | 58,732,290 | 117,442,009 | 1,227,592 | 2,651,799 | 3,879,391 |
| 3.2.3.1. | Foreign currency options-buy | 45,910,391 | 13,322,787 | 59,233,178 | 821,817 | 1,131,799 | 1,953,616 |
| 3.2.3.2. | Foreign currency options-sell | 12,799,328 | 45,409,503 | 58,208,831 | 405,775 | 1,520,000 | 1,925,775 |
| 3.2.3.3. | Interest rate options-buy | - | - | - | - | - | - |
| 3.2.3.4. | Interest rate options-sell | - | - | - | - | - | - |
| 3.2.3.5. | Securities options-buy | - | - | - | - | - | - |
| 3.2.3.6. | Securities options-sell | - | - | - | - | - | - |
| 3.2.4. | Foreign currency futures | 825,285 | 792,923 | 1,618,208 | 376,438 | 387,573 | 764,011 |
| 3.2.4.1. | Foreign currency futures-buy | - | 792,923 | 792,923 | 361,015 | 18,895 | 379,910 |
| 3.2.4.2. | Foreign currency futures-sell | 825,285 | - | 825,285 | 15,423 | 368,678 | 384,101 |
| 3.2.5. | Interest rate futures | - | 3,570,022 | 3,570,022 | - | - | - |
| 3.2.5.1. | Interest rate futures-buy | - | 1,785,011 | 1,785,011 | - | - | - |
| 3.2.5.2. | Interest rate futures-sell | - | 1,785,011 | 1,785,011 | - | - | - |
| 3.2.6. | Other | - | 2,056,626 | 2,056,626 | - | 1,427,525 | 1,427,525 |
| B. | CUSTODY AND PLEDGED ITEMS (IV+V+VI) | 1,761,989,623 | 700,599,629 | 2,462,589,252 | 1,168,863,151 | 489,419,290 | 1,658,282,441 |
| IV. | ITEMS HELD IN CUSTODY | 41,319,622 | 17,448,913 | 58,768,535 | 22,219,062 | 16,495,503 | 38,714,565 |
| 4.1. | Customer Fund and Portfolio Assets | 10,712,892 | - | 10,712,892 | 7,427,814 | - | 7,427,814 |
| 4.2. | Investment securities held in custody | 241,029 | 12,787,625 | 13,028,654 | 1,633,011 | 11,510,543 | 13,143,554 |
| 4.3. | Checks received for collection | 26,852,980 | 2,065,638 | 28,918,618 | 10,923,733 | 3,061,613 | 13,985,346 |
| 4.4. | Commercial notes received for collection | 3,512,596 | 1,187,016 | 4,699,612 | 2,233,879 | 920,079 | 3,153,958 |
| 4.5. | Other assets received for collection | - | - | - | - | - | - |
| 4.6. | Assets received for public offering | - | - | - | - | - | - |
| 4.7. | Other items under custody | 125 | 1,408,634 | 1,408,759 | 625 | 1,003,268 | 1,003,893 |
| 4.8. | Custodians | - | - | - | - | - | - |
| V. | PLEDGED ITEMS | 994,474,840 | 388,564,158 | 1,383,038,998 | 666,936,857 | 290,504,187 | 957,441,044 |
| 5.1. | Marketable securities | 5,758,007 | 25,835,961 | 31,593,968 | 5,098,635 | 18,744,531 | 23,843,166 |
| 5.2. | Guarantee notes | 754,876 | 505,077 | 1,259,953 | 538,348 | 602,312 | 1,140,660 |
| 5.3. | Commodity | 1,005,497 | - | 1,005,497 | 521,666 | - | 521,666 |
| 5.4. | Warranty | - | - | - | - | - | - |
| 5.5. | Properties | 223,359,270 | 180,431,706 | 403,790,976 | 130,004,304 | 146,855,545 | 276,859,849 |
| 5.6. | Other pledged items | 763,597,190 | 181,791,414 | 945,388,604 | 530,773,904 | 124,301,799 | 655,075,703 |
| 5.7. | Pledged items-depository | - | - | - | - | - | - |
| VI. | ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES | 726,195,161 | 294,586,558 | 1,020,781,719 | 479,707,232 | 182,419,600 | 662,126,832 |
| | TOTAL OFF BALANCE SHEET ACCOUNTS (A+B) | 2,239,271,839 | 1,298,478,412 | 3,537,750,251 | 1,419,728,442 | 921,898,390 | 2,341,626,832 |

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

QNB Finansbank Anonim Şirketi

Unconsolidated Statement of Off-Balance Sheet Commitments and Contingencies

For the year ended 31 December 2022

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

III. STATEMENT OF PROFIT OR LOSS

| | Section 5 Part IV | Curren Period 01.01. - 31.12.2022 | Prior Period 01.01. - 31.12.2021 |
|--|----------------------|--------------------------------------|-------------------------------------|
| I. INTEREST INCOME | (1) | 64,131,081 | 25,556,086 |
| 1.1. Interest income on loans | | 40,947,844 | 20,268,563 |
| 1.2. Interest income on reserve deposits | | 130,135 | 447,034 |
| 1.3. Interest income on banks | | 296,661 | 45,966 |
| 1.4. Interest income on money market transactions | | 137,714 | 13,518 |
| 1.5. Interest income on securities portfolio | | 22,577,620 | 4,748,068 |
| 1.5.1. Financial assets measured at FVTPL | | 80,517 | 22,072 |
| 1.5.2. Financial assets measured at FVOCI | | 5,650,136 | 1,899,478 |
| 1.5.3. Financial assets measured at amortized cost | | 16,846,967 | 2,826,518 |
| 1.6. Financial lease income | | - | - |
| 1.7. Other interest income | | 41,107 | 32,937 |
| II. INTEREST EXPENSE (-) | (2) | 26,734,823 | 13,203,377 |
| 2.1. Interest on deposits | | 18,772,159 | 8,904,130 |
| 2.2. Interest on funds borrowed | | 2,903,250 | 1,420,560 |
| 2.3. Interest on money market transactions | | 2,305,838 | 1,250,409 |
| 2.4. Interest on securities issued | | 2,314,161 | 1,523,672 |
| 2.5. Interests on leasings | | 100,886 | 62,259 |
| 2.6. Other interest expenses | | 338,529 | 42,347 |
| III. NET INTEREST INCOME (I - II) | | 37,396,258 | 12,352,709 |
| IV. NET FEES AND COMMISSIONS INCOME/EXPENSES | | 6,128,001 | 3,391,172 |
| 4.1. Fees and commissions received | | 8,290,784 | 4,424,035 |
| 4.1.1. Non-cash loans | | 429,239 | 268,558 |
| 4.1.2. Others | | 7,861,545 | 4,155,477 |
| 4.2. Fees and commissions paid (-) | | 2,162,783 | 1,032,863 |
| 4.2.1. Non-cash loans | | 2,123 | 2,602 |
| 4.2.2. Others | | 2,160,660 | 1,030,261 |
| V. DIVIDEND INCOME | (3) | 14,948 | 518 |
| VI. NET TRADING INCOME/LOSS (NET) | (4) | 516,384 | (3,572,838) |
| 6.1. Trading account gain/losses | | 1,477,770 | 150,375 |
| 6.2. Gain/losses from derivative transactions | | (7,119,963) | (6,635,822) |
| 6.3. Foreign exchange gain/losses | | 6,158,577 | 2,912,609 |
| VII. OTHER OPERATING INCOME | (5) | 309,762 | 469,343 |
| VIII. TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII) | | 44,365,353 | 12,640,904 |
| IX. EXPECTED CREDIT LOSSES (-) | (6) | 4,916,850 | 3,063,770 |
| X. OTHER PROVISION LOSSES (-) | | 5,933,517 | 177,687 |
| XI. PERSONNEL EXPENSES (-) | | 4,473,419 | 2,185,729 |
| XII. OTHER OPERATING EXPENSES (-) | (7) | 6,192,609 | 2,816,932 |
| XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII) | | 22,848,958 | 4,396,786 |
| XIV. INCOME RESULTED FROM MERGERS | | - | - |
| XV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING | | 1,433,856 | 593,155 |
| XVI. GAIN/LOSS ON NET MONETARY POSITION | | - | - |
| XVII. OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV) | (8) | 24,282,814 | 4,989,941 |
| XVIII. PROVISION FOR TAXES OF CONTINUED OPERATIONS (±) | (9) | 7,059,048 | 1,061,827 |
| 18.1. Current tax charge | | 8,720,618 | 8,528 |
| 18.3. Deferred tax credit (-) | | (3,359,562) | (982,217) |
| XIX. NET OPERATING PROFIT/LOSS (XVII±XVIII) | (10) | 17,223,766 | 3,928,114 |
| XX. INCOME FROM DISCONTINUED OPERATIONS | | - | - |
| 20.1. Income from assets held for sale | | - | - |
| 20.2. Income from sale of associates, subsidiaries and joint-ventures | | - | - |
| 20.3. Others | | - | - |
| XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-) | | - | - |
| 21.1. Expenses on assets held for sale | | - | - |
| 21.2. Expenses on sale of associates, subsidiaries and joint-ventures | | - | - |
| 21.3. Others | | - | - |
| XXII. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX+XXI) | | - | - |
| XXIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±) | | - | - |
| 23.1. Current tax charge | | - | - |
| 23.2. Deferred tax charge (+) | | - | - |
| 23.3. Deferred tax credit (-) | | - | - |
| XXIV. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXII±XXIII) | | - | - |
| XXV. NET PROFIT/LOSS (XIX+XXIV) | (11) | 17,223,766 | 3,928,114 |
| 25.1. Group's profit/loss | | 17,223,766 | 3,928,114 |
| Earnings Per Share | | 0.5141 | 0.1173 |

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

QNB Finansbank Anonim Şirketi
Unconsolidated Balance Sheet–Liabilities and Equity
For the year ended 31 December 2022

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

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Current Period 01.01. - 31.12.2022 | Prior Period 01.01. - 31.12.2021 |
|---|---------------------------------------|-------------------------------------|
| I. CURRENT PERIOD PROFIT/LOSS | 17,223,766 | 3,928,114 |
| II. OTHER COMPREHENSIVE INCOME | 4,897,703 | (996,822) |
| 2.1. Not Reclassified to Profit or Loss | (448,215) | (112,320) |
| 2.1.1. Revaluation Surplus on Tangible Assets | - | - |
| 2.1.2. Revaluation Surplus on Intangible Assets | - | - |
| 2.1.3. Defined Benefit Plans' Actuarial Gains/Losses | (578,606) | (133,776) |
| 2.1.4. Other Income/Expense Items not Reclassified to Profit or Loss | (26,018) | (6,905) |
| 2.1.5. Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss | 156,409 | 28,361 |
| 2.2. Other Income/Expense Items to Reclassified to Profit or Loss | 5,345,918 | (884,502) |
| 2.2.1. Foreign Currency Translation Differences | - | - |
| 2.2.2. Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI | 4,479,271 | (1,415,913) |
| 2.2.3. Gains/losses from Cash Flow Hedges | 2,407,949 | 280,269 |
| 2.2.4. Gains/Losses on Hedges of Net Investments in Foreign Operations | - | - |
| 2.2.5. Other Income/Expense Items to Reclassified to Profit or Loss | 56,242 | 24,012 |
| 2.2.6. Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss | (1,597,544) | 227,130 |
| III. TOTAL COMPREHENSIVE INCOME (I+II) | 22,121,469 | 2,931,292 |

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

QNB Finansbank Anonim Şirketi
 Unconsolidated Statement of Changes in Shareholders' Equity
 For the year ended 31 December 2022

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | Section 5 Part V | Paid in Capital | Share Premium | Share Cancellation Profits | Other Capital Reserves | Other Comprehensive Income/ Expense Items not Reclassified to Profit or Loss | | |
|--|------------------------|--------------------|------------------|----------------------------------|------------------------------|--|---|----------------------|
| | | | | | | Revaluation surplus on tangible assets | Defined Benefit Plans' Actuarial Gains/ Losses | Other ^(*) |
| Prior Period - 01.01. - 31.12.2021 | | | | | | | | |
| I. Prior Period End Balance | | 3,350,000 | 714 | - | - | - | (106,814) | (4,809) |
| II. Correction made as per TAS 8 | | - | - | - | - | - | - | - |
| 2.1. Effect of Corrections | | - | - | - | - | - | - | - |
| 2.2. Effect of Changes in Accounting Policies | | - | - | - | - | - | - | - |
| III. Adjusted Balances at Beginning of Period (I+II) | | 3,350,000 | 714 | - | - | - | (106,814) | (4,809) |
| IV. Total Comprehensive Income | | - | - | - | - | - | (107,021) | (5,299) |
| V. Capital Increase in Cash | | - | - | - | - | - | - | - |
| VI. Capital Increase from Internal Sources | | - | - | - | - | - | - | - |
| VII. Capital Reserves from Inflation Adjustments to Paid-in Capital | | - | - | - | - | - | - | - |
| VIII. Convertible Bonds | | - | - | - | - | - | - | - |
| IX. Subordinated Debt Instruments | | - | - | - | - | - | - | - |
| X. Increase/Decrease by Others Changes | | - | - | - | - | - | - | - |
| XI. Profit Distribution | | - | - | - | - | - | - | - |
| 11.1. Dividends Paid | | - | - | - | - | - | - | - |
| 11.2. Transfers to Reserves | | - | - | - | - | - | - | - |
| 11.3. Other | | - | - | - | - | - | - | - |
| Balances at end of the period (III+IV...+X+XI) | | 3,350,000 | 714 | - | - | - | (213,835) | (10,108) |

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

Other Comprehensive Income/Expense
Items Reclassified to Profit or Loss

| Translation Differences | Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI | Other ^(**) | Profit Reserves | Prior Periods' Profit/Loss | Current Period's Net Profit/Loss | Total Equity |
|----------------------------|---|-----------------------|--------------------|-------------------------------|--|-----------------|
| - | (475,450) | (603,575) | 14,204,536 | 2,848,166 | - | 19,212,768 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | (475,450) | (603,575) | 14,204,536 | 2,848,166 | - | 19,212,768 |
| - | (1,132,732) | 248,230 | - | - | 3,928,114 | 2,931,292 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | 2,848,166 | (2,848,166) | - | - |
| - | - | - | - | - | - | - |
| - | - | - | 2,848,166 | (2,848,166) | - | - |
| - | - | - | - | - | - | - |
| - | (1,608,182) | (355,345) | 17,052,702 | - | 3,928,114 | 22,144,060 |

QNB Finansbank Anonim Şirketi
Unconsolidated Statement of Changes in Shareholders' Equity
For the year ended 31 December 2022

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

| | Section 5 Part V | Paid-in Capital | Share Premium | Share Cancellation Profits | Other Capital Reserves | Other Comprehensive Income/ Expense Items not Reclassified to Profit or Loss | | |
|--|------------------------|--------------------|------------------|----------------------------------|------------------------------|--|---|----------------------|
| | | | | | | Revaluation surplus on tangible assets | Defined Benefit Plans' Actuarial Gains/ Losses | Other ^(*) |
| Current Period - 01.01. - 31.12.2022 | | | | | | | | |
| I. Prior Period End Balance | | 3,350,000 | 714 | - | - | - | (213,835) | (10,108) |
| II. Correction made as per TAS 8 | | - | - | - | - | - | - | - |
| 2.1. Effect of Corrections | | - | - | - | - | - | - | - |
| 2.2. Effect of Changes in Accounting Policies | | - | - | - | - | - | - | - |
| III. Adjusted Balances at Beginning of Period (I+II) | | 3,350,000 | 714 | - | - | - | (213,835) | (10,108) |
| IV. Total Comprehensive Income | | - | - | - | - | - | (420,591) | (27,624) |
| V. Capital Increase in Cash | | - | - | - | - | - | - | - |
| VI. Capital Increase from Internal Sources | | - | - | - | - | - | - | - |
| VII. Capital Reserves from Inflation Adjustments to Paid-in Capital | | - | - | - | - | - | - | - |
| VIII. Convertible Bonds | | - | - | - | - | - | - | - |
| IX. Subordinated Debt Instruments | | - | - | - | - | - | - | - |
| X. Increase/Decrease by Others Changes | | - | - | - | - | - | - | - |
| XI. Profit Distribution | | - | - | - | - | - | - | - |
| 11.1. Dividends Paid | | - | - | - | - | - | - | - |
| 11.2. Transfers to Reserves | | - | - | - | - | - | - | - |
| 11.3. Other | | - | - | - | - | - | - | - |
| Balances at end of the period (III+IV...+X+XI) | | 3,350,000 | 714 | - | - | - | (634,426) | (37,732) |

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

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

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

Other Comprehensive Income/Expense
Items Reclassified to Profit or Loss

| Translation Differences | Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI | Others ^(**) | Profit Reserves | Prior Periods' Profit/Loss | Current Period's Net Profit/Loss | Total Equity |
|-------------------------|--|------------------------|-----------------|----------------------------|----------------------------------|--------------|
| - | (1,608,182) | (355,345) | 17,052,702 | 3,928,114 | - | 22,144,060 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | (1,608,182) | (355,345) | 17,052,702 | 3,928,114 | - | 22,144,060 |
| - | 3,459,965 | 1,885,953 | - | - | 17,223,766 | 22,121,469 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | 3,928,114 | (3,928,114) | - | - |
| - | - | - | - | - | - | - |
| - | - | - | 3,928,114 | (3,928,114) | - | - |
| - | - | - | - | - | - | - |
| - | 1,851,783 | 1,530,608 | 20,980,816 | - | 17,223,766 | 44,265,529 |

QNB Finansbank Anonim Şirketi

Unconsolidated Statement of Cash Flows

For the year ended 31 December 2022

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

VI. STATEMENT OF CASH FLOWS

| | Current Period 01.01. - 31.12.2022 | Prior Period 01.01. - 31.12.2021 |
|---|--|--|
| A. CASH FLOWS FROM/(TO) BANKING OPERATIONS | | |
| 1.1. Operating Profit Before Changes in Operating Assets and Liabilities | 9,417,796 | 9,603,341 |
| 1.1.1. Interest Received | 28,020,863 | 22,978,517 |
| 1.1.2. Interest Paid | (30,871,012) | (14,963,414) |
| 1.1.3. Dividend Received | 14,948 | 191,284 |
| 1.1.4. Fees and Commissions Received | 8,381,713 | 4,425,447 |
| 1.1.5. Other Income | 309,762 | 469,343 |
| 1.1.6. Collections From Previously Written Off Loans | 2,246,618 | 2,057,663 |
| 1.1.7. Payments To Personnel and Service Suppliers | (3,669,832) | (1,983,241) |
| 1.1.8. Taxes Paid | (7,434,364) | (1,286,776) |
| 1.1.9. Others | 12,419,100 | (2,285,482) |
| 1.2. Changes in Operating Assets and Liabilities | 21,225,104 | 6,485,559 |
| 1.2.1. Net (Increase) Decrease in Financial Assets Measured at Fair Value Through Profit/Loss | (580,021) | (108,418) |
| 1.2.2. Net (Increase) Decrease in Due From Banks | (2,298,732) | (24,803,552) |
| 1.2.3. Net (Increase) Decrease in Loans | (112,297,581) | (31,699,550) |
| 1.2.4. Net (Increase) Decrease in Other Assets | (4,951,535) | 4,289,681 |
| 1.2.5. Net Increase (Decrease) in Bank Deposits | (1,890,347) | 12,179,425 |
| 1.2.6. Net Increase (Decrease) in Other Deposits | 124,410,817 | 40,544,887 |
| 1.2.7. Net increase (Decrease) in Financial Liabilities at Fair Value Through Profit or Loss | - | - |
| 1.2.8. Net Increase (Decrease) in Funds Borrowed | 3,065,727 | (5,681,113) |
| 1.2.9. Net Increase (Decrease) in Matured Payables | - | - |
| 1.2.10. Net Increase (Decrease) in Other Liabilities | 15,766,776 | 11,764,199 |
| I. Net Cash Provided From/(Used in) Banking Operations | 30,642,900 | 16,088,900 |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | |
| II. Net Cash Provided From/(Used in) Investing Activities | (6,864,317) | (3,755,838) |
| 2.1. Purchase Of Entities Under Common Control, Associates and Subsidiaries | - | - |
| 2.2. Sale of Entities Under Common Control, Associates and Subsidiaries | - | 25,651 |
| 2.3. Fixed Assets Purchases | (2,197,987) | (734,630) |
| 2.4. Fixed Assets Sales | 572,573 | 114,380 |
| 2.5. Purchase of Financial Assets Measured at Fair Value Through Other Comprehensive Income | (27,886,210) | (10,420,664) |
| 2.6. Sale of Financial Assets Measured at Fair Value Through Other Comprehensive Income | 25,940,243 | 10,317,576 |
| 2.7. Purchase of Financial Assets Measured at Amortized Cost | (12,898,683) | (5,543,888) |
| 2.8. Sale of Financial Assets Measured at Amortized Cost | 10,005,623 | 2,609,710 |
| 2.9. Others | (399,876) | (123,973) |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | |
| III. Net Cash Provided From/(Used in) Financing Activities | 448,366 | 14,995,591 |
| 3.1. Cash obtained from funds borrowed and securities issued | 21,389,523 | 27,388,485 |
| 3.2. Cash used for repayment of funds borrowed and securities issued | (21,092,362) | (12,376,809) |
| 3.3. Capital increase | - | - |
| 3.4. Dividends paid | - | - |
| 3.5. Payments for finance leases | (4,455) | (12,797) |
| 3.6. Other | 155,660 | (3,288) |
| IV. Effect of change in foreign exchange rate on cash and cash equivalents | 1,454,238 | 4,346,096 |
| V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV) | 25,681,187 | 31,674,749 |
| VI. Cash and cash equivalents at beginning of the period | 47,100,231 | 15,425,482 |
| VII. Cash and cash equivalents at end of the period (V+VI) | 72,781,418 | 47,100,231 |

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

QNB Finansbank Anonim Şirketi
Unconsolidated Statement of Profit Appropriation
For the year ended 31 December 2022

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

VII. UNCONSOLIDATED STATEMENT OF PROFIT APPROPRIATION

| | Current Period 31.12.2022 ^(*) | Prior Period 31.12.2021 |
|--|---|----------------------------|
| I. DISTRIBUTION OF CURRENT YEAR INCOME | | |
| 1.1. CURRENT YEAR INCOME | 24,282,814 | 4,989,941 |
| 1.2. TAXES AND DUTIES PAYABLE (-) | 7,059,048 | 1,061,827 |
| 1.2.1. Corporate Tax (Income Tax) | 8,720,618 | 8,528 |
| 1.2.2. Income Withholding Tax | - | - |
| 1.2.3. Other Taxes And Duties ^(**) | (1,661,570) | 1,053,299 |
| A. NET INCOME FOR THE YEAR (1.1.-1.2.) | 17,223,766 | 3,928,114 |
| 1.3. PRIOR YEAR LOSSES (-) | - | - |
| 1.4. FIRST LEGAL RESERVES (-) | - | - |
| 1.5. OTHER STATUTORY RESERVES (-) | - | - |
| B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3.+1.4.+1.5.)] | 17,223,766 | 3,928,114 |
| 1.6. FIRST DIVIDEND TO SHAREHOLDERS (-) | - | - |
| 1.6.1. To Owners Of Ordinary Shares | - | - |
| 1.6.2. To Owners Of Privileged Shares | - | - |
| 1.6.3. To Owners Of Preferred Shares | - | - |
| 1.6.4. To Profit Sharing Bonds | - | - |
| 1.6.5. To Holders Of Profit And (Loss) Sharing Certificates | - | - |
| 1.7. DIVIDENDS TO PERSONNEL (-) | - | - |
| 1.8. DIVIDENDS TO BOARD OF DIRECTORS (-) | - | - |
| 1.9. SECOND DIVIDEND TO SHAREHOLDERS (-) | - | - |
| 1.9.1. To Owners Of Ordinary Shares | - | - |
| 1.9.2. To Owners Of Privileged Shares | - | - |
| 1.9.3. To Owners Of Preferred Shares | - | - |
| 1.9.4. To Profit Sharing Bonds | - | - |
| 1.9.5. To Holders Of Profit And (Loss) Sharing Certificates | - | - |
| 1.10. SECOND LEGAL RESERVES (-) | - | - |
| 1.11. STATUTORY RESERVES (-) | - | - |
| 1.12. EXTRAORDINARY RESERVES | - | 3,927,444 |
| 1.13. OTHER RESERVES | - | - |
| 1.14. SPECIAL FUNDS | - | 670 |
| II. DISTRIBUTION OF RESERVES | | |
| 2.1. APPROPRIATED RESERVES | - | - |
| 2.2. SECOND LEGAL RESERVES (-) | - | - |
| 2.3. DIVIDENDS TO SHAREHOLDERS (-) | - | - |
| 2.3.1. To Owners Of Ordinary Shares | - | - |
| 2.3.2. To Owners Of Privileged Shares | - | - |
| 2.3.3. To Owners Of Preferred Shares | - | - |
| 2.3.4. To Profit Sharing Bonds | - | - |
| 2.3.5. To Holders Of Profit And (Loss) Sharing Certificates | - | - |
| 2.4. DIVIDENDS TO PERSONNEL (-) | - | - |
| 2.5. DIVIDENDS TO BOARD OF DIRECTORS (-) | - | - |
| III. EARNINGS PER SHARE | | |
| 3.1. TO OWNERS OF ORDINARY SHARES | 0.5141 | 0.1173 |
| 3.2. TO OWNERS OF ORDINARY SHARES (%) | 51.41% | 11.73% |
| 3.3. TO OWNERS OF PRIVILEGED SHARES | - | - |
| 3.4. TO OWNERS OF PRIVILEGED SHARES (%) | - | - |
| IV. DIVIDEND PER SHARE | | |
| 4.1. TO OWNERS OF ORDINARY SHARES | - | - |
| 4.2. TO OWNERS OF ORDINARY SHARES (%) | - | - |
| 4.3. TO OWNERS OF PRIVILEGED SHARES | - | - |
| 4.4. TO OWNERS OF PRIVILEGED SHARES (%) | - | - |

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

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

QNB Finansbank Anonim Şirketi

Notes to Unconsolidated Financial Statements

For the year ended 31 December 2022

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

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

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

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

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

Explanation for convenience translation to English:

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

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

The accounting policies and valuation principles used in the preparation of the interim financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the BRSA and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended 31 December 2021, excluding re-arrangements mentioned in Note VIII. The accounting policies and valuation principles related with current period are explained in Notes II to XXVI below.

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

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

2.1. Changes in accounting policies and disclosures

In its accompanying unconsolidated financial statements, the Bank announced the Phase 1 amendments to TFRS 9, TAS 39 and TFRS 7 within the scope of the Indicative Interest Rate Reform published by the POA in the Official Gazette dated 14 December 2019 and numbered 30978. It has been implemented since 1 January 2020.

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

Within the scope of the said reform; The Bank has transactions in the field of loans, securities, debt and derivative products and hedge accounting applications. With this; A significant portion of bank transactions are indexed to EURIBOR and USD LIBOR reference interest rates, and EURIBOR continues to be used after the transition. And also; It is anticipated that USD LIBOR rates will continue to be published overnight in 1M, 3M, 6M and 1Y grades until June 2023.

QNB Finansbank Anonim Şirketi

Notes to Unconsolidated Financial Statements

For the year ended 31 December 2022

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

ACCOUNTING POLICIES (Continued)

I. Basis of Presentation (Continued)

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

2.1. Changes in accounting policies and disclosures (Continued)

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

| Current Period | Derivative | Non-Derivative Financial Instruments |
|------------------------------|--------------------|--------------------------------------|
| USD LIBOR | 163,431,174 | 31,878,547 |
| Hedge Accounting Instruments | 89,029,911 | |
| Total | 252,461,085 | 31,878,547 |

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

2.2. Other

In TAS 29 Financial Reporting Standard in Hyperinflationary Economies, It includes threshold value to be taken as a basis for determining whether there is hyperinflation in an economy by considering the economies with high inflation and it is explained how to adjust the financial statements of the companies whose functional currency is the currency of a hyperinflationary economy, according to inflation. On the date of 20 January 2022, POA, Financial Reporting Standards, made a statement on whether to apply the Financial Reporting in Hyperinflationary Economies ("TAS 29") Standard within the scope of Turkish Financial Reporting Standards for Large and Medium Sized Enterprises. Accordingly, it has been stated that businesses applying TFRS do not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29. As of the preparation date of these financial statements, no new disclosure has been made by POA within the scope of TAS 29, and no inflation adjustment has been made according to TAS 29 while preparing the financial statements dated 31 December 2022.

TFRS 17 Insurance Contracts Standard was published in the Official Gazette dated 16 February 2019 and numbered 30688 by the Public Oversight Accounting and Auditing Standards Authority and is valid for annual reporting periods beginning on or after 1 January 2023. This standard replaces TFRS 4, which currently allows for a wide variety of applications. The related standard is not expected to have a significant impact on the unconsolidated financial statements of the Bank as of 1 January 2023.

The tension between Russia and Ukraine since January 2022 has subsequently turned into a crisis and a hot conflict, and the current situation continues as of the date of the report. The Bank does not carry out any activities in the two countries that are subject to the crisis. However, since the course of the crisis is uncertain as of the report date, developments that may occur on a global scale and the effects of these developments on the global and regional economy on the Bank's operations are closely monitored.

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

1. Strategy for the use of financial instruments

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

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

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ACCOUNTING POLICIES (Continued)

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

1. Strategy for the use of financial instruments (Continued)

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

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

2. Foreign currency transactions

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

The Bank accounts for the transactions denominated in foreign currencies in accordance with TAS 21 "The Effects of Changes in Foreign Exchange Rates". Foreign exchange gains and losses arising from transactions that are completed as of 31 December 2022 are translated to TL by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities except for non-monetary items are converted into TL by using foreign currency exchange rates of the Bank for the period end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency non-monetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement.

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

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

As of 31 December 2022, derivative financial transactions loss amounting to TL 7,119,963 (31 December 2021 - TL 6,635,822 derivative financial transactions loss) and foreign exchange gain amounting to TL 6,158,577 (31 December 2021 - TL 2,912,609 net foreign exchange gain), excluding net interest expense amounting to TL 4,731,113 (31 December 2021 - TL 4,684,038 net interest expense) arising from derivative transactions, the net profit on foreign currency transactions is TL 3,769,727 (31 December 2021 - TL 960,825 net profit on foreign currency transactions).

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

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

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

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ACCOUNTING POLICIES (Continued)

IV. Explanations on Derivative Financial Assets and Liabilities

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

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

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

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

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

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

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

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

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

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

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

In cash flow hedge accounting

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

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

In fair value hedge accounting

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

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

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ACCOUNTING POLICIES (Continued)

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

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term TL government bonds with fixed coupon payment in financial assets which is classified as fair value through Other Comprehensive Income portfolio using swap transactions as hedging instruments.

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

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

At each balance sheet date the Bank applies effectiveness tests for fair value hedge accounting.

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

As of 30 September 2018, the Bank terminated the hedge accounting for the fair value hedge of the fair value risk arising from the changes in the exchange rates for the real estates purchased in previous periods in foreign currency and the fair value of which is in foreign currency in the market and as of 31 December 2022, fair value exchange difference adjustment amounting to TL 1,142,449 which is shown tangible assets in the balance sheet, is amortized over the economic life of the property subject to hedging.

V. Explanations on Interest Income and Expenses

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

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

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

VI. Explanations on Fees and Commission Income and Expenses

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

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ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Instruments

Initial recognition of financial instruments

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

Initial measurement of financial instruments

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

Classification of financial instruments

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

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

Assessment of business model

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

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

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

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

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

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

Other business models

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

Measurement categories of financial assets and liabilities

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

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

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ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Instruments (Continued)

Financial assets at the fair value through profit or loss

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

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

The Bank has stocks, bills and bonds in portfolios of financial assets at fair value through profit and loss that are accounted in accordance with the Bank's business model. In accordance with TFRS 9, the Bank has classified cash flows are solely payments of principal and interest at certain dates under financial assets at fair value through profit and loss related to private purpose loans as of December 2018.

Financial Assets at Fair Value Through Other Comprehensive Income

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

“Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the the statement of profit or loss and other comprehensive income of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the “Other Accumulated Comprehensive Income or Expenses Reclassified to Profit or Loss” under shareholders' equity. When the aforementioned securities are collected or disposed, accumulated fair value differences which were reflected under equity, are reflected in the the statement of profit or loss and other comprehensive income. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

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

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

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

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ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Instruments (Continued)

Financial Assets Measured at Amortized Cost

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

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

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

VIII. Explanations on Expected Credit Losses

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

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

Stage 1

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of expected credit losses on the 12-month default risk. It is calculated 12-month expected credit loss based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate. As of 31 December 2022, minimum probability of default of Basel II is used in the calculation for the expected loss of receivables from public institutions and organizations. Such calculation is performed for each of three scenarios explained below.

Stage 2

As of the reporting date of the financial asset, in the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument’s lifetime expected credit losses. The calculation method is similar to the one described in the above paragraph, but the probability of default and the loss rate in default are estimated throughout the life of the instrument.

Stage 3

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

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

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ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses (Continued)

Calculation of expected credit losses

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

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

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

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

Probability of Default (PD)

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

Loss Given Default (LGD)

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

Exposure at Default (EAD)

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

Consideration of the Macroeconomic Factors

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

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

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ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses (Continued)

Consideration of the Macroeconomic Factors (Continued)

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

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

This approach, which is preferred in reserve calculations for year end period of 2022, will be revised in the following reporting periods, taking into account the impact of the pandemic, portfolio and future expectations.

Calculating the Expected Loss Period

Lifetime ECL is calculated by taking into account maturity extensions, repayment options and the period during which the Bank will be exposed to credit risk. The time in financial guarantees and other irrevocable commitments represents the credit maturity for which the liabilities of the Bank. Behavioral maturity analysis has been performed on credit cards and overdraft accounts. With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless there is the legal right to call it earlier.

Significant increase in credit risk

The Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk of financial assets to be classified as stage 2 (Significant Increase in Credit Risk).

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

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

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

Write-Off policy

Receivables that are classified as non-performing loans are collected primarily within the framework of administrative contacts with the debtors, and if no results are obtained, through legal means.

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

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

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

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

Within the scope of TFRS 9, the amount written off by the Bank during the period is TL 361,940 (31 December 2021 - TL 126,001) and the effect on the NPL ratio of the Bank is 0.10% (31 December 2021 - 0.05%). While the NPL ratio is 2.50% (31 December 2021 - 4.21%) with the current period non-performing loan figures, the calculated rate including the loans written off during the year is 2.59% (31 December 2021 - 4.26%).

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ACCOUNTING POLICIES (Continued)

IX. Explanations on Netting of Financial Instruments

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

X. Derecognition of Financial Instruments

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

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

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

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

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

c) Derecognition of financial liabilities

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

d) Reclassification of financial instruments

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

e) Restructuring and refinancing of financial instruments

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

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

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ACCOUNTING POLICIES (Continued)

X. Derecognition of Financial Instruments (Continued)

Restructuring and refinancing of financial instruments (Continued)

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

- Subsequent to the thorough review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time).
- At least 1 year should pass over the date of restructuring (or if it is later), the date of removal from nonperforming loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring/ refinancing shall be paid.

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

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

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

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

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

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

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

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

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

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

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ACCOUNTING POLICIES (Continued)

XII. Explanations on Assets Held for Sale and Discontinued Operations

In accordance with TFRS 5 (“Assets Held for Sale and Discontinued Operations”), assets classified as held for sale are measured at lower of carrying value or fair value less costs to sell. Amortization on subject asset is ended and these assets are presented separately on financial statements. An asset (or a disposal group) is regarded as “asset held for sale” only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset (or a disposal group) should be actively marketed at a price consistent with its fair value. Various events and conditions may prolong the sale procedures for more than one year. In case subject delay is caused by the events and conditions beyond the bank’s control and there is enough evidence that plans to sell subject asset (or a disposal group) continue subject assets continue to be classified as assets held for sale. As of 31 December 2022, the Bank has assets held for sale and discontinued operations and it is explained in footnote 1.17. of Section Five.

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

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

XIII. Explanations on Goodwill and Other Intangible Assets

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

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

Softwares have been classified as other intangible fixed assets. The useful life of softwares is determined as 3-5 years.

If there is objective evidence of impairment, the asset’s recoverable amount is estimated in accordance with the “Turkish Accounting Standard on Impairment of Assets” (TAS 36) and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made. There is no goodwill regarding the associates, entities under common controls and subsidiaries in the accompanying unconsolidated financial statements.

XIV. Explanations on Tangible Assets

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

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

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

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

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

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

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

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

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

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ACCOUNTING POLICIES (Continued)

XV. Explanations on Leasing Transactions

With the TFRS 16 Leases Standard, the difference between operating leases and financial leases has disappeared, and fixed assets acquired under finance lease contracts are presented under “Tangible Fixed Assets” on the asset side and under “Financial Lease Payables” on the liability side at the initial date of the lease. The basis for the determination of related balance sheet amounts is the lower of fair value of the leased asset and the present value of the lease payments. The direct costs incurred for a finance lease transaction are capitalized as additions to the cost of the leased asset. Lease payments include the financing costs incurred due to the leasing transaction and the principal amount of the leased asset for the current period. Depreciation is calculated on a straight-line basis over the estimated useful life of the leased assets at the rate of 20% except for the buildings which are depreciated at the rate of 2%.

TFRS 16 Leases

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

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

Right of use assets

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

The right use includes the presence of:

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

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

Lease Liabilities

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

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

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

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

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

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

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

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ACCOUNTING POLICIES (Continued)

XV. Explanations on Leasing Transactions (Continued)

Short-Term Leases and Leases of Low-Value Assets

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

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

XVI. Explanations on Provisions and Contingent Liabilities

Provisions, other than expected credit loss for loans and other receivables, and contingent liabilities are provided for in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Provisions are accounted for immediately when obligations arise as a result of past events and a reliable estimate of the obligation is made by the Bank. Whenever the amount of such obligations cannot be measured, they are regarded as "contingent". In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled, and a reliable estimate can be made of the amount obligation. If these criteria are not met, the Bank discloses these issues in the explanations and notes related to the financial statements. In cases where reliable estimate cannot be made of the amount of the obligation, it is considered contingent liabilities. For contingent liabilities if the probability that the event will occur is greater than the probability that it will not and the amount of the obligation can be measured reliably, a provision is made.

XVII. Explanations on Obligations of the Bank Concerning Employee Benefits

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

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

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

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

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

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

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ACCOUNTING POLICIES (Continued)

XVIII. Explanations on Taxation

1. Corporate Tax

While the corporate tax is calculated at the rate of 20% on the corporate income according to the Corporate Tax Law No. 5520 published in the Official Gazette dated 21 June 2006 and numbered 26205, 25% corporate tax rate was applied to the corporate earnings within 2021 taxation period as the Provisional Article 13 was added to the Corporate Tax Law with the 11th Article of the Law No. 7316 on the Collection of Public Receivables and the Law on the Amendment of Certain Laws published in the Official Gazette on 22 April 2021. Companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies were applied as 25% for corporate earnings for the taxation period of 2022 with the Law No. 7394 on Certain Amendments to Utilization of Immovable Properties Belonging to the Treasury and to the Law on Certain Amendments to Value Added Tax Law, article 26 of the Law on Amendments to Certain Laws and Statutory Decrees and the paragraph added to the temporary article 13 of the Corporate Tax Law, which was published in the Official Gazette dated 15 April 2022, and numbered 31810. This amendment has been valid in the taxation of corporate income for the periods starting from 1 January 2022, and in the declarations that must be submitted as of 1 July 2022. Prepaid taxes are followed in "Current Tax Liability" or "Current Tax Asset" accounts to be deducted from the corporate tax liability of the relevant year.

With the 75% of the profits arising from the sale of the participation shares held in the Bank's assets for more than two years and the founder's shares, usufruct shares and preference rights held for the same period and 50% of the gains arising from the sale of immovables that are in the assets of the Bank for the same period is exempt from tax on the condition that it is added to the capital or kept in a special fund account for 5 years as stipulated in the Corporate Tax Law.

Companies calculate provisional tax at the rate of 25% for the taxation periods of 2021 and 2022 (20% in the first temporary tax period of 2021 and 23% in the first temporary tax period of 2022) on their quarterly financial profits and They declare and pay until the 17th day of the second month following that period. With the 9th article of the Law No. 7338 on the Amendment of the Tax Procedure Law and Some Laws published in the Official Gazette dated 26 October 2021 and numbered 31640, the repetitive article 120 of the Income Tax Law No. 193 was amended and It has been stated that provisional tax will be calculated and paid on the quarterly earnings determined for the first nine months of the relevant accounting period, which is applied from the declarations submitted.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period, if they do not exceed 5 years. According to the Tax Procedure Law, declarations and related accounting records can be examined by the tax office within five years. On the other hand, if the provision of a document subject to stamp duty, whose tax and penalty is time-barred, is utilized after the expiry of the statute of limitations, the tax receivable of the aforementioned document arises.

The corporate tax provisions calculated over the profit for the period are recorded in the "Current Tax Provision" account in the profit or loss statement, and the current tax effects of the transactions that are directly accounted for in equity are reflected in the shareholders' equity.

In cases where the profit for the period is not distributed and added to the capital or distributed to fully taxpayer institutions while not subject to withholding tax, in accordance with the Council of Ministers Decision no 2009/14593 and the Council of Ministers Decision no 2009/14594 published in the Official Gazette dated 3 February 2009, and numbered 27130, and articles 15 and 30 of the Corporate Tax Law No. 5520. Real persons who are fully taxpayers, those who are not liable for corporate tax and income tax, those who are exempt from corporate tax and income tax, non-resident corporations (except for those who receive dividends through a workplace or permanent representative in Türkiye) and non-resident taxpayers while profit distribution to real persons is subject to withholding tax at the rate of 15%, this rate has been changed to 10% with the Presidential Decision published in the Official Gazette dated 22 December 2021 and numbered 31697. In the application of withholding tax rates for profit distributions to non-resident companies and real persons, the practices included in the relevant Double Taxation Agreements are also taken into consideration.

The financial statements should be subject to inflation if both of the following conditions are met within the framework of the Tax Procedure Law's reiterated article 298/A:

- The increase in the price index (D-PPI- Domestic Producer Price Index) exceeded 100% in the last three accounting periods, including the current period; and
- To be more than 10% in the current accounting period.

The law on the amendment of the Tax Procedure Law and the Corporate Tax Law was enacted on 20 January 2022, with the Law No. 7352, and the conditions regarding the inflation adjustment within the scope of the repeated article 298 are determined in the 2021 and 2022 accounting periods and the 2023 accounting period temporary tax periods, including the temporary accounting periods. It has been decided that the financial statements will not be subject to inflation adjustment, regardless of whether the financial statements have been made. In line with the Law No. 7352, inflation adjustment will be applied to the financial statements dated 31 December 2023, and the profit/loss difference arising from the inflation adjustment will be shown in the previous years' profit/loss account and will not be taxed.

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ACCOUNTING POLICIES (Continued)

XVIII. Explanations on Taxation (Continued)

2. Deferred Taxes

The Bank calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with “Turkish Accounting Standard for Income Taxes” (“TAS 12”). In the calculation of the Parent Bank’s deferred tax, the enacted tax rates that are valid in accordance with the current tax legislation are used in accordance with the tax period for the related items. The Corporate Tax rate, which is 20% in accordance with the Provisional Article 13 added to the Corporate Tax Law with the 11th Article of the Law on the Amendment of Certain Laws and the Law on the Collection of Public Claims, published in the Official Gazette on 22 April 2021, No. 7316. It will be applied as 25% for corporate earnings and 25% for 2022.

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

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

The Bank is recognized deferred tax for the Stage 1 and Stage 2 expected credit losses provisions. Deferred tax effect related to transactions for which the profit or loss effect is directly accounted in equity, is also reflected to equity.

3. Transfer Pricing

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of “disguised profit distribution” by way of transfer pricing. “The General Communiqué on Disguised Profit Distribution by way of Transfer Pricing” published on 18 November 2007 explains the application related issues in detail. According to this Communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm’s length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes. Disguised profit distribution amount will be recognized as share in net profit and stoppage tax will be calculated depending on whether the profit distributing institution is a real or corporate entity, full-fledged or foreign based taxpayer, is subject to or exempt from tax.

As discussed under subject Communiqué’s 7.5 Annual Documentation section, taxpayers are required to fill out the “Transfer Pricing, Controlled Foreign Entities and Thin Capitalization” form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

XIX. Explanations on Additional Explanations on Borrowings

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

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ACCOUNTING POLICIES (Continued)

XX. Explanations on Share Issues

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

XXI. Explanations on Confirmed Bills of Exchange and Acceptances

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

XXII. Explanations on Government Incentives

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

XXIII. Explanations on Segment Reporting

In addition to corporate banking, retail banking and commercial banking services, the Bank also provides private banking, SME banking, treasury operations and credit card services through branches and alternative channels. The Bank serves its retail banking clients with time and demand deposits, also overdraft services, automatic account services, consumer loans, vehicle loans, housing loans and investment fund services. The Bank provides services including deposit and loans, foreign trade financing, forward and option agreements to its corporate clients. The Bank also serves in trading financial instruments and treasury operations.

The calculations based on the statement of profit or loss and other comprehensive income for retail banking (consumer banking and plastic cards), corporate and commercial banking have operational units designated as the main profit centers, have been made according to the product and customer types. During the profitability calculations, the pricing of transfers among these units and treasury unit are made by using cost/return ratios that are determined by the Bank's senior management and which are updated periodically. In this pricing method, general market conditions and the Bank's internal policies are considered.

Corporate and Commercial Banking serves corporate firms with an annual turnover of TL 1.5 billion or more, multinational companies operating in Türkiye, and commercial firms with an annual turnover of TL 250 million - 1.5 billion. In addition to the financing and investment needs of its customers, it offers products that will facilitate the payment and collection processes in both domestic and foreign trade. It produces solutions that will create added value for all the needs of its customers with its customer-oriented service approach, company-specific solution approach and strategy to establish long-term business partnerships.

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

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ACCOUNTING POLICIES (Continued)

XXIII. Explanations on Segment Reporting (Continued)

| Current Period (1 January - 31 December 2022) | Retail Banking | Corporate and Commercial Banking | Treasury and Head Office | Total Operations of the Bank |
|---|--------------------|----------------------------------|--------------------------|------------------------------|
| Operating income | 13,442,486 | 11,324,230 | 21,032,493 | 45,799,209 |
| Dividend Income | - | - | 14,948 | 14,948 |
| Gain/(Loss) on joint venture accounted for at equity method | - | - | 1,433,856 | 1,433,856 |
| Profit Before Taxes | 4,723,097 | 6,047,224 | 13,512,493 | 24,282,814 |
| Provision Tax (-)^(*) | - | - | 7,059,048 | 7,059,048 |
| Net Profit/Loss | 4,723,097 | 6,047,224 | 6,453,445 | 17,223,766 |
| Total Assets | 131,795,902 | 213,161,296 | 227,753,060 | 601,755,176 |
| Segment Assets | 131,795,902 | 213,161,296 | 227,753,060 | 572,710,258 |
| Associates, Subsidiaries and Entities Under Common Control (Joint Ventures) | - | - | - | 3,952,289 |
| Undistributed Assets | - | - | - | 25,092,629 |
| Total Liabilities | 253,680,550 | 130,377,708 | 125,271,620 | 601,755,176 |
| Segment Liabilities | 253,680,550 | 130,377,708 | 125,271,620 | 509,329,878 |
| Undistributed Liabilities | - | - | - | 48,159,769 |
| Equity | - | - | - | 44,265,529 |
| Other Segment Accounts | 966,170 | 651,413 | (99,776) | 1,517,807 |
| Capital Expenditures | 442,465 | 298,320 | (38,982) | 701,803 |
| Depreciation and Amortization | 523,705 | 353,093 | (60,794) | 816,004 |

^(*) Provision tax is not distributed.

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

^(*) Provision tax is not distributed.

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ACCOUNTING POLICIES (Continued)

XXIV. Profit Reserves and Profit Distribution

The General Assembly Meeting of the Bank was held on 30 March 2022. In the Board of Directors meeting, it was decided that profit from 2021 operations to be distributed as follows.

2021 profit distribution table

| | |
|---|------------------|
| Current Year Profit | 3,928,114 |
| A - First Legal Reserves (Turkish Commercial Code 519/A) (5%) | 757,842 |
| C - Extraordinary Reserves | 3,258,114 |

XXV. Earnings Per Share

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

| | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Net Profit for the Period | 17,223,766 | 3,928,114 |
| Weighted Average Amount of Shares Issued (Thousands) | 33,500,000 | 33,500,000 |
| Earnings Per Share | 0.5141 | 0.1173 |

In Türkiye, companies can increase capital through “bonus share” distributed from previous year earnings to current shareholders. Such “bonus share” distributions are accounted as issued shares while calculating earnings per share. Accordingly, weighted average amount of shares issued used in these calculations is found through taking into consideration retroactive effects of subject share distributions. In case, amount of shares issued increases after the balance sheet date but before the date of financial statement preparation due to distribution of “bonus share”, earnings per share is calculated taking into consideration the new amount of shares..

Amount of issued bonus shared in 2022 is none (Amount of issued bonus shared in 2021 is none).

XXVI. Explanations on Other Matters

None.

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. Explanations on Equity

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 31 December 2022, Bank’s total capital has been calculated as TL 64,881,289 (31 December 2021 - TL 37,423,424), capital adequacy ratio is 15.11% (31 December 2021 - 15.91%).

In accordance with the BRSA’s Decision dated December 21, 2021 and numbered 9996 and published in the Official Gazette dated 23 October 2015 and numbered 29511, in the calculation of the amount subject to credit risk in accordance with the Regulation on the Measurement and Evaluation of Capital Adequacy; Banks have the right to use the simple arithmetic average of the Central Bank’s foreign exchange buying rates for the last 252 business days as of 31 December 2021, when calculating the monetary assets and non-monetary assets, other than the items in foreign currency measured in historical cost, in accordance with the Turkish Accounting Standards and the related provision amounts. In the event that the net valuation differences of the securities in the portfolio of “Securities at Fair Value Through Other Comprehensive Income” are negative, these differences are not taken into account in the equity amount to be calculated and used for the capital adequacy ratio.

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

I. Explanations on Equity (Continued)

| Explanations on Equity | Current Period 31 December 2022 | Prior Period 31 December 2021 |
|---|------------------------------------|----------------------------------|
| COMMON EQUITY TIER 1 CAPITAL | | |
| Paid-in capital following all debts in terms of claim in liquidation of the Bank | 3,350,000 | 3,350,000 |
| Share issue premiums | 714 | 714 |
| Reserves | 20,980,816 | 17,052,702 |
| Gains recognized in equity as per TAS | 3,460,024 | 298,650 |
| Profit | 17,223,766 | 3,928,114 |
| Current Period Profit | 17,223,766 | 3,928,114 |
| Prior Period Profit | - | - |
| Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period | 1,031 | - |
| Common Equity Tier 1 Capital Before Deductions | 45,016,351 | 24,630,180 |
| Deductions from Common Equity Tier 1 Capital | | |
| Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks | - | - |
| Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS | 1,100,811 | 837,044 |
| Improvement costs for operating leasing | 108,497 | 78,386 |
| Goodwill (Net of related tax liability) | - | - |
| Other intangibles other than mortgage-servicing rights (Net of related tax liability) | 922,029 | 573,325 |
| Deferred tax assets that rely on future profitability excluding those arising from temporary differences (Net of related tax liability) | - | - |
| Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk | - | - |
| Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision | - | - |
| Gains arising from securitization transactions | - | - |
| Unrealized gains and losses due to changes in own credit risk on fair valued liabilities | - | - |
| Defined-benefit pension fund net assets | - | - |
| Direct and indirect investments of the Bank in its own Common Equity | - | - |
| Shares obtained contrary to the 4th clause of the 56th Article of the Law | - | - |
| Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank | - | - |
| Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank | - | - |
| Portion of mortgage servicing rights exceeding 10% of the Common Equity | - | - |
| Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity | - | - |
| Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks | - | - |
| Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital | - | - |
| Excess amount arising from mortgage servicing rights | - | - |
| Excess amount arising from deferred tax assets based on temporary differences | - | - |
| Other items to be defined by the BRSA | - | - |
| Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital | - | - |
| Total Deductions From Common Equity Tier 1 Capital | 2,131,337 | 1,488,755 |
| The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9 | - | 130,312 |
| Total Common Equity Tier 1 Capital | 42,885,014 | 23,271,737 |

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

I. Explanations on Equity (Continued)

| | Current Period 31 December 2022 | Prior Period 31 December 2021 |
|---|------------------------------------|----------------------------------|
| ADDITIONAL TIER I CAPITAL | | |
| Preferred Stock not Included in Common Equity and the Related Share Premiums | - | - |
| Debt instruments and premiums approved by BRSA | 9,815,715 | 6,813,188 |
| Debt instruments and premiums approved by BRSA(Temporary Article 4) | - | - |
| Additional Tier I Capital before Deductions | 9,815,715 | 6,813,188 |
| Deductions from Additional Tier I Capital | - | - |
| Direct and indirect investments of the Bank in its own Additional Tier I Capital | - | - |
| Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7 | - | - |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital | - | - |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital | - | - |
| Other items to be defined by the BRSA | - | - |
| Transition from the Core Capital to Continue to deduce Components | - | - |
| Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | - | - |
| Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | - | - |
| Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-) | - | - |
| Total Deductions From Additional Tier I Capital | - | - |
| Total Additional Tier I Capital | 9,815,715 | 6,813,188 |
| Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital) | 52,700,729 | 30,084,925 |
| TIER II CAPITAL | | |
| Debt instruments and premiums deemed suitable by the BRSA | - | - |
| Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4) | 7,198,191 | 4,996,338 |
| Provisions (Article 8 of the Regulation on the Equity of Banks) | 5,023,213 | 2,665,224 |
| Tier II Capital Before Deductions | 12,221,404 | 7,661,562 |
| Deductions From Tier II Capital | - | - |
| Direct and indirect investments of the Bank on its own Tier II Capital (-) | - | - |
| Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8. | - | - |
| Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) | - | - |
| Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank | - | - |
| Other items to be defined by the BRSA (-) | - | - |
| Total Deductions from Tier II Capital | - | - |
| Total Tier II Capital | 12,221,404 | 7,661,562 |
| Total Capital (The sum of Tier I Capital and Tier II Capital) | 64,922,133 | 37,746,487 |

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

I. Explanations on Equity (Continued)

| | Current Period 31 December 2022 | Prior Period 31 December 2021 |
|--|------------------------------------|----------------------------------|
| Deductions from Total Capital | | |
| Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law | 8,049 | 8,140 |
| Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years | - | - |
| Other items to be defined by the BRSA (-) | 32,795 | 314,923 |
| In transition from Total Core Capital and Supplementary Capital (the Capital) to Continue to Download Components | | |
| The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds | - | - |
| The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank owns more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds | - | - |
| The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank owns more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds | - | - |

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

I. Explanations on Equity (Continued)

| | Current Period 31 December 2022 | Prior Period 31 December 2021 |
|--|------------------------------------|----------------------------------|
| TOTAL CAPITAL | | |
| Total Capital | 64,881,289 | 37,423,424 |
| Total Risk Weighted Amounts | 429,487,393 | 235,207,150 |
| Capital Adequacy Ratios | | |
| Core Capital Adequacy Ratio (%) | 9.99 | 9.89 |
| Tier 1 Capital Adequacy Ratio (%) | 12.27 | 12.79 |
| Capital Adequacy Ratio (%) | 15.11 | 15.91 |
| BUFFERS | | |
| Bank specific total common equity tier 1 capital ratio (%) | 2.50 | 2.51 |
| a) Capital conservation buffer requirement (%) | 2.50 | 2.50 |
| b) Bank specific counter-cyclical buffer requirement (%) | - | 0.01 |
| The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%) | 3.99 | 3.89 |
| Amounts below the Excess Limits as per the Deduction Principles | | |
| Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital | - | - |
| Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital | 288,563 | 218,294 |
| Amount arising from mortgage-servicing rights | - | - |
| Amount arising from deferred tax assets based on temporary differences | - | - |
| Limits related to provisions considered in Tier II calculation | | |
| General provisions for standard based receivables (Before tenthousandtwentyfive limitation) | 9,718,573 | 5,588,842 |
| Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used | 5,023,213 | 2,665,224 |
| Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation | - | - |
| Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation | - | - |
| Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2023) | | |
| Upper limit for Additional Tier I Capital subjected to temporary Article 4 | 9,815,715 | 6,813,188 |
| Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4 | - | - |
| Upper limit for Additional Tier II Capital subjected to temporary Article 4 | 7,198,191 | 4,996,338 |
| Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4 | - | - |

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

I. Explanations on Equity (Continued)

Information on debt instruments included in the calculation of equity

| | 1 | 2 | 3 |
|---|--|--|--|
| Issuer | QATAR NATIONAL BANK Q.P.S.C. | QATAR NATIONAL BANK Q.P.S.C. | QATAR NATIONAL BANK Q.P.S.C. |
| Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | - | - | - |
| Governing law(s) of the instrument | BRSA | BRSA | BRSA |
| Regulatory treatment | Additional Capital | Supplementary Capital | Supplementary Capital |
| Since 1.1.2015 10% reduction by being subject to the application | No | No | No |
| Eligible at stand-alone/consolidated | Stand alone - Consolidated | Stand alone - Consolidated | Stand alone - Consolidated |
| Instrument type (Types to be specified by each jurisdiction) | Loan | Loan | Loan |
| Amount recognized in regulatory capital (Currency in million, as of most recent reporting date) | 9,826 | 2,396 | 4,905 |
| Par value of instrument (Currency in million) | 9,826 | 2,396 | 4,905 |
| Accounting classification | Liability - Subordinated Loans- amortized cost | Liability - Subordinated Loans- amortized cost | Liability - Subordinated Loans- amortized cost |
| Original date of issuance | 30 June 2019 | 1 April 2019 | May 2022 |
| Perpetual or dated | Undated | Dated | Dated |
| Original maturity date | - | 10 years | 8 years |
| Issuer call subject to prior BRSA approval | Yes | Yes | Yes |
| Optional call date, contingent call dates and redemption amount | Every 5 years | 5 years | 3 years |
| Subsequent call dates, if applicable | - | - | - |
| Coupons/dividends | - | - | - |
| Fixed or floating dividend/coupon | Fixed | Floating | Floating |
| Coupon rate and any related index | First 5 years fixed at 9.50%, next 5 years fixed at MS + 7.08% | 6M LIBOR + 5.75% | SOFR + 5.10% |
| Existence of a dividend stopper | There will be no interest on the deducted value after the impairment | - | - |
| Fully discretionary, partially discretionary or mandatory | Optional | - | - |

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

I. Explanations on Equity (Continued)

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

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

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

Explanations on the reconciliation of shareholders' equity items and balance sheet amounts

There are differences between amounts in the explanation on equity items and amounts on the balance sheet. In this context; up to 1.25% of the amount of the first and second part of the expected loss provisions is taken into account as contribution capital, losses from cash flow hedges have not been taken into consideration in the information on the equity items and valuation adjustments calculated according to item (i) of the first paragraph of the ninth article of the "Regulation on Equity of Banks" have been taken into consideration in the explanations on equity items.

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

II. Explanations on Risk Management

1. Explanations on credit risk

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

Loan strategies and policies are determined by the Policy Committees. These policies and strategies are constituted in line with the applications of the Bank, and credit risk is managed according to these policies and strategies. The quality of loan portfolio is monitored regularly with the help of metrics which are in line with the Bank's risk appetite, as specified in Risk Management Strategies.

Credit Risk Management takes place in every step of the Bank's credit process from the beginning. Loan applications are evaluated by non-profit oriented independent loan granting departments. Loan limits are determined on a product basis and in the aggregate for every individual, corporate customer and risk group. Furthermore, concentration on product, industry, region, are monitored within the frame of loan limits in line with the regulation.

The credibility of the debtors is monitored periodically in accordance with the related regulation. The statements presenting the financial position of the borrowers are obtained in accordance with the related regulation

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

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

The Bank has control limits over the positions of forward transactions, options and other similar agreements. The credit risk arising from these instruments are managed together with the risks resulting from market fluctuations.

The Bank monitors risks of forward transactions, options and other similar agreements and reduces the risk if necessary.

Indemnified non-cash loans are weighted in the same risk group with the past due but not impaired loans.

The restructured and rescheduled loans are monitored by the Bank in line with Bank's credit risk management procedures. The debtor's financial position and commercial activities are continuously analyzed and the principal and interest payments of rescheduled loans are monitored by the related departments.

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

The risk of banking operations abroad and credit transactions is acceptable and there is no significant credit risk density in the international banking market.

The policies implemented by the bank regarding the calculation of expected loss provisions are explained in note VIII of the third part. The bank has taken the general provision for overdue loans and special provision for impaired loans under the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation) into consideration.

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

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

In case the net valuation differences of the securities held by the banks in the portfolio of "Securities at Fair Value Through Other Comprehensive Income" as of the date of this Decision are negative, these differences will be calculated in accordance with the Regulation on the Equity of Banks published in the Official Gazette dated 5 September 2013, and Allowing the opportunity not to be taken into account in the amount of equity to be used for the capital adequacy ratio, continuing to apply the existing provisions of the aforementioned Regulation for "Securities at Fair Value Reflected in Other Comprehensive Income" acquired after the date of this Decision,

Capital Adequacy Regulation;

The limit for the definition of small and medium-sized enterprises (SMEs) in subparagraph (vv) of the first paragraph of Article 3 is determined as TL 250,000,000 for domestic residents in terms of SMEs, it has been reported that it has been decided to set the retail credit limit as TL 10,000,000 in the first sentence of subparagraph (c) of the second paragraph of Article 6, and to use the definition of SME, which is used by the banking authority of the country where the SME is located, in the calculation of capital adequacy for non-resident SMEs.

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Notes to Unconsolidated Financial Statements

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

II. Explanations on Risk Management (Continued)

1. Explanations on credit risk (Continued)

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

| Exposure Categories | Current Period | | Prior Period | |
|--|-----------------------------|------------------------------------|-----------------------------|------------------------------------|
| | Risk Amount ^(**) | Average Risk Amount ^(*) | Risk Amount ^(**) | Average Risk Amount ^(*) |
| Conditional and unconditional receivables from central governments and Central Banks | 159,077,176 | 139,439,702 | 91,312,405 | 72,649,337 |
| Conditional and unconditional receivables from regional or local governments | 238,920 | 258,761 | 178,915 | 110,503 |
| Conditional and unconditional receivables from administrative bodies and noncommercial enterprises | 894,033 | 1,476,421 | 215,372 | 243,902 |
| Conditional and unconditional receivables from multilateral development banks | - | - | - | - |
| Conditional and unconditional receivables from international organizations | - | - | - | - |
| Conditional and unconditional receivables from banks and brokerage houses | 63,732,448 | 63,794,402 | 53,060,055 | 39,366,658 |
| Conditional and unconditional receivables from corporates | 168,768,415 | 146,801,310 | 96,914,428 | 91,000,839 |
| Conditional and unconditional receivables from retail portfolios | 137,571,334 | 101,650,869 | 80,562,759 | 76,539,422 |
| Conditional and unconditional receivables secured by mortgages | 13,352,070 | 13,061,220 | 13,832,407 | 9,748,513 |
| Past due receivables | 1,519,660 | 1,564,461 | 1,954,401 | 1,759,215 |
| Receivables defined under high risk category by BRSA | 54,519,023 | 33,536,899 | 14,126,240 | 4,565,077 |
| Securities collateralized by mortgages | - | - | - | - |
| Securitization positions | - | - | - | - |
| Short-term receivables from banks, brokerage houses and corporates | - | - | - | - |
| Investments similar to collective investment funds | - | - | - | - |
| Investment in equities | 3,959,964 | 2,884,637 | 2,407,839 | 2,140,960 |
| Other receivables | 20,474,815 | 15,335,542 | 15,029,445 | 11,256,089 |

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

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

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Notes to Unconsolidated Financial Statements

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

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

II. Explanations on Risk Management (Continued)

Profile of significant exposures in major regions

| | Exposure Categories ^(*) | | | | | | |
|--|------------------------------------|----------------|----------------|----------|----------|-------------------|--------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Current Period | | | | | | | |
| Domestic | 159,077,176 | 238,920 | 894,033 | - | - | 17,080,765 | 155,462,759 |
| EU countries | - | - | - | - | - | 2,797,599 | 315,372 |
| OECD countries ^(**) | - | - | - | - | - | 38,621,246 | 18 |
| Off-shore banking regions | - | - | - | - | - | 3,673,122 | 489,579 |
| USA, Canada | - | - | - | - | - | 1,407,457 | - |
| Other countries | - | - | - | - | - | 152,259 | 12,500,687 |
| Investment and associates, subsidiaries and joint ventures | - | - | - | - | - | - | - |
| Undistributed Assets/Liabilities ^(***) | - | - | - | - | - | - | - |
| Total | 159,077,176 | 238,920 | 894,033 | - | - | 63,732,448 | 168,768,415 |

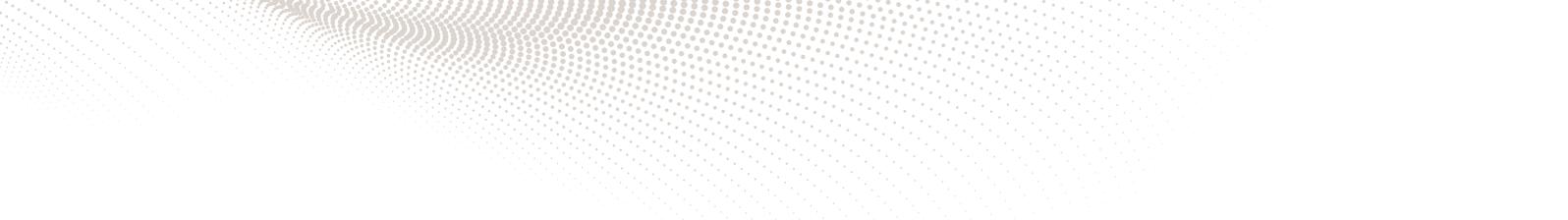
| | Exposure Categories ^(*) | | | | | | |
|--|------------------------------------|----------------|----------------|----------|----------|-------------------|-------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Prior Period | | | | | | | |
| Domestic | 91,312,405 | 178,915 | 215,372 | - | - | 4,793,157 | 91,307,223 |
| EU countries | - | - | - | - | - | 38,933,141 | 427,287 |
| OECD countries ^(**) | - | - | - | - | - | 1,472,322 | 13 |
| Off-shore banking regions | - | - | - | - | - | 3,211,363 | 297,697 |
| USA, Canada | - | - | - | - | - | 4,262,094 | - |
| Other countries | - | - | - | - | - | 387,978 | 4,882,208 |
| Investment and associates, subsidiaries and joint ventures | - | - | - | - | - | - | - |
| Undistributed Assets/Liabilities ^(***) | - | - | - | - | - | - | - |
| Total | 91,312,405 | 178,915 | 215,372 | - | - | 53,060,055 | 96,914,428 |

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

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

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

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



Exposure Categories^(*)

| 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | Total |
|--------------------|-------------------|------------------|-------------------|----|----|----|----|------------------|-------------------|--------------------|
| 76,559,232 | 13,292,121 | 1,313,135 | 51,473,171 | - | - | - | - | - | 20,474,815 | 495,866,127 |
| 6,323 | 586 | 11 | 126 | - | - | - | - | - | - | 3,120,017 |
| 9,732 | - | - | - | - | - | - | - | - | - | 38,630,996 |
| 43,248 | 1,172 | - | - | - | - | - | - | - | - | 4,207,121 |
| 193 | - | - | - | - | - | - | - | - | - | 1,407,650 |
| 60,952,606 | 58,191 | 206,514 | 3,045,726 | - | - | - | - | 3,959,964 | - | 80,875,947 |
| - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - |
| 137,571,334 | 13,352,070 | 1,519,660 | 54,519,023 | - | - | - | - | 3,959,964 | 20,474,815 | 624,107,858 |

Exposure Categories^(*)

| 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | Total |
|-------------------|-------------------|------------------|-------------------|----|----|----|----|------------------|-------------------|--------------------|
| 52,022,667 | 13,828,240 | 1,766,996 | 12,971,486 | - | - | - | - | - | 15,029,445 | 283,425,906 |
| 1,254 | 29 | 11 | 1,348 | - | - | - | - | - | - | 39,363,070 |
| - | - | - | - | - | - | - | - | - | - | 1,472,335 |
| 335 | - | - | - | - | - | - | - | - | - | 3,509,395 |
| 5,165 | 19 | - | - | - | - | - | - | - | - | 4,267,278 |
| 28,533,338 | 4,119 | 187,394 | 1,153,406 | - | - | - | - | 2,407,839 | - | 37,556,282 |
| - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - |
| 80,562,759 | 13,832,407 | 1,954,401 | 14,126,240 | - | - | - | - | 2,407,839 | 15,029,445 | 369,594,266 |

QNB Finansbank Anonim Şirketi

Notes to Unconsolidated Financial Statements

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

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

II. Explanations on Risk Management (Continued)

1. Explanations on credit risk (Continued)

Risk profile by sectors or counterparties

| Current Period | Exposure Categories ^(*) | | | | | | | | |
|-----------------------------------|------------------------------------|---------|---------|---|---|------------|-------------|-------------|------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| Agriculture | - | - | 1,478 | - | - | - | 1,283,474 | 1,429,927 | 71,364 |
| Farming and Livestock | - | - | 1,478 | - | - | - | 661,451 | 1,361,591 | 69,817 |
| Forestation | - | - | - | - | - | - | 34,289 | 23,326 | 731 |
| Fishing Industry | - | - | - | - | - | - | 587,734 | 45,010 | 816 |
| Industrial | - | 144,509 | 1,045 | - | - | - | 62,420,766 | 8,889,834 | 2,649,102 |
| Mining and Quarrying | - | - | - | - | - | - | 438,719 | 134,599 | 72,391 |
| Manufacturing Industry | - | - | 1,045 | - | - | - | 54,230,040 | 8,668,577 | 2,540,378 |
| Electricity, Gas, Water | - | 144,509 | - | - | - | - | 7,752,007 | 86,658 | 36,333 |
| Construction | - | - | - | - | - | - | 8,427,831 | 5,263,504 | 1,301,342 |
| Services | 63,704,102 | 54,038 | 18,921 | - | - | 59,224,588 | 75,559,095 | 22,795,153 | 7,796,870 |
| Wholesale and Retail Trade | - | - | 1,134 | - | - | - | 26,160,949 | 17,454,240 | 2,947,373 |
| Hotels and Restaurants | - | - | - | - | - | - | 5,792,386 | 358,257 | 749,351 |
| Transportation and Communications | - | 54,005 | - | - | - | - | 23,146,837 | 2,114,562 | 236,282 |
| Financial Institutions | 63,704,102 | 33 | - | - | - | 59,224,588 | 3,582,874 | 181,276 | 5,164 |
| Real Estate and Rent Services | - | - | - | - | - | - | 9,179,975 | 294,471 | 3,534,404 |
| Independent Business Services | - | - | 17,707 | - | - | - | 1,503,604 | 1,188,610 | 194,321 |
| Education Services | - | - | - | - | - | - | 176,645 | 328,087 | 17,408 |
| Health and Social Services | - | - | 80 | - | - | - | 6,015,825 | 875,650 | 112,567 |
| Other | 95,373,074 | 40,373 | 872,589 | - | - | 4,507,860 | 21,077,249 | 99,192,916 | 1,533,392 |
| Total | 159,077,176 | 238,920 | 894,033 | - | - | 63,732,448 | 168,768,415 | 137,571,334 | 13,352,070 |

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

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

Exposure Categories^(*)

| | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | TL | FC | Total |
|--|------------------|-------------------|----|----|----|----|------------------|-------------------|--------------------|--------------------|--------------------|
| | 35,697 | 130,383 | - | - | - | - | - | - | 2,539,642 | 412,681 | 2,952,323 |
| | 35,556 | 130,383 | - | - | - | - | - | - | 2,176,006 | 84,270 | 2,260,276 |
| | 1 | - | - | - | - | - | - | - | 57,474 | 873 | 58,347 |
| | 140 | - | - | - | - | - | - | - | 306,162 | 327,538 | 633,700 |
| | 147,607 | 4,288,291 | - | - | - | - | - | - | 42,725,654 | 35,815,500 | 78,541,154 |
| | 2,478 | 74,338 | - | - | - | - | - | - | 551,803 | 170,722 | 722,525 |
| | 145,027 | 4,142,205 | - | - | - | - | - | - | 40,915,020 | 28,812,252 | 69,727,272 |
| | 102 | 71,748 | - | - | - | - | - | - | 1,258,831 | 6,832,526 | 8,091,357 |
| | 296,326 | 481,824 | - | - | - | - | - | - | 12,500,800 | 3,270,027 | 15,770,827 |
| | 519,571 | 8,009,885 | - | - | - | - | - | - | 103,361,032 | 134,321,191 | 237,682,223 |
| | 166,232 | 6,301,489 | - | - | - | - | - | - | 46,153,543 | 6,877,874 | 53,031,417 |
| | 25,633 | 5,649 | - | - | - | - | - | - | 1,933,005 | 4,998,271 | 6,931,276 |
| | 9,515 | 587,100 | - | - | - | - | - | - | 4,391,310 | 21,756,991 | 26,148,301 |
| | 270 | 30,173 | - | - | - | - | - | - | 43,763,303 | 82,965,177 | 126,728,480 |
| | 297,401 | 467,922 | - | - | - | - | - | - | 1,840,931 | 11,933,242 | 13,774,173 |
| | 11,383 | 51,776 | - | - | - | - | - | - | 2,149,728 | 817,673 | 2,967,401 |
| | 6,053 | 171,938 | - | - | - | - | - | - | 700,131 | - | 700,131 |
| | 3,084 | 393,838 | - | - | - | - | - | - | 2,429,081 | 4,971,963 | 7,401,044 |
| | 520,459 | 41,608,640 | - | - | - | - | 3,959,964 | 20,474,815 | 235,482,863 | 53,678,468 | 289,161,331 |
| | 1,519,660 | 54,519,023 | - | - | - | - | 3,959,964 | 20,474,815 | 396,609,991 | 227,497,867 | 624,107,858 |

QNB Finansbank Anonim Şirketi

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

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

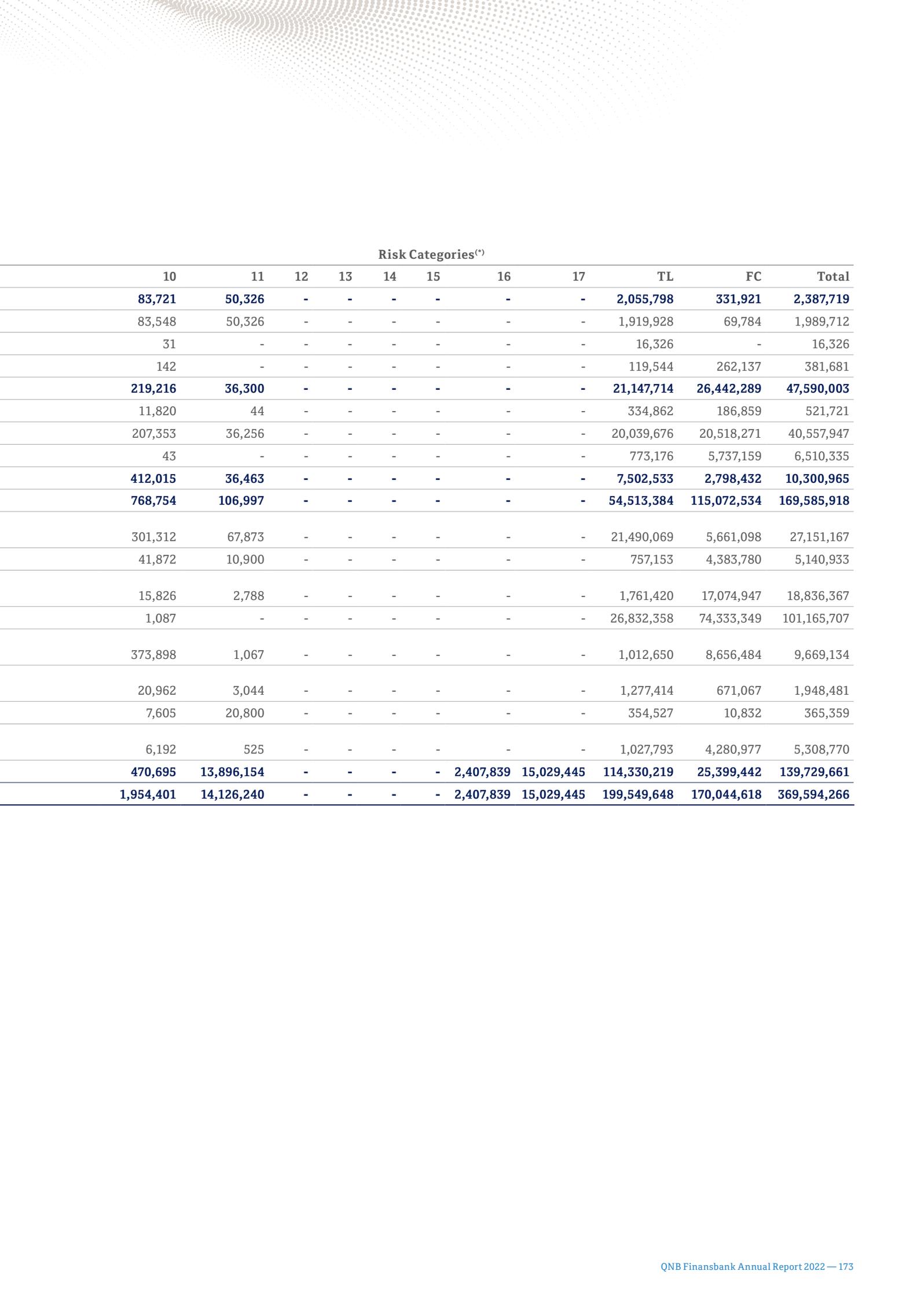
II. Explanations on Risk Management (Continued)

1. Explanations on credit risk (Continued)

| Prior Period | Risk Categories ^(*) | | | | | | | | |
|-----------------------------------|--------------------------------|----------------|----------------|----------|----------|-------------------|-------------------|-------------------|-------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| Agriculture | - | - | 2,723 | - | - | - | 686,012 | 1,533,443 | 31,494 |
| Farming and Livestock | - | - | 2,723 | - | - | - | 342,296 | 1,483,694 | 27,125 |
| Forestation | - | - | - | - | - | - | 94 | 16,032 | 169 |
| Fishing Industry | - | - | - | - | - | - | 343,622 | 33,717 | 4,200 |
| Industrial | - | 116,496 | 94 | - | - | - | 38,932,950 | 6,578,227 | 1,706,720 |
| Mining and Quarrying | - | - | - | - | - | - | 395,862 | 112,448 | 1,547 |
| Manufacturing Industry | - | - | 94 | - | - | - | 32,206,910 | 6,404,386 | 1,702,948 |
| Electricity, Gas, Water | - | 116,496 | - | - | - | - | 6,330,178 | 61,393 | 2,225 |
| Construction | - | - | - | - | - | - | 5,823,853 | 3,369,239 | 659,395 |
| Services | 50,098,746 | 33 | 3,086 | - | - | 48,207,415 | 46,118,720 | 14,951,260 | 9,330,907 |
| Wholesale and Retail Trade | - | - | 2,276 | - | - | - | 13,719,076 | 11,818,999 | 1,241,631 |
| Hotels and Restaurants | - | - | - | - | - | - | 2,557,216 | 320,021 | 2,210,924 |
| Transportation and Communications | - | - | - | - | - | - | 17,277,891 | 1,075,135 | 464,727 |
| Financial Institutions | 50,098,746 | 33 | - | - | - | 48,207,415 | 2,737,720 | 97,263 | 23,443 |
| Real Estate and Rent Services | - | - | - | - | - | - | 4,135,545 | 213,889 | 4,944,735 |
| Independent Business Services | - | - | 697 | - | - | - | 1,170,653 | 691,718 | 61,407 |
| Education Services | - | - | 3 | - | - | - | 101,475 | 216,608 | 18,868 |
| Health and Social Services | - | - | 110 | - | - | - | 4,419,144 | 517,627 | 365,172 |
| Other | 41,213,659 | 62,386 | 209,469 | - | - | 4,852,640 | 5,352,893 | 54,130,590 | 2,103,891 |
| Total | 91,312,405 | 178,915 | 215,372 | - | - | 53,060,055 | 96,914,428 | 80,562,759 | 13,832,407 |

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

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



Risk Categories^(*)

| 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | TL | FC | Total |
|------------------|-------------------|----|----|----|----|------------------|-------------------|--------------------|--------------------|--------------------|
| 83,721 | 50,326 | - | - | - | - | - | - | 2,055,798 | 331,921 | 2,387,719 |
| 83,548 | 50,326 | - | - | - | - | - | - | 1,919,928 | 69,784 | 1,989,712 |
| 31 | - | - | - | - | - | - | - | 16,326 | - | 16,326 |
| 142 | - | - | - | - | - | - | - | 119,544 | 262,137 | 381,681 |
| 219,216 | 36,300 | - | - | - | - | - | - | 21,147,714 | 26,442,289 | 47,590,003 |
| 11,820 | 44 | - | - | - | - | - | - | 334,862 | 186,859 | 521,721 |
| 207,353 | 36,256 | - | - | - | - | - | - | 20,039,676 | 20,518,271 | 40,557,947 |
| 43 | - | - | - | - | - | - | - | 773,176 | 5,737,159 | 6,510,335 |
| 412,015 | 36,463 | - | - | - | - | - | - | 7,502,533 | 2,798,432 | 10,300,965 |
| 768,754 | 106,997 | - | - | - | - | - | - | 54,513,384 | 115,072,534 | 169,585,918 |
| 301,312 | 67,873 | - | - | - | - | - | - | 21,490,069 | 5,661,098 | 27,151,167 |
| 41,872 | 10,900 | - | - | - | - | - | - | 757,153 | 4,383,780 | 5,140,933 |
| 15,826 | 2,788 | - | - | - | - | - | - | 1,761,420 | 17,074,947 | 18,836,367 |
| 1,087 | - | - | - | - | - | - | - | 26,832,358 | 74,333,349 | 101,165,707 |
| 373,898 | 1,067 | - | - | - | - | - | - | 1,012,650 | 8,656,484 | 9,669,134 |
| 20,962 | 3,044 | - | - | - | - | - | - | 1,277,414 | 671,067 | 1,948,481 |
| 7,605 | 20,800 | - | - | - | - | - | - | 354,527 | 10,832 | 365,359 |
| 6,192 | 525 | - | - | - | - | - | - | 1,027,793 | 4,280,977 | 5,308,770 |
| 470,695 | 13,896,154 | - | - | - | - | 2,407,839 | 15,029,445 | 114,330,219 | 25,399,442 | 139,729,661 |
| 1,954,401 | 14,126,240 | - | - | - | - | 2,407,839 | 15,029,445 | 199,549,648 | 170,044,618 | 369,594,266 |

QNB Finansbank Anonim Şirketi
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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

II. Explanations on Risk Management (Continued)

1. Explanations on credit risk (Continued)

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

| Current Period Exposure Categories | Term to Maturity | | | | |
|--|-------------------|-------------------|-------------------|-------------------|--------------------|
| | Up to 1 month | 1-3 months | 3-6 months | 6-12 months | Over 1 year |
| Conditional and unconditional receivables from central governments and Central Banks | 2,559,232 | 2,252,336 | 322,789 | 1,807,675 | 38,301,974 |
| Conditional and unconditional receivables from regional or local governments | - | - | 3,656 | - | 175,226 |
| Conditional and unconditional receivables from administrative bodies and noncommercial enterprises | 616 | 777 | 9,750 | - | 195,007 |
| Conditional and unconditional receivables from multilateral development banks | - | - | - | - | - |
| Conditional and unconditional receivables from international organizations | - | - | - | - | - |
| Conditional and unconditional receivables from banks and brokerage houses | 6,958,091 | 9,444,736 | 1,227,883 | 6,250,355 | 5,748,629 |
| Conditional and unconditional receivables from corporates | 7,527,764 | 9,635,423 | 10,714,683 | 14,735,986 | 47,548,208 |
| Conditional and unconditional receivables from retail portfolios | 8,668,479 | 12,710,834 | 7,691,548 | 10,803,422 | 32,980,220 |
| Conditional and unconditional receivables secured by mortgages | 118,023 | 292,342 | 727,375 | 1,126,136 | 11,399,373 |
| Past due receivables | - | - | - | - | - |
| Receivables defined under high risk category by BRSA | - | - | - | - | 12,719,133 |
| Securities collateralized by mortgages | - | - | - | - | - |
| Securitization positions | - | - | - | - | - |
| Short-term receivables from banks, brokerage houses and corporates | - | - | - | - | - |
| Investments similar to collective investment funds | - | - | - | - | - |
| Stock investments | 7,674 | - | - | - | - |
| Other receivables | - | - | - | - | - |
| Total | 25,839,879 | 34,336,448 | 20,697,684 | 34,723,574 | 149,067,770 |

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

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

II. Explanations on Risk Management (Continued)

1. Explanations on credit risk (Continued)

| Prior Period Exposure Categories | Term to Maturity | | | | |
|--|-------------------|-------------------|-------------------|-------------------|--------------------|
| | Up to 1 month | 1-3 months | 3-6 months | 6-12 months | Over 1 year |
| Conditional and unconditional receivables from central governments and Central Banks | 2,559,232 | 2,252,336 | 322,789 | 1,807,675 | 38,301,974 |
| Conditional and unconditional receivables from regional or local governments | - | - | 3,656 | - | 175,226 |
| Conditional and unconditional receivables from administrative bodies and noncommercial enterprises | 601 | 753 | 9,740 | - | 194,981 |
| Conditional and unconditional receivables from multilateral development banks | - | - | - | - | - |
| Conditional and unconditional receivables from international organizations | - | - | - | - | - |
| Conditional and unconditional receivables from banks and brokerage houses | 6,958,067 | 9,444,693 | 1,227,883 | 6,250,355 | 5,748,586 |
| Conditional and unconditional receivables from corporates | 7,426,760 | 9,528,865 | 10,701,131 | 14,734,326 | 47,507,148 |
| Conditional and unconditional receivables from retail portfolios | 4,290,657 | 7,058,180 | 5,711,697 | 10,682,965 | 29,234,079 |
| Conditional and unconditional receivables secured by mortgages | 118,023 | 292,342 | 727,375 | 1,126,136 | 11,399,373 |
| Past due receivables | - | - | - | - | - |
| Receivables defined under high risk category by BRSA | - | - | - | - | 12,719,133 |
| Securities collateralized by mortgages | - | - | - | - | - |
| Securitization positions | - | - | - | - | - |
| Short-term receivables from banks, brokerage houses and corporates | - | - | - | - | - |
| Investments similar to collective investment funds | - | - | - | - | - |
| Stock investments | 7,674 | - | - | - | - |
| Other receivables | - | - | - | - | - |
| Total | 21,361,014 | 28,577,169 | 18,704,271 | 34,601,457 | 145,280,500 |

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

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

II. Explanations on Risk Management (Continued)

1. Explanations on credit risk (Continued)

Exposures by Risk Weights

Current Period

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

Prior Period

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

Information by major sectors and type of counterparties

Information about impaired credits and past due credits and value adjustments and provisioning methods are described in Part IV Footnote 2.

Current Period

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

^(*) Represents the distribution of cash loans.

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

II. Explanations on Risk Management (Continued)

1. Explanations on credit risk (Continued)

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

^(*) Represents the distribution of cash loans.

Movements in value adjustments and provisions

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

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

^(**) Demonstrates provision movement of Stage 3 cash loans.

| Prior Period | Opening Balance | Provision for Period | Provision Reversals | Other Adjustments ^(*) | Closing Balance |
|---------------------------------------|-----------------|----------------------|---------------------|----------------------------------|-----------------|
| 1. Stage 3 Provisions ^(**) | 6,889,770 | 1,932,355 | (915,506) | (1,145,990) | 6,760,629 |
| 2. Stage 1-2 Provisions | 3,866,301 | 2,239,367 | (745,154) | - | 5,360,514 |

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

^(**) Demonstrates provision movement of Stage 3 cash loans.

Exposures subject to countercyclical capital buffer

The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué "Regulation on Capital Conservation and Countercyclical Capital buffers of Banks" published in the Official Gazette No. 28812 dated 5 November 2013 is presented below:

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

II. Explanations On Risk Management (Continued)

Information on private sector receivables

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

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

2. Risk Management and General Disclosures regarding Risk Weighted Amounts

2.1. GBA - Risk management approach of the Bank

a) The way risk profile of the Bank is determined by business model and the interaction between (e.g. key risks related to business model and in which way those risks are reflected to disclosures) and in which way the risk profile of the Bank is related to risk appetite approved by board of directors

Bank acknowledges that business and strategy risks are material since the Bank's growth oriented business plan is sensitive to changes in market conditions. From this point of view, Bank classifies business and strategy risk as an important risk. Bank reviews its 5 year long term business plans once a year periodically. If the economic developments and market conditions require, then business plans are reviewed and revised more often..

b) Risk management structure: Allocation of responsibilities in the Bank (e.g. supervision and delegation of authorization; separation of responsibilities with respect to their risk type, business unit etc.; relations between structures included in risk management processes [e.g. board of directors, senior management, separate risk committee, risk management unit, legal compliance, internal audit function])

Bank's risk measurement, monitoring, and control functions have clearly defined responsibilities that are sufficiently independent from position/risk taking functions. Risk exposures are directly reported to Senior Management and the Board of Directors/Board Risk Committee. Bank's internal control systems are designed to provide adequate segregation of duties, in order to prevent conflicts of interest with respect to the distinct functions of undertaking, approving, monitoring and controlling risks. In particular the functions that undertake transactions (front line) are administratively and operationally separate from the functions of, confirmation, accounting and settlement of transactions, as well as the safekeeping of the assets of the Bank or its customers.

Risk management governance at the Bank starts with the Board of Directors. The Board Risk Committee ("BRC"), Audit Committee (the "AC"), Assets and Liabilities Committee (the "ALCO"), Corporate and Retail Credit Policy Committee ("CPC"), Operational Risk Management Committee ("ORMC"), Reputation Risk Management and Risk Management Department are the important bodies of the risk management structure. The Board of Directors determines the general risk policy and the risk appetite of the Bank.

The Audit Committee is responsible for supervising whether the Bank complies with the provisions of applicable risk management legislation, and the internal risk management policies and procedures approved by the BoD. The AC reviewing whether the Bank has the methods, instruments and procedures required for identifying, measuring, monitoring and controlling the risk exposures of the Bank.

The ALCO, meeting monthly, is responsible for monitoring and managing the structural asset-liability mismatches of the Bank, as well as monitoring and controlling liquidity risk and foreign currency exchange risk.

The CPC meets monthly and is responsible for monitoring and evaluating the Bank's lending portfolio and determining principles and policies regarding the credit risk management processes such as loan approval, limit setting, rating, monitoring and problem management. The ORMC meets every three months and is responsible for reviewing operational risk issues of the Bank and defining the necessary actions to be taken to minimize these risks. The Reputation Risk Management Committee is established to identify, evaluate and monitor the reputational risks that the Bank is exposed to and to take necessary actions to prevent risks and meets quarterly.

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

II. Explanations on Risk Management (Continued)

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

2.1. GBA - Risk management approach of the Bank (Continued)

b) Risk management structure: Allocation of responsibilities in the Bank (e.g. supervision and delegation of authorization; separation of responsibilities with respect to their risk type, business unit etc.; relations between structures included in risk management processes [e.g. board of directors, senior management, separate risk committee, risk management unit, legal compliance, internal audit function]) (Continued)

The Risk Management Department, working independently from the executive functions and reporting to the Board of Directors, is organized under three main sections as market risk, credit risk, operational risk and model validation, each having responsibility for identifying, measuring, monitoring, controlling and managing the relevant risks as well as for model validation, assessing the predictive ability of risk estimates and the use of ratings in credit processes.

The Compliance function is ensuring, through proper procedures, that the requirements and deadlines provided for by the regulatory framework in force are observed. In doing so, the compliance function informs all Bank employees on the relevant changes to the regulatory framework and provides guidance on the required changes to internal rules and processes. Moreover, the Compliance function cooperates as appropriate with the Risk Management unit, as compliance risk is considered a subcategory of operational risk.

Internal audit function acts as one of the three lines of defense of Bank risk Management model and provides the independent review function. Risk assessments at internal audit are carried out by internal audit department by paying attention to exposures that Bank has and controls relevant to them during audit works.

c) Channels which are used to extend and apply risk culture in the Bank (e.g. behavior rules, manuals including operation limits or procedures which shall be applied when the risk limits are exceeded, procedures regarding sharing of risk matters between business units and risk units)

The Risk Appetite Statement stands out as the basic risk management policy document in which the Bank defines its risks and determines its risk appetite and management principles. It also defines current and targeted risk profile and appetite, risk management organization, and core risk management capabilities.

Corporate and Retail Loan Policies and application directions also determines the Bank's credit risk management workflow and procedures.

TFRS 9 Impairment Policy is to define TFRS 9 Impairment and related activities to be performed in accordance with the requirements of TFRS 9 Implementation Guide. The policy is to determine the roles and responsibilities of the Group units within the framework of TFRS 9, to determine the changes specific to TFRS 9 apart from the existing credit policy guidelines, to establish guidelines for TFRS 9 risk monitoring, control and reporting activities, and to establish the TFRS 9 Impairment framework applied within the Group. aims to provide.

Corporate Rating Governance Policy regulates the internal governance framework for corporate and commercial segment risk rating system operations.

Capital Management Policy sets a framework for managing capital requirements and adequacy assessment, capital planning, capital measurement and monitoring, capital allocation, risk-adjusted aims to establish performance measurement and pricing principles.

Country Risk Policy is to set a consistent framework for the identification, management and reporting of country risk that QNB Finansbank is exposed to through its counterparties in different countries.

Counterparty Credit Risk Policy, the risk strategy determined by the Bank with risk policies and local legislation in comply with effective and sufficient counterparty credit risk management with caution, constant to establish based on the principles of applicability.

The Market Risk Management Policy determines the key principles underlying the operations of the Bank in money and capital markets including limit structure.

Banking Account Interest Rate Risk (BHFOR) Policy sets the basic principles for the management of interest rate risk related to banking activities other than trading accounts.

The liquidity policy outlines the Bank's view and identifies the guidelines for incurring, retaining and managing liquidity risk.

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

II. Explanations on Risk Management (Continued)

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

2.1. GBA - Risk management approach of the Bank (Continued)

c) Channels which are used to extend and apply risk culture in the Bank (e.g. behavior rules, manuals including operation limits or procedures which shall be applied when the risk limits are exceeded, procedures regarding sharing of risk matters between business units and risk units) (Continued)

The Fair Value Policy aims to define the main principles, roles and responsibilities for measuring the fair value of financial instruments in accordance with accounting provisions and regulatory principles.

Investment Portfolio Risk Policy ensures that the activities related to the management of the Group's investment portfolio are carried out in accordance with generally accepted practices. This policy explains the objectives and targets of the investment portfolio, whose management is given to the Treasury Trading and Asset-Liability Management units by the Asset-Liability Committee (ALCO). It also defines the management and risk control framework for managing and maintaining the investment portfolio.

The Operational Risk Management Policy ensures that all the Bank's stakeholders manage operational risk within a formalised framework aligned to business objectives.

Reputation Risk Policy, identifies the rules and frame of managing the reputation risk.

The Environmental and Social Risk Policy (Policy) sets forth QNB Finansbank's approach to environmental and social issues in line with the sustainability policy, strategy and ESG (Environmental, Social, Governance) commitments of QNB Group and QNB Finansbank.

d) Key elements and scope of risk measurement systems

Consistent across the Bank internal risk rating systems appropriate to the nature, size and complexity of each activity and fully integrated in credit processes. The internal risk rating system employs appropriate credit risk rating models the scope and coverage of which are adequate to accommodate the Bank's strategic aspirations and regulatory requirements. In particular, the Bank's internal rating systems form the basis of capital assessment and allocation and constitute a key element of risk adjusted performance measurement, pricing and profitability measurement.

Information systems and analytical techniques that enable measurement of credit risk inherent in all relevant activities, providing adequate information on the composition of the credit portfolio of the Group, including identification of any concentrations of risk.

The Market Risk Management Policy determines the key principles underlying the operations of the Group in money and capital markets. Key principles of Market Risk Management Framework are:

The Board Risk Committee is responsible for ensuring that market risk strategy and policy are consistently implemented. This includes

- Implementation of the market risk management policy;
- Designation of risk limits;
- Definition of responsibilities for every unit involved in market risk management;
- Ongoing market risk monitoring and control, ensuring that risk appetite remains within the approved limits;
- Setting up appropriate IT systems for evaluating and monitoring the risks taken;
- Setting up standard models for market risk positions valuation and performance evaluation;
- Setting up comprehensive reporting and internal control systems;
- Providing for the maintenance of an adequate level of regulatory capital against the market risk undertaken; and
- Providing for the disclosure of information regarding the type and level of the market risk assumed and for the implementation of policies for the management thereof.

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

II. Explanations on Risk Management (Continued)

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

2.1. GBA - Risk management approach of the Bank (Continued)

e) Disclosures regarding risk reporting processes provided to Board of Directors and senior management (especially on the scope and main content of reporting)

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operation Risk.

Credit Risk section of the report consists of three main sub sections such as General Outlook to the Total Portfolio, Business Loans and Retail Loans, and include

- Basic risk appetite parameters included in the Bank's Risk Appetite Statement document;
- Exposures by segments, monthly and annual changes, portfolio growth;
- Sector concentration and risk metrics;
- Delinquency amounts, product types and delinquencies by segments, new NPLs and recoveries from NPLS;
- Detailed watchlist analyses for business segments;
- Rating distributions, PD distributions, expected loss trend, collateral structure;
- New NPLs, vintage analyses, recoveries by segments and products;
- Restructured credits by segments;
- Derivative products exposures by segments, stress testing; and
- Credit risk information regarding subsidiaries.

The Risk Management Division is required to inform Senior Management and Board Member who is responsible from Internal Systems on Market Risk of Trading Book and AFS portfolio.

Reports are prepared daily and indicatively include the following:

- Estimation of the VaR on aggregate basis and by type of risk (interest rate, FX, equity);
- Estimation of stress VaR on aggregate basis and by type of risk (interest rate, FX, equity);
- Sensitivity of the trading and AFS portfolio.
- Nominal values of bond portfolios;
- Breakdowns of the portfolio and utilization of the relevant limits;
- Utilization of limits on option Greeks; and
- Subsidiary VaR calculation.

In addition, Board of Directors Risk Committee Report is prepared monthly in a way covering abovementioned market risk metrics and stress tests in order to be presented to Board of Directors and Risk Committee.

Operational Risk segment reporting broadly covers the following:

- Operational risk loss events experienced in the group;
- Key risk indicators and risk metrics; and
- Action tracking.

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

II. Explanations on Risk Management (Continued)

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

2.1. GBA - Risk management approach of the Bank (Continued)

f) Disclosures regarding stress test (e.g. assets included in stress test, adapted scenarios and used methodologies and use of stress test in risk management)

Stress test constitute the center of capital planning within the scope of the Group's APICA (Assessment Process of Internal Capital Adequacy). The bank's general principles on these stress testing framework can be summarized as follows:

- Comprehensive stress testing, aggregated per risk category, is conducted at least annually on year end data and business plan;
- Stress testing is integrated to the ICAAP document which is subject to Board of Directors approval;
- A historical scenario is selected as an anchor scenario to be used on the construct of base adverse scenario for the stress test use. However, final scenario is applied by enriching with hypothetical components as independent from anchor scenario;
- Bank's stress testing framework encompasses sensitivity tests;
- The impact of the stress testing on the Bank's financial strength and capital position are analyzed through some key ratios and key items including but not limited to the following: Non-performing Loan Ratio, Return of Equity, Return on Asset, Leverage Ratio, Core Tier I Ratio, Capital Adequacy Ratio, Loan Balances, Balance Sheet Items, the Statement of Profit or Loss Items; and
- Stress testing framework encompasses reverse stress testing.

In scenarios using stress testing, as a result of increase in non-performing loans due to significant deterioration in asset quality and a decrease in capital adequacy, The Bank's ability to meet capital-strengthening actions and cash outflows that may occur in case of a possible liquidity crisis were tested. In this context, when the potential risks created and to be created by Covid are evaluated, it is thought that the Bank has the power to be able to act at an adequate level.

Market Risk Management defines the stress test approaches as below:

- To move the risk factors parallel in one direction;
- To move the risk factors non parallel; and
- To perform tests to the existing portfolio based on past extreme situations.

Trading book consists of Financial Assets at Fair Value Through Profit or Loss securities, Financial Assets at Fair Value Through Profit or Loss derivatives and open currency positions which are clearly defined in Market Risk Management Policy.

Within the scope of liquidity stress test to identify possible sources of liquidity weaknesses, scenarios that are specific to the bank, related to the market in general and taking both situations into account have been defined. Thus, the Bank's ability to meet its obligations during a funding crisis is tested. The bank has had four different stress tests measuring how much it can meet its promises, without providing any new funds from the market or at very low levels of funds, cumulative cash outflows. During the coronavirus epidemic, the scenarios were reviewed by observing the financial movements and the minimum life expectancy of the Bank and it has been observed that it is resistant to stress over 30 days.

g) Risk management, protection and mitigation strategies and process of the Bank sourcing from its business model and Monitoring processes of continuing effects of protection and mitigation

Forecasts related to effectiveness of credit risk mitigation methods and collection ability of the Group associated with miscellaneous collateral types are stated with consideration ratios on the basis of collaterals. The aforementioned ratios are determined based on long term historical observations of the Group and judgement of expert business units and most importantly with precautionary principle.

Likewise, conservatism is also embedded in regulatory rules through respective haircuts, collateral eligibility requirements and so forth. Furthermore, the collaterals used as a risk mitigant in the Bank's capital adequacy calculations are predominantly cash or equivalent collaterals. The treatment of cash collaterals is straight forward, issues about recovery, and valuation are not relevant.

Regarding the exposure secured with mortgages, the new capital adequacy regime with Basel II increased the operational requirements for the recognition.

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

II. Explanations on Risk Management (Continued)

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

2.2. GB1 - Overview of Risk Weighted Assets

| | Risk Weighted Amount | | Minimum Capital Requirement | |
|---|----------------------|--------------------|-----------------------------|-------------------|
| | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| 1. Credit Risk (excluding counterparty Credit Risk) | 383,252,539 | 203,244,172 | 30,660,203 | 16,259,534 |
| 2. Standardized approach | 383,252,539 | 203,244,172 | 30,660,203 | 16,259,534 |
| 3. Internal rating-based approach | - | - | - | - |
| 4. Counterparty credit risk | 18,604,519 | 9,973,738 | 1,488,362 | 797,899 |
| 5. Standardized approach for counterparty credit Risk | 18,604,519 | 9,973,738 | 1,488,362 | 797,899 |
| 6. Internal model method | - | - | - | - |
| 7. Basic risk weight approach to internal models equity position in the banking account | - | - | - | - |
| 8. Investments made in collective investment companies - look-through approach | - | - | - | - |
| 9. Investments made in collective investment companies - mandate-based approach | - | - | - | - |
| 10. Investments made in collective investment companies - 1250% weighted risk approach | - | - | - | - |
| 11. Settlement risk | - | - | - | - |
| 12. Securitization positions in banking accounts | - | - | - | - |
| 13. IRB ratings-based approach | - | - | - | - |
| 14. IRB Supervisory Formula Approach | - | - | - | - |
| 15. SA/simplified supervisory formula approach | - | - | - | - |
| 16. Market risk | 8,757,963 | 5,239,000 | 700,637 | 419,120 |
| 17. Standardized approach | 8,757,963 | 5,239,000 | 700,637 | 419,120 |
| 18. Internal model approaches | - | - | - | - |
| 19. Operational Risk | 18,872,372 | 16,750,240 | 1,509,790 | 1,340,019 |
| 20. Basic Indicator Approach | 18,872,372 | 16,750,240 | 1,509,790 | 1,340,019 |
| 21. Standard Approach | - | - | - | - |
| 22. Advanced measurement approach | - | - | - | - |
| 23. The amount of the discount threshold under the equity (subject to a 250% risk weight) | - | - | - | - |
| 24. Floor adjustment | - | - | - | - |
| 25. TOTAL(1+4+7+8+9+10+11+12+16+19+23+24) | 429,487,393 | 235,207,150 | 34,358,992 | 18,816,572 |

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

II. Explanations on Risk Management (Continued)

3. Linkages between financial statements and risk amount

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

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

^(*) Financial assets held for trading and derivative financial assets for hedging purposes are included in the "Derivative Financial Assets" item in the financial statements.

^(**) Financial liabilities held for trading and derivative financial liabilities for hedging purposes are included in the "Derivative Financial Liabilities" item in the financial statements.

^(***) Miscellaneous payables and other liabilities are presented under "Other Liabilities" items in the financial statements.

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

II. Explanations on Risk Management (Continued)

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

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

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

^(*) Financial assets held for trading and derivative financial assets for hedging purposes are included in the "Derivative Financial Assets" item in the financial statements.

^(**) Financial liabilities held for trading and derivative financial liabilities for hedging purposes are included in the "Derivative Financial Liabilities" item in the financial statements.

^(***) Miscellaneous payables and other liabilities are presented under "Other Liabilities" items in the financial statements.

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

II. Explanations on Risk Management (Continued)

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

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

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

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

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

^(*) It shows the average exchange rate effect used in credit risk calculation within the scope of the BRSA's Resolution dated 21 December 2021.

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

a) None.

b) There is no significant difference between amounts valued in accordance with TAS included in B2 and risk exposures except for "Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)". There is a significant difference between amounts valued according to TAS and risk exposures, since the securities which are subject to repurchase that include in Money Market Payables account item are subject to counterparty risk.

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

II. Explanations on Risk Management (Continued)

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

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

c) Valuation methodologies regarding the disclosure related to use of Market Value and Model Value

In general terms, market risk is the possibility of making loss as a result of changes occurring in the current market values of financial assets and positions in the bank's trading accounts. In this framework, the following elements of the Bank, which must be reflected on balance sheet over their current market values (market to market), are included in market risk.

- Equity shares included in trading, investment fund participation documents, securities such as bonds and bills;
- Open foreign exchange position with respect to each foreign currency; and
- Derivative contracts (forwards) sensitive to interest changes and concluded for trading, future transactions, simple or complex options, swaps, credit derivatives.

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

QNB Finansbank calculates its value at market risk with standard method in the framework of "Regulation on Measurement and Evaluation of Bank's Capital Adequacy". Accordingly, capital requirement is reached through multiplying of total of general market risk, commodity risk, settlement risk, exchange risk option risk to 12.5.

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

- Commodity risk analysis: Simplified Approach (Standard method);
- Interest rate risk analysis: General Market Risk Calculation (Standard method - maturity approach) - Specific risk calculation (Standard method);
- Equity share risk analysis: Position risk in equity share investments (Standard method);
- Exchange rate exposure analysis (Standard method); and
- Option risk analysis: Weighting method with delta factor (Standard method).

Securities such as equity share, bond and bills, whose market prices are monitored directly, and derivative products such as futures, which are traded in stock exchange, are reviewed over their transaction prices as of reporting date. If a security included in Financial Assets at Fair Value through Profit/Loss portfolio cannot be treated as of reporting date, it is evaluated over the price determined in scope of precautionary principles.

Market value of products, which are traded at over the counter markets such as forward foreign exchange, foreign exchange swaps and interest swaps, are calculated in line with discounting of cash flows over market interest rates. Market value of option transactions is performed based on softwares which are internationally accepted valuation methodologies

Definition of independent price approval processes

There are four main price parameters which shall have an impact on current market value of financial assets and positions held by the Banks:

- Market interest rates (Bond, bill and derivative prices);
- Share prices;
- Exchange rates; and
- Gold, other precious metals and commodity prices.

Total risk of loss sourcing from price movements (interest, equity share, exchange and commodity risk) related to financial assets and positions are called as "general market risk".

Independency of price process in ensured through the recording and management of prices to Bank systems by back office. In addition, the pricing and valuation systems in question are also reviewed and validated by Validation Unit. Details belonging to aforementioned valuation and accounting are strictly documented and monitored by Treasury Control Unit.

Processes for valuation adjustments or differences (It includes definition of process and methodology definition for the valuation of trading positions according to type of financial instrument)

TL borrowing instruments included in securities portfolio of Financial Assets at Fair Value through Profit/Loss account consist of government securities. The aforementioned securities are evaluated based on weighted average price traded in BIST. Market price is calculated based on CBT prices for TL securities not traded in BIST. Average of quotation of purchase and sell in the market are accepted as market price for Foreign Currency securities included in the same portfolio.

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

II. Explanations on Risk Management (Continued)

4. Credit Risk Disclosures

4.1. General Information on Credit Risk

4.1.1. CRA - General Qualitative Information on Credit Risk

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

The Bank deploys forward looking, risk sensitive measurement systems and tools, including appropriate information technology applications and management information systems, to account for expected and unexpected losses in both normal and stress market conditions, for all types of risks as appropriate. The conversion of business model to components in risk profile is digitized through aforementioned instruments.

b) Criteria and approach used during the determination of credit risk policy and credit risk limits

Bank credit policies have been established to form effective and satisfactory loan allocation processes based on prudence and applicability principles in a way that it is in line with the risk boundaries set by the Bank, Bank Credit Policies and legal authorities. Pillars of credit risk management policy in Bank are

- Rules and Regulations of BRSA (Banking Regulation and Supervision Agency);
- Decisions of institutions auditing QNB Bank;
- Credit policies and procedures at Group level;
- Credit policies and procedures at Bank level;
- Risk Appetite Statement Document;
- Corporate, commercial and SME banking credit policies and corporate grading management documents; and
- Individual credit and credit cards policies.

Risk Appetite Statement Document comes out as the main risk management policy document in which the Bank defines its risks, determines the risk appetite and the risk management principles. Credit risk limits are reviewed annually, consistent to risk strategy.

c) Structure and organization of credit risk management and control function

All of the process related to direct or indirect credit allocation, extension, monitoring and operation of the Bank in favour of individuals or legal entities are reviewed in scope of credit risk management. Activities related to capital management includes calculation of legal and economic capital requirement of annual and long term business plans of the Bank.

Activities related to Credit Risk and Capital Management are carried out by Credit Risk Analytic, Strategy and Capital Management unit. Bank's Credit Risk organization, duties and responsibilities, related units and responsibilities of those units are identified in detail in the own Credit Policy documents of the Bank, Risk Appetite Statement Document and Risk Management Department operation instruction and also main principles, applications, limits and reporting processes, which are going to be adopted in Credit Risk Management, are included.

Main responsibilities of Credit Risk Management Department are as follows:

- To establish risk management policies and strategies related to risks exposed by the Bank and to submit those policies and strategies for the approval of Board of Directors Risk Committee;
- To ensure fulfilment of risk identification, measurement, analysis, monitoring, control and mitigation activities in accordance with risk management policies and processes approved by Board of Directors and to report all significant in balance and off balance risks which are undertaken at Bank level to senior management;
- To make internal capital adequacy review covering all risks and to make forecasts related to course of capital adequacy ratio in the framework of long term business plans of the Bank;
- To make periodic stress tests and scenario analysis and establish early warning systems;
- To support decision-making processes of the Bank through providing reviews and risk point of view with respect to risk management;
- To promote risk awareness and management culture at Bank level;
- To develop of forecasting models/approaches and the measurement monitoring of portfolio credit risk through Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD); and
- Implementation of risk based Credit Classification and Expected Credit Loss (ECL) calculations under TFRS 9, determination of credit risk measurement framework, development and implementation of relevant models/approaches.

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

II. Explanations on Risk Management (Continued)

4. Credit Risk Disclosures (Continued)

4.1. General Information on Credit Risk (Continued)

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

d) Relationship between credit risk management, risk control, legal compliance and internal audit functions

Risk governance model includes three lines of defense consisting of:

- The risk taking units (lines of business) at the first level, responsible for assessing and minimizing risks for a given level of return;
- Risk Management Unit, at the second level, identifies, monitors, controls, quantifies risk, provides appropriate tools and methodologies, provides coordination and assistance; measures risk adjusted performance across the business lines; reports to appropriate levels and proposes mitigation measures, being supported by business lines, where the risk is actually created, and specialized units; and
- Internal Audit - provides the independent review function.

The Compliance function is ensuring, through proper procedures, that the requirements and deadlines provided for by the regulatory framework in force are observed. the compliance function informs all Bank employees on the relevant changes to the regulatory framework and provides guidance on the required changes to internal rules and processes. Moreover, the Compliance function cooperates as appropriate with the Risk Management unit, as compliance risk is considered a subcategory of operational risk.

Internal audit function acts as one of the three lines of defense of Bank risk Management model and provides the independent review function. Risk assessments at internal audit are carried out by internal audit department by paying attention to exposures that Bank has and controls relevant to them during audit works.

e) Disclosures regarding risk reporting processes provided to Board of Directors and senior management (especially on the scope and main content of reporting)

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operation Risk. Report mainly consists of the following; changes in risk parameters, changes in exposures of segments, concentration and risk metrics, stress testing and results, delinquency amounts and ratios by segments, stage 3, stage 2, rating and PD distributions, vintage analyses, collaterals, recoveries, restructurings. In addition to these monthly reports, a comparative analysis with peer Banks, which is based on quarterly capital adequacy and credit risk metrics, is also reported to senior management and the board of directors.

4.2. CR1 - Credit quality of assets

Gross carrying values of as per TAS

| Current Period | Defaulted Exposures | Non-defaulted Exposures | Provision/ Allowances/ Impairments | Net Values |
|--------------------------------|---------------------|-------------------------|------------------------------------|--------------------|
| 1. Loans | 9,024,926 | 352,456,046 | 7,429,113 | 354,051,859 |
| 2. Debt Securities | - | 102,094,281 | - | 102,094,281 |
| 3. Off-balance sheet Exposures | 52,021 | 245,624,172 | 55,641 | 245,620,552 |
| 4. Total | 9,076,947 | 700,174,499 | 7,484,754 | 701,766,692 |

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

II. Explanations on Risk Management (Continued)

4. Credit Risk Disclosures (Continued)

4.2. CR1 - Credit quality of assets (Continued)

Gross carrying values of as per TAS

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

^(*) Includes financial assets at fair value through profit or loss in line with TFRS 9 amounting to TL 209,670.

4.3. CR2 - Changes in stock of defaulted loans and debt securities

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

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

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

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

- The criteria taken into consideration by the Bank in determining the impairment are explained in footnote VIII of the third section.
- There is no part of past due receivables which is not reviewed as “loans subject to provisioning”.
- The Bank’s specific provision calculation is explained in footnote VIII of the third section.
- In receivables of the customers having difficulties in payment of receivables to the Bank or expected to have possible difficulties in payments then receivables in aforementioned scope are identified as “restructured receivables”.
- Exposures provisioned according to major regions, major sectors and remaining maturity.

Exposures provisioned against by major regions

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

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

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

II. Explanations on Risk Management (Continued)

4. Credit Risk Disclosures (Continued)

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

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

Exposures provisioned against by major sectors

| | Current Period | Prior Period |
|---|--------------------|--------------------|
| 1. Agriculture | 2,986,225 | 2,179,822 |
| 1.1. Farming and Raising Livestock | 2,240,146 | 1,868,450 |
| 1.2. Forestry | 42,472 | 11,919 |
| 1.3. Fishing | 703,607 | 299,453 |
| 2. Manufacturing | 76,599,281 | 45,082,115 |
| 2.1. Mining and Quarrying | 659,976 | 525,255 |
| 2.2. Production | 65,591,520 | 35,897,055 |
| 2.3. Electricity, Gas, Water | 10,347,785 | 8,659,805 |
| 3. Construction | 11,221,790 | 6,882,725 |
| 4. Services | 140,237,070 | 86,886,485 |
| 4.1. Wholesale and retail trade | 54,134,919 | 27,027,716 |
| 4.2. Hotel, food and beverage services | 10,198,976 | 7,605,536 |
| 4.3. Transportation and telecommunication | 33,428,456 | 24,608,341 |
| 4.4. Financial institutions | 28,903,296 | 18,328,396 |
| 4.5. Real estate and leasing services | 770,012 | 431,966 |
| 4.6. Self-employment services | 3,133,492 | 2,149,942 |
| 4.7. Education services | 789,278 | 384,891 |
| 4.8. Health and social services | 8,878,641 | 6,349,697 |
| 5. Other | 121,411,680 | 62,953,233 |
| 6. Total^(*) | 352,456,046 | 203,984,380 |

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

Breakdown of Loans according to remaining maturity

| Current period | Demand | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | 5 Years and over | Total |
|--------------------------------------|--------|---------------|------------|-------------|------------|------------------|-------------|
| Loans and Receivables ^(*) | - | 74,018,497 | 49,088,923 | 118,050,268 | 79,548,732 | 22,654,964 | 343,361,384 |

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

| Prior period | Demand | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | 5 years and over | Total |
|--------------------------------------|--------|---------------|------------|-------------|------------|------------------|-------------|
| Loans and Receivables ^(*) | - | 35,170,026 | 20,644,876 | 61,988,284 | 59,783,330 | 20,827,680 | 198,414,196 |

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

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

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

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

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

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

II. Explanations on Risk Management (Continued)

4. Credit Risk Disclosures (Continued)

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

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

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

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

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

Exposures provisioned against by major sectors and Loans written off

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

g) Aging Analysis

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

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

II. Explanations on Risk Management (Continued)

5. Credit risk mitigation

5.1. CRC - Qualitative disclosure on credit risk mitigation techniques

Collateralization is used as main risk mitigation method. Tangible and intangible assets which can be accepted as collateral and their consideration rates are defined in detail in instructions. The Bank follows a conservative approach in collateral valuation. The value of the collateral is determined both with independent valuation and also internal valuation.

Legality and operational applicability is the precondition for the validity of collaterals. Legal teams should have performed sufficient legal examinations and confirmed all legal regulations related to collateral and validity of collateral before the receipt of the collateral. In addition, all contracts and other related documents should be obtained.

Collateral value should not have a positive correlation with the credit worthiness of the debtor.

Monitoring of collateral values is important to maintain credit quality. Market value of the collateral is periodically reviewed in line with determined frequency in directives and necessary precautions are taken when there is a significant deterioration indication in market value of the collateral.

Insurance policies of the collaterals should be obtained.

Collateral value meets Debt-Collateral ratio determined for credit type or specific sectors legally or in internal application of the Bank.

The Bank takes netting agreements concluded with counterparties into account in the framework of rules mentioned in scope of Appendix-2 of Regulation on Measurement and Evaluation of Bank's Capital Adequacy during the counterparty risk measurement.

5.2. CR3 - Credit risk mitigation techniques - Overview

| | Exposures unsecured: carrying amount as per TAS | Exposures secured by collateral | Collateralized amount of exposures secured by collateral | Exposures secured by financial guarantees | Collateralized amount of exposures secured by financial guarantees | Exposures secured by credit derivatives | Collateralized amount of exposures secured by credit derivatives |
|-----------------------|---|---------------------------------|--|---|--|---|--|
| Current Period | | | | | | | |
| 1. Loans | 339,778,152 | 14,273,706 | 7,994,306 | - | - | - | - |
| 2. Debt securities | 102,094,282 | - | - | - | - | - | - |
| 3. Total | 441,872,434 | 14,273,706 | 7,994,306 | - | - | - | - |
| 4. Of which defaulted | 1,574,919 | 17,273 | 309 | - | - | - | - |
| Prior Period | | | | | | | |
| 1. Loans | 198,403,012 | 7,789,783 | 4,290,302 | - | - | - | - |
| 2. Debt securities | 49,490,388 | - | - | - | - | - | - |
| 3. Total | 247,893,400 | 7,789,783 | 4,290,302 | - | - | - | - |
| 4. Of which defaulted | 2,485,767 | 78,540 | 473 | - | - | - | - |

6. Credit risk when standard approach is used

6.1. CRA - Qualitative disclosures which shall be made related to grading marks used by the Banks while calculating credit risk with standard approach

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

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

II. Explanations on Risk Management (Continued)

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

6.2. CR4 - Standard Approach- Credit risk exposure and credit risk mitigation (CRM) effects

| Current Period | Exposure Categories | Exposures before CCF and CRM | | Exposures post-CCF and CRM | | RWA and RWA density | |
|----------------|---|------------------------------|--------------------------|----------------------------|--------------------------|---------------------|-------------|
| | | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density |
| 1. | Exposures to central governments or central banks | 158,304,772 | - | 159,642,405 | - | - | - |
| 2. | Exposures to regional governments or local authorities | 238,887 | 115 | 238,887 | - | 119,444 | 50% |
| 3. | Exposures to public sector entities | 787,487 | 160,548 | 786,230 | 35,695 | 821,924 | 100% |
| 4. | Exposures to multilateral development banks | - | - | - | - | - | - |
| 5. | Exposures to international organizations | - | - | - | - | - | - |
| 6. | Exposures to institutions | 18,339,883 | 3,836,139 | 18,330,908 | 2,182,661 | 7,123,678 | 35% |
| 7. | Exposures to corporates | 124,727,956 | 100,699,305 | 119,225,124 | 39,719,492 | 158,944,613 | 100% |
| 8. | Retail exposures | 124,368,290 | 217,242,500 | 121,088,035 | 6,650,760 | 102,613,238 | 80% |
| 9. | Exposures secured by residential property | 1,760,178 | 173,017 | 1,760,178 | 54,521 | 635,145 | 35% |
| 10. | Exposures secured by commercial real estate | 10,762,656 | 1,562,221 | 10,762,656 | 774,714 | 8,285,863 | 72% |
| 11. | Past-due loans | 1,519,660 | - | 1,519,351 | - | 988,513 | 65% |
| 12. | Higher-risk categories by the Agency Board | 54,488,900 | 30,173 | 53,950,544 | 30,173 | 88,008,924 | 163% |
| 13. | Exposures in the form of covered bonds | - | - | - | - | - | - |
| 14. | Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - |
| 15. | Exposures in the form of units or shares in collective investment undertakings (CIUs) | - | - | - | - | - | - |
| 16. | Other assets | 20,474,815 | 56,194 | 20,474,815 | - | 11,578,994 | 57% |
| 17. | Investments in equities | 3,959,964 | - | 3,959,964 | - | 3,959,964 | 100% |
| 18. | Total | 519,733,448 | 323,760,212 | 511,739,097 | 49,448,016 | 383,080,300 | 68% |

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

II. Explanations on Risk Management (Continued)

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

6.2. CR4 - Standard Approach- Credit risk exposure and credit risk mitigation (CRM) effects (Continued)

| Prior Period | Exposures before CCF and CRM | | Exposures post-CCF and CRM | | RWA and RWA density | |
|---|------------------------------|--------------------------|----------------------------|--------------------------|---------------------|-------------|
| | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density |
| Exposure Categories | | | | | | |
| 1. Exposures to central governments or central banks | 87,135,083 | - | 88,331,435 | - | - | - |
| 2. Exposures to regional governments or local authorities | 178,882 | 135 | 178,882 | - | 89,441 | 50% |
| 3. Exposures to public sector entities | 203,474 | 36,358 | 200,782 | 11,056 | 211,839 | 100% |
| 4. Exposures to multilateral development banks | - | - | - | - | - | - |
| 5. Exposures to international organizations | - | - | - | - | - | - |
| 6. Exposures to institutions | 13,354,371 | 5,247,548 | 13,341,121 | 3,331,415 | 6,785,807 | 41% |
| 7. Exposures to corporates | 74,243,874 | 53,082,172 | 71,994,815 | 20,070,011 | 92,064,825 | 100% |
| 8. Retail exposures | 75,501,387 | 130,598,097 | 72,732,786 | 4,719,014 | 59,966,855 | 77% |
| 9. Exposures secured by residential property | 2,098,315 | 239,441 | 2,098,315 | 12,178 | 738,674 | 35% |
| 10. Exposures secured by commercial real estate | 10,639,706 | 1,657,491 | 10,639,707 | 1,082,208 | 9,375,574 | 80% |
| 11. Past-due loans | 1,954,401 | - | 1,953,928 | - | 1,361,964 | 70% |
| 12. Higher-risk categories by the Agency Board | 14,126,240 | - | 13,673,659 | - | 20,510,489 | 150% |
| 13. Exposures in the form of covered bonds | - | - | - | - | - | - |
| 14. Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - |
| 15. Exposures in the form of units or shares in collective investment undertakings (CIUs) | - | - | - | - | - | - |
| 16. Other assets | 15,029,445 | 202,872 | 15,029,445 | - | 9,730,865 | 65% |
| 17. Investments in equities | 2,407,839 | - | 2,407,839 | - | 2,407,839 | 100% |
| 18. Total | 296,873,017 | 191,064,114 | 292,582,714 | 29,225,882 | 203,244,172 | 63% |

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

II. Explanations on Risk Management (Continued)

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

6.3. CR5 - Standard approach - exposures by asset classes and risk

| Current Period | | | | | | | | | | | Total Credit Risk Exposure Amount |
|---|--------------------|----------|-------------------|------------------|-------------------|--------------------|--------------------|-------------------|-------------------|--------------------|-----------------------------------|
| Exposure Categories/ Risk Weight | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | Others | | |
| 1. Exposures to central governments or central banks | 159,642,405 | - | - | - | - | - | - | - | - | 159,642,405 | |
| 2. Exposures to regional governments or local authorities | - | - | - | - | 238,887 | - | - | - | - | 238,887 | |
| 3. Exposures to public sector entities | - | - | - | - | - | - | 821,925 | - | - | 821,925 | |
| 4. Exposures to multilateral development banks | - | - | - | - | - | - | - | - | - | - | |
| 5. Exposures to international organizations | - | - | - | - | - | - | - | - | - | - | |
| 6. Exposures to institutions | - | - | 10,606,492 | - | 9,809,396 | - | 97,681 | - | - | 20,513,569 | |
| 7. Exposures to corporates | - | - | - | - | - | - | 158,944,616 | - | - | 158,944,616 | |
| 8. Retail exposures | - | - | - | - | - | 100,502,223 | 27,236,572 | - | - | 127,738,795 | |
| 9. Exposures secured by residential property | - | - | - | 1,814,699 | - | - | - | - | - | 1,814,699 | |
| 10. Exposures secured by commercial real estate | - | - | - | - | 6,503,016 | - | 5,034,354 | - | - | 11,537,370 | |
| 11. Past-due loans | - | - | - | - | 1,061,677 | - | 457,674 | - | - | 1,519,351 | |
| 12. Higher-risk categories by the Agency Board | - | - | - | - | - | - | - | 41,083,646 | 12,897,071 | 53,980,717 | |
| 13. Exposures in the form of covered bonds | - | - | - | - | - | - | - | - | - | - | |
| 14. Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - | - | |
| 15. Exposures in the form of units or shares in collective investment undertakings (CIUs) | - | - | - | - | - | - | - | - | - | - | |
| 16. Investments in equities | - | - | - | - | - | - | 3,959,964 | - | - | 3,959,964 | |
| 17. Other Assets | 8,895,821 | - | - | - | - | - | 11,578,994 | - | - | 20,474,815 | |
| 18. Total | 168,538,226 | - | 10,606,492 | 1,814,699 | 17,612,976 | 100,502,223 | 208,131,780 | 41,083,646 | 12,897,071 | 561,187,113 | |

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

II. Explanations on Risk Management (Continued)

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

6.3. CR5 - Standard approach - exposures by asset classes and risk (Continued)

| Prior Period | | | | | | | | | | |
|---|-------------------|----------|------------------|------------------|-------------------|-------------------|--------------------|-------------------|----------|---|
| Exposure Categories/ Risk Weight | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | Others | Total Credit Risk Exposure Amount |
| 1. Exposures to central governments or central banks | 88,331,435 | - | - | - | - | - | - | - | - | 88,331,435 |
| 2. Exposures to regional governments or local authorities | - | - | - | - | 178,882 | - | - | - | - | 178,882 |
| 3. Exposures to public sector entities | - | - | - | - | - | - | 211,838 | - | - | 211,838 |
| 4. Exposures to multilateral development banks | - | - | - | - | - | - | - | - | - | - |
| 5. Exposures to international organizations | - | - | - | - | - | - | - | - | - | - |
| 6. Exposures to institutions | - | - | 5,717,592 | - | 10,625,309 | - | 329,635 | - | - | 16,672,536 |
| 7. Exposures to corporates | - | - | - | - | - | - | 92,064,826 | - | - | 92,064,826 |
| 8. Retail exposures | - | - | - | - | - | 69,939,775 | 7,512,025 | - | - | 77,451,800 |
| 9. Exposures secured by residential property | - | - | - | 2,110,493 | - | - | - | - | - | 2,110,493 |
| 10. Exposures secured by commercial real estate | - | - | - | - | 4,692,682 | - | 7,029,233 | - | - | 11,721,915 |
| 11. Past-due loans | - | - | - | - | 1,183,927 | - | 770,001 | - | - | 1,953,928 |
| 12. Higher-risk categories by the Agency Board | - | - | - | - | - | - | - | 13,673,659 | - | 13,673,659 |
| 13. Exposures in the form of covered bonds | - | - | - | - | - | - | - | - | - | - |
| 14. Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - | - |
| 15. Exposures in the form of units or shares in collective investment undertakings (CIUs) | - | - | - | - | - | - | - | - | - | - |
| 16. Investments in equities | - | - | - | - | - | - | 2,407,839 | - | - | 2,407,839 |
| 17. Other Assets | 5,298,578 | - | 3 | - | - | - | 9,730,864 | - | - | 15,029,445 |
| 18. Total | 93,630,013 | - | 5,717,595 | 2,110,493 | 16,680,800 | 69,939,775 | 120,056,261 | 13,673,659 | - | 321,808,596 |

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

II. Explanations on Risk Management (Continued)

7. Disclosures regarding counterparty credit risk

7.1. Qualitative disclosures regarding DCCR - CCR table

a) Counterparty credit risk (CCR) states default risk of counterparty, which is a party to a transaction imposing an obligation to both parties, going into default before the final payment included in cash flow of the transaction in question. CCR causes credit risk for banks carrying out money and capital market transactions. Derivative financial instruments, repo and reverse repo transactions, securities and commodities lending transactions, transactions having long clearing process and margin trading transactions are considered in the aforementioned scope.

The most significant part of CCR in the Bank is sourced from derivative financial instruments. Derivative transactions are made with financial institutions, individual and commercial customers for the purposes of trading, management of interest risk of banking accounts and meeting customer demands.

CCR is managed within the framework of the Counterparty Credit Policy approved by the Board of Directors. In this policy, the scope of the CCR, the risk calculation method, and the distribution of responsibility distribution were determined. The general lines determined in the CCR policy are detailed with the Derivative Products Application Instructions.

Main Bank does make a distinction between banks, non-bank financial institutions and individual customers with respect to counterparty credit risk. Transactions made with non-bank financial institutions are reviewed in the framework of corporate-commercial credit risk while banks are considered in the framework of financial institutions.

Derivative risk amount which can be carried by the customer is limited within the credit policies framework. Related risk and limit amounts are monitored on a daily basis and when a collateral shortfall exists, shortfall collateral amount is completed in line with given standards in Derivative Products Application Instruction.

b) A clear definition of risk appetite and its approval by Board of Directors is the precondition to establish a consistent risk limit system. The Bank has determined the following limit structure in order to limit the risk carried over derivative transactions. Those limits are determined in Market Risk Policy and approved by Board of Directors.

- Limits on option sensitivity indexes basis: Maximum risk which can be taken in delta, gama and vega positions is limited.
- Option nominal position limit: Maximum nominal position which can be taken on option type basis is limited.
- Interest sensitivity limit of forward exchanges included in trading accounts: Interest risk which can be carried by swap and forward exchanges made for the purposes of trading.

Derivative limit on the basis of customer has been prepared in addition to abovementioned limit structure. The Bank has established required control mechanism in order to stay in the framework of determined limits.

c) CCR is tried to be reduced with various techniques. The Bank uses daily exchange limits in addition to credit support and global repo agreements in order to reduce exchange risk. Limits, defined for financial institutions, are allocated according to creditability of counterparty and monitored as real time and online. Parties, having over the counter transactions with the Bank, are financial institutions which are well known and having a long term of business relationship.

d) Countertrend risk states that probability of default of counterparty has a positive correlation with general market risk factors. Main Partner Bank monitors impacts of market risk factors such as interest and exchange on customer credit risk. Especially, in periods having sharp financial movements, required actions are taken in line with analysis performed.

e) If there is a decline in credit rating grade, there is no additional collateral amount which must be provided by the Bank.

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

II. Explanations on Risk Management (Continued)

7. Disclosures regarding counterparty credit risk (Continued)

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

| Current Period | | Revaluation Cost | Potential credit risk exposure | EEPE | The alpha used to calculate the legal risk amount | Exposure after credit risk mitigation | Risk Weighted Amounts |
|-----------------------|--|-------------------------|---------------------------------------|-------------|--|--|------------------------------|
| 1. | Standard approach - CCR (for derivatives) | 6,149,267 | 9,096,636 | - | 1 | 21,344,262 | 9,963,376 |
| 2. | Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions) | - | - | - | - | - | - |
| 3. | The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions. | - | - | - | - | - | - |
| 4. | Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions) | - | - | - | - | 9,716,657 | 5,625,466 |
| 5. | Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions | - | - | - | - | - | - |
| 6. | Total | - | - | - | - | - | 15,588,842 |

| Prior Period | | Revaluation Cost | Potential credit risk exposure | EEPE | The alpha used to calculate the legal risk amount | Exposure after credit risk mitigation | Risk Weighted Amounts |
|---------------------|--|-------------------------|---------------------------------------|-------------|--|--|------------------------------|
| 1. | Standard approach - CCR (for derivatives) | 16,634,553 | 2,295,441 | - | 1 | 11,066,167 | 5,263,064 |
| 2. | Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions) | - | - | - | - | - | - |
| 3. | The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions. | - | - | - | - | - | - |
| 4. | Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions) | - | - | - | - | 6,600,709 | 3,089,652 |
| 5. | Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions | - | - | - | - | - | - |
| 6. | Total | - | - | - | - | - | 8,352,716 |

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

II. Explanations on Risk Management (Continued)

7. Disclosures regarding counterparty credit risk (Continued)

7.3. CCR2 - Credit valuation adjustment (CVA) capital charge

| | Exposure (After credit risk mitigation methods) | | Risk Weighted Amounts | |
|--|---|-------------------|-----------------------|------------------|
| | Current Period | Prior Period | Current Period | Prior Period |
| Total portfolio value with comprehensive approach CVA capital adequacy | - | - | - | - |
| 1. (i) Value at risk component (3*multiplier included) | - | - | - | - |
| 2. (ii) Stressed Value at Risk (3*multiplier included) | - | - | - | - |
| 3. Total portfolio value with simplified approach CVA capital adequacy | 21,344,262 | 11,066,167 | 3,187,872 | 1,621,022 |
| 4. Total amount of CVA capital adequacy | 21,344,262 | 11,066,167 | 3,187,872 | 1,621,022 |

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

Current Period

| Exposure Categories/ Risk Weight | | | | | | | | | | Total Credit Risk |
|---|----------------|----------|------------------|-------------------|------------------|------------------|----------|---------------|-------------------|-------------------------|
| | 0% | 10% | 20% | 50% | 75% | 100% | 150% | Others | | |
| 1. Exposures from central governments or central banks | 751,881 | - | - | - | - | - | - | - | 20,523 | 772,404 |
| 2. Exposures from regional or local governments | - | - | - | - | - | - | - | - | - | - |
| 3. Exposures from administrative units and non-commercial enterprises | - | - | - | - | - | 502 | - | - | - | 502 |
| 4. Exposures from multilateral development banks | - | - | - | - | - | - | - | - | - | - |
| 5. Exposures from international organizations | - | - | - | - | - | - | - | - | - | - |
| 6. Exposures from banks and brokerage houses | - | - | 6,462,595 | 18,168,968 | - | 900,503 | - | - | - | 25,532,066 |
| 7. Exposures from corporates | - | - | - | - | - | 2,973,853 | - | - | - | 2,973,853 |
| 8. Retail receivables | - | - | - | - | 1,782,094 | - | - | - | - | 1,782,094 |
| 9. Mortgage receivables | - | - | - | - | - | - | - | - | - | - |
| 10. Overdue receivables | - | - | - | - | - | - | - | - | - | - |
| 11. High risk defined receivables | - | - | - | - | - | - | - | - | - | - |
| 12. Mortgage backed securities | - | - | - | - | - | - | - | - | - | - |
| 13. Securitization Positions | - | - | - | - | - | - | - | - | - | - |
| 14. Short term credit rated banks and Intermediary Institutions receivables | - | - | - | - | - | - | - | - | - | - |
| 15. Collective investment undertaking investments | - | - | - | - | - | - | - | - | - | - |
| 16. Equity Investments | - | - | - | - | - | - | - | - | - | - |
| 17. Other Receivables | - | - | - | - | - | - | - | - | - | - |
| 18. Other Assets | - | - | - | - | - | - | - | - | - | - |
| 19. Total | 751,881 | - | 6,462,595 | 18,168,968 | 1,782,094 | 3,874,858 | - | 20,523 | 31,060,919 | |

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II. Explanations on Risk Management (Continued)

7. Disclosures regarding counterparty credit risk (Continued)

7.4. CCR3 - Standardised approach - CCR exposures by regulatory portfolio and risk weights (Continued)

| Prior Period | | | | | | | | | | Total Credit Risk |
|---|------------------|------------|------------------|------------------|---------------|------------------|-------------|---------------|-------------------|----------------------------------|
| Exposure Categories/ Risk Weight | 0% | 10% | 20% | 50% | 75% | 100% | 150% | Others | | |
| 1. Exposures from central governments or central banks | 2,612,411 | - | - | - | - | - | - | 26,594 | 2,639,005 | |
| 2. Exposures from regional or local governments | - | - | - | - | - | - | - | - | - | |
| 3. Exposures from administrative units and non-commercial enterprises | - | - | - | - | - | 74 | - | - | 74 | |
| 4. Exposures from multilateral development banks | - | - | - | - | - | - | - | - | - | |
| 5. Exposures from international organizations | - | - | - | - | - | - | - | - | - | |
| 6. Exposures from banks and brokerage houses | - | - | 2,149,839 | 9,893,124 | - | 698,616 | - | - | 12,741,579 | |
| 7. Exposures from corporates | - | - | - | - | - | 2,249,202 | - | - | 2,249,202 | |
| 8. Retail receivables | - | - | - | - | 37,016 | - | - | - | 37,016 | |
| 9. Mortgage receivables | - | - | - | - | - | - | - | - | - | |
| 10. Overdue receivables | - | - | - | - | - | - | - | - | - | |
| 11. High risk defined receivables | - | - | - | - | - | - | - | - | - | |
| 12. Mortgage backed securities | - | - | - | - | - | - | - | - | - | |
| 13. Securitization Positions | - | - | - | - | - | - | - | - | - | |
| 14. Short term credit rated banks and Intermediary Institutions receivables | - | - | - | - | - | - | - | - | - | |
| 15. Collective investment undertaking investments | - | - | - | - | - | - | - | - | - | |
| 16. Equity Investments | - | - | - | - | - | - | - | - | - | |
| 17. Other Receivables | - | - | - | - | - | - | - | - | - | |
| 18. Other Assets | - | - | - | - | - | - | - | - | - | |
| 19. Total | 2,612,411 | - | 2,149,839 | 9,893,124 | 37,016 | 2,947,892 | - | 26,594 | 17,666,876 | |

7.5. CCR4 - Risk Class and Counterparty Credit Risk on the basis of Possibility of Default

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

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

II. Explanations on Risk Management (Continued)

7. Disclosures regarding counterparty credit risk (Continued)

7.6. CCR5 - Composition of collateral for CCR exposure

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

| Prior Period | Collaterals for Derivatives | | | | Collaterals or Other Transactions | |
|--------------------------|-----------------------------|-------------------|-------------------|------------------|-----------------------------------|-------------------|
| | Collaterals Taken | | Collaterals Taken | | Collaterals Given | Collaterals Taken |
| | Segregated | Unsegregated | Segregated | Unsegregated | | |
| Cash - Local Currency | - | - | - | - | 1,871,554 | - |
| Cash - Foreign Currency | - | 10,347,525 | - | 9,348,632 | 15,514,952 | - |
| Government bond-domestic | - | - | - | - | - | - |
| Government bond-other | - | - | - | - | - | - |
| Public institution bonds | - | - | - | - | - | - |
| Corporate bond | - | - | - | - | - | - |
| Equity share | - | - | - | - | - | - |
| Other collaterals | - | - | - | - | - | - |
| Total | - | 10,347,525 | - | 9,348,632 | 17,386,506 | - |

7.7. CCR6 - Credit derivatives

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

7.8. CCR7 - RWA changes on CCR within the internal model method

Related table is not presented due to usage of standard approach for the calculation of capital adequacy (31 December 2021 - None).

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

II. Explanations on Risk Management (Continued)

7. Disclosures Regarding Counterparty Credit Risk (Continued)

7.9. CCR8 - Exposures to central counterparties

| | Current Period | | Prior Period | |
|---|-------------------------------------|------------|-------------------------------------|------------|
| | Exposure at Default (Post - CRM) | RWA | Exposure at Default (Post - CRM) | RWA |
| 1. Exposure to Qualified Central Counterparties (QCCPs) Total | 20,523 | 410 | 26,594 | 532 |
| 2. Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which | - | - | - | - |
| 3. (i) OTC Derivatives | 20,523 | 410 | - | - |
| 4. (ii) Exchange-traded Derivatives | - | - | 26,594 | 532 |
| 5. (iii) Securities financing transactions | - | - | - | - |
| 6. (iv) Netting sets where cross-product netting has been approved | - | - | - | - |
| 7. Segregated initial margin | - | - | - | - |
| 8. Non-segregated initial margin | - | - | - | - |
| 9. Pre-funded default fund contributions | - | - | - | - |
| 10. Unfunded default fund contributions | - | - | - | - |
| 11. Exposures to non-QCCPs (Total) | - | - | - | - |
| 12. Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which | - | - | - | - |
| 13. (i) OTC Derivatives | - | - | - | - |
| 14. (ii) Exchange-traded Derivatives | - | - | - | - |
| 15. (iii) Securities financing transactions | - | - | - | - |
| 16. (iv) Netting sets where cross-product netting has been approved | - | - | - | - |
| 17. Segregated initial margin | - | - | - | - |
| 18. Non-segregated initial margin | - | - | - | - |
| 19. Pre-funded default fund contributions | - | - | - | - |
| 20. Unfunded default fund contributions | - | - | - | - |

8. Securitization exposures

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

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

II. Explanations on Risk Management (Continued)

9. Disclosures regarding Market Risk

9.1. MRD - Qualitative information which shall be disclosed to public related to market risk

a) Market risk states the risk sourcing from change in market prices on positions held in order to make profit in trading accounts in line with short term expectations in market prices or interest rates. Financial Assets at Fair Value through Profit/Loss accounts covers all derivative products except for financial assets held for trading, open exchange position and having hedging purposes.

The Bank has established a structure to effectively define, monitor and manage the risk sourcing from changes in market prices including interest rates, stocks, bond prices, exchange rates and uncertainty of aforementioned prices in their volatility levels. The aforementioned structure is determined in Market Risk Policy of the Bank which is approved by the Board of Directors. This policy determines principles, measurement methods, processes and limits covering all transactions of the Bank sourcing from market risk.

Market risk is calculated and reported on a monthly basis with standard method for capital adequacy calculation in line with regulation on Measurement and Evaluation of Bank's Capital Adequacy published by BRSA.

Market risk also includes value at risk limits in line with internal policies based on internal model. Limits include value at risk limits, positions, limits on options sensitivity and loss cessation limits for each of the market risk types.

b) Risk Committee of the Bank is responsible to ensure implementation of market risk strategy and policies in a consistent manner. Market risk unit operates totally independent from risk carrying units and directly subject to Risk Committee of the Bank in given authorization and responsibilities framework.

Internal Control Department is responsible for the evaluation of internal control system related to market risk through periodical independent audits. Required system evaluation reports are shared with Board of Directors and other related authorities. Risk Committee of Board of Directors provides holding of sufficient capital against market risk carried by QNB Finansbank.

c) QNB Finansbank makes its capital calculation for market risk in accordance with standard method approach defined in Basel II first pillar. Capital calculation method for each risk category is made by BRSA in line with Basel standards as of month-ends as solo and consolidated.

The Bank calculates market risk with value at risk approach for the purpose of monitoring and management of risk at the Bank except for standard method. The aforementioned calculation is made both for the risk of trading portfolio and the risk of positions of the trading desk. Value at risk calculation is made daily with historical simulation at 99% confidence interval through 252 working days observation period and exponential weighted moving average volatility assumption. Dynamic structure of the volatility is reached through giving weight to recent observations in exponential weighted moving average. In addition to the VaR calculation, risk amounts are calculated by stress VaR and stress tests, taking into account the risk that may occur during stress periods.

9.2. MR1 - Standardized approach

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

(*) Outright products refer to position in products that are not optional.

(**) The Market Risk represents the capital requirement multiplied by 12.5 times Risk Weighted Amount.

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

II. Explanations on Risk Management (Continued)

10. Explanations related to the operational risk

The Bank calculates the amount subject to operational risk based on “Basic Indicator Method” by using 2021, 2020, 2019 year-end gross income balances of the Bank, in accordance with Section 3 of the “Regulation Regarding Measurement and Evaluation of Banks’ Capital Adequacy Ratio”, published in the Official Gazette No. 28337 dated 28 June 2012, namely “The Calculation of the Amount Subject to Operational Risk. As of 31 December 2022, the total amount subject to operational risk is TL 18,872,375 (31 December 2021 - TL 16,750,240).

| Current Year Basic Indicator Method | 2 PP Amount | 1 PP Amount | CP Amount | Total/Nr. of Years of Positive Gross | Rate (%) | Total |
|---|-------------|-------------|------------|---|----------|-------------------|
| Gross Income | 8,805,867 | 9,301,396 | 12,088,533 | 10,065,265 | 15 | 1,509,790 |
| Value at operational risk (Total*12.5) | | | | | | 18,872,375 |
| Prior Year Basic Indicator Method | 2 PP Amount | 1 PP Amount | CP Amount | Total/Nr. of Years of Positive Gross | Rate (%) | Total |
| Gross Income | 8,506,036 | 8,805,867 | 9,488,481 | 8,933,461 | 15 | 1,340,019 |
| Value at operational risk (Total*12.5) | | | | | | 16,750,240 |

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

III. Explanations on Foreign Currency Exchange Rate Risk

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

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

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

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

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

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

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

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

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

| | |
|--|------------|
| US Dollar purchase rate at the date of the balance sheet | TL 18.6966 |
| Euro purchase rate at the date of the balance sheet | TL 19.8816 |

| Date | US Dollar | Euro |
|------------------|-----------|---------|
| 30 December 2022 | 18.6966 | 19.8816 |
| 29 December 2022 | 18.6964 | 19.8946 |
| 28 December 2022 | 18.6813 | 19.9087 |
| 27 December 2022 | 18.6649 | 19.8324 |
| 26 December 2022 | 18.6592 | 19.8044 |

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

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

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

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

5. Information on the foreign currency exchange rate risk

| Current Period | EUR | USD | Other FC | Total |
|---|---------------------|---------------------|---------------------|---------------------|
| Assets | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Cen ^{tral} Bank ⁽¹⁾ | 41,253,863 | 37,765,771 | 5,798,300 | 84,817,934 |
| Due From Banks | 3,659,728 | 3,463,968 | 664,312 | 7,788,008 |
| Financial Assets at Fair Value through Profit/Loss ⁽²⁾ | 1,327,792 | 1,878,677 | 5,500 | 3,211,969 |
| Money Market Placements | - | 427,044 | - | 427,044 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) | 1,131,946 | 9,336,069 | - | 10,468,015 |
| Loans and Receivables ⁽³⁾ | 62,761,867 | 43,205,246 | 374,853 | 106,341,966 |
| Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.) | - | - | - | - |
| Financial Assets Measured at Amortized Cost | 1,548,238 | 18,816,096 | - | 20,364,334 |
| Derivative Financial Assets Hedging Purposes | 118,511 | 2,137,072 | - | 2,255,583 |
| Tangible Assets | - | - | 94 | 94 |
| Intangible Assets | - | - | - | - |
| Other Assets ⁽⁴⁾ | 42,274 | 76,182 | 4,184 | 122,640 |
| Total Assets | 111,844,219 | 117,106,125 | 6,847,243 | 235,797,587 |
| Liabilities | | | | |
| Bank Deposits | 2,887,288 | 6,396,074 | 501,035 | 9,784,397 |
| Foreign Currency Deposits ⁽⁵⁾ | 34,696,141 | 88,667,285 | 25,568,937 | 148,932,363 |
| Money Market Borrowings | 1,661,053 | 18,784,150 | 1,288,601 | 21,733,804 |
| Funds Provided from Other Financial Institutions | 16,162,821 | 42,257,037 | - | 58,419,858 |
| Securities Issues | 1,274,281 | 16,854,884 | 5,155,157 | 23,284,322 |
| Sundry Creditors | 8,751,843 | 6,949,744 | 74,278 | 15,775,865 |
| Derivative Fin. Liabilities for Hedging Purposes | 632 | 803,437 | - | 804,069 |
| Other Liabilities ⁽⁶⁾ | 1,453,121 | 2,342,389 | 41,350 | 3,836,860 |
| Total Liabilities | 66,887,180 | 183,055,000 | 32,629,358 | 282,571,538 |
| Net Balance Sheet Position | 44,957,039 | (65,948,875) | (25,782,115) | (46,773,951) |
| Net Off-Balance Sheet Position | (44,727,420) | 68,298,664 | 26,048,445 | 49,619,689 |
| Financial Derivative Assets | 32,484,296 | 225,660,154 | 28,403,576 | 286,548,026 |
| Financial Derivative Liabilities | 77,211,716 | 157,361,490 | 2,355,131 | 236,928,337 |
| Non-Cash Loans ⁽⁸⁾ | 18,043,661 | 17,030,918 | 463,540 | 35,538,119 |
| Prior Period | | | | |
| Total Assets | 87,952,855 | 95,988,942 | 5,424,976 | 189,366,773 |
| Total Liabilities | 51,597,317 | 160,358,315 | 28,186,060 | 240,141,692 |
| Net Balance Sheet Position | 36,355,538 | (64,369,373) | (22,761,084) | (50,774,919) |
| Net Off-Balance Sheet Position | (36,160,955) | 62,063,449 | 22,811,068 | 48,713,562 |
| Financial Derivative Assets | 32,278,439 | 164,612,702 | 23,228,937 | 220,120,078 |
| Financial Derivative Liabilities | 68,439,394 | 102,549,253 | 417,869 | 171,406,516 |
| Non-Cash Loans | 18,384,626 | 15,231,819 | 715,572 | 34,332,017 |

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

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

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

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

⁽⁵⁾ Does not include FC prepaid expenses amounting to TL 224,639 (31 December 2021 - TL 67,969) as per BRSA's Communique published in Official Gazette no 26085 on 19 February 2006.

⁽⁶⁾ Other foreign currency includes TL 22,159,406 (31 December 2021 - TL 21,599,519) of precious metal deposit account.

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

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

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

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

6. Sensitivity to foreign exchange risk

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

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

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

^(*) Effect on Shareholders Equity include the effect of the change of exchange rates on the statement of profit or loss and other comprehensive income.

IV. Explanations on Interest Rate Risk

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

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

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

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

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

IV. Explanations on Interest Rate Risk (Continued)

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

(Based on repricing dates)

| | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | Non- Interest Bearing ⁽¹⁾ | Total |
|---|---------------------|---------------------|--------------------|-------------------|---------------------|--|--------------------|
| End of Current Period | | | | | | | |
| Assets | | | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank ⁽²⁾ | 36,498,079 | - | - | - | - | 58,029,097 | 94,527,176 |
| Due from Banks ⁽³⁾ | 2,870,720 | - | - | - | - | 7,791,698 | 10,662,418 |
| Financial Assets at Fair Value Through Profit/Loss ⁽⁴⁾ | 212,289 | 104,379 | 113,413 | 190,798 | 34,143 | 16,426,133 | 17,081,155 |
| Money Market Placements ⁽⁵⁾ | 4,427,376 | 4,040,604 | - | - | - | (5,082) | 8,462,898 |
| Financial Assets at Fair Value Through Other Comprehensive Income ⁽⁵⁾ | 7,070,186 | 5,959,770 | 3,354,114 | 9,825,209 | 9,627,121 | 11,170,734 | 47,007,134 |
| Loans and Receivables | 78,137,369 | 68,051,425 | 133,041,642 | 55,907,099 | 8,182,938 | 1,636,725 | 344,957,198 |
| Inv. Securities Held to Maturity ⁽⁶⁾ | 28,418,409 | 647,443 | 2,276,143 | 15,932,112 | 7,588,431 | 7,080,729 | 61,943,267 |
| Other Assets | - | - | - | - | - | 17,113,930 | 17,113,930 |
| Total Assets | 157,634,428 | 78,803,621 | 138,785,312 | 81,855,218 | 25,432,633 | 119,243,964 | 601,755,176 |
| Liabilities | | | | | | | |
| Bank Deposits | 4,246,561 | 2,763,128 | 2,476,493 | - | - | 739,593 | 10,225,775 |
| Other Deposits | 146,145,168 | 95,663,898 | 12,667,551 | 589,295 | 504 | 128,991,842 | 384,058,258 |
| Money Market Borrowings | 10,932,878 | 7,644,329 | 3,209,343 | - | - | 142,310 | 21,928,860 |
| Sundry Creditors | 15,775,865 | - | - | - | - | 13,401,599 | 29,177,464 |
| Securities Issued | 4,578,601 | 8,111,372 | 2,960,503 | 12,135,273 | - | 153,957 | 27,939,706 |
| Funds Borrowed | 5,935,228 | 15,789,605 | 26,592,624 | 213,503 | 9,815,715 | 434,366 | 58,781,041 |
| Other Liabilities ⁽⁷⁾ | 379 | 1,113 | 17,767 | 726,060 | - | 68,898,753 | 69,644,072 |
| Total Liabilities | 187,614,680 | 129,973,445 | 47,924,281 | 13,664,131 | 9,816,219 | 212,762,420 | 601,755,176 |
| On Balance Sheet Long Position | - | - | 90,861,031 | 68,191,087 | 15,616,414 | - | 174,668,532 |
| On Balance Sheet Short Position | (29,980,252) | (51,169,824) | - | - | - | (93,518,456) | (174,668,532) |
| Off-Balance Sheet Long Position | 14,371,955 | 27,735,850 | - | - | - | - | 42,107,805 |
| Off-Balance Sheet Short Position | - | - | (3,051,112) | (7,727,922) | (16,486,471) | - | (27,265,505) |
| Total Position | (15,608,297) | (23,433,974) | 87,809,919 | 60,463,165 | (870,057) | (93,518,456) | 14,842,300 |

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

⁽²⁾ Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL 10,615 expected loss provisions.

⁽³⁾ Banks include balance of expected loss provisions amounting to TL 5,879.

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

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

⁽⁶⁾ Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 20,038.

⁽⁷⁾ Other Liabilities includes Derivative Financial Assets amounting to TL 6,396,238.

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

IV. Explanations on Interest Rate Risk (Continued)

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

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

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

⁽²⁾ Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL 7,083 expected loss provisions.

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

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

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

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

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

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

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

IV. Explanations on Interest Rate Risk (Continued)

Average interest rates applied to monetary financial instruments

| End of Current Period | EURO | USD | JPY | TL |
|--|-------------|------------|------------|-----------|
| Assets | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank | - | - | - | - |
| Due from Banks | - | - | - | 9.97 |
| Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) | 5.32 | 7.22 | - | 24.02 |
| Money Market Placements | - | 2.92 | - | - |
| Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) | 2.87 | 5.42 | - | 31.34 |
| Loans and Receivables | 5.54 | 6.87 | 4.92 | 23.28 |
| Financial Assets Measured at Amortized Cost | 4.60 | 5.65 | - | 72.82 |
| Liabilities | | | | |
| Bank Deposits | 3.79 | 5.65 | - | 25.86 |
| Other Deposits | 1.00 | 3.04 | 0.17 | 17.98 |
| Money Market Borrowings | 1.69 | 4.38 | - | 6.73 |
| Sundry Creditors | 1.15 | - | - | - |
| Securities Issued | 4.97 | 6.91 | - | 22.07 |
| Funds Borrowed | 4.14 | 7.36 | - | 18.81 |
| End of Prior Period | | | | |
| Assets | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank | - | - | - | 8.50 |
| Due from Banks | - | 0.07 | - | - |
| Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) | 4.97 | 4.58 | - | 21.51 |
| Money Market Placements | - | 0.05 | - | - |
| Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) | 2.87 | 5.32 | - | 18.41 |
| Loans and Receivables | 4.02 | 4.86 | 1.49 | 18.81 |
| Financial Assets Measured at Amortized Cost | 4.60 | 5.61 | - | 22.41 |
| Liabilities | | | | |
| Bank Deposits | 0.03 | 0.61 | - | 13.96 |
| Other Deposits | 0.22 | 0.81 | 0.27 | 18.22 |
| Money Market Borrowings | (0.71) | 1.17 | - | 13.91 |
| Sundry Creditors | (0.39) | - | - | - |
| Securities Issued | - | 5.51 | - | 16.62 |
| Funds Borrowed | 2.24 | 4.52 | - | 15.82 |

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

IV. Explanations on Interest Rate Risk (Continued)

Interest rate risk on banking book

The interest rate risk resulting from banking book comprises of maturity mismatch risk, yield-curve risk, base risk and option risk. Within the scope of the interest rate risk, the Bank analyzes all these risks periodically, and considering market conditions, manages all aspects of interest rate risk on banking book effectively in accordance with the bank strategy. In order to this, within the scope of “Banking Books Interest Rate Risk Management” risks are measured, monitored and limited on a regular basis.

In the calculation of the interest rate risk on banking book, income approach and the economic value approach are applied. The analysis of economic value, duration and gap analysis are calculated twice in a month, analysis of the standard economic value approach is supported by different scenarios. In addition, the sensitivity of the net interest income is monitored, the prepayment rates of loans are considered managing the interest rate risk.

In customer deposits, core deposits analyses are performed regularly on profit center base and the rate of core deposits in demand deposits are considered in economic value, gap and duration analyses. The interest rate risk of uncertain due credits is determined considering the nature of the credit and added to calculations.

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

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) included in banking book are monitored daily. In this context, the risk level of this portfolio is managed considering the sensitivity of nominal interest rate and limits.

The interest rate risk on banking book is measured legally as per the “Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method” published in the Official Gazette No. 28034 dated 23 August 2011, and the legal limit as per this measurement is monitored and reported monthly to the Assets and Liability Committee, the Risk Committee and the Board of Directors.

| Type of Currency | Shocks Applied (+/- x basis points) | Gains/Losses | Gains/Equity- Losses/Equity |
|-----------------------------------|--|--------------------|--------------------------------|
| 1. TL | +500 bp | (3,714,569) | (5.73)% |
| | -400 bp | 3,346,266 | 5.16% |
| 2. EUR | +200 bp | 607,537 | 0.94% |
| | -200 bp | (464,159) | (0.72)% |
| 3. USD | +200 bp | (242,588) | (0.37)% |
| | -200 bp | 369,388 | 0.57% |
| Total (of negative shocks) | | 3,251,495 | 5.00% |
| Total (of positive shocks) | | (3,349,620) | (5.16)% |

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

V. Explanations on Position Risk of Equity Securities

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

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

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

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

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

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

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

It is essential for the Bank to monitor its liquidity position and funding strategy consistently. Funding management of the Bank is carried out in line with limits and internal warning systems within the framework of ALCO decisions. Funding and placement strategies are developed through evaluating the liquidity of the Bank. Liquidity position is evaluated and funding strategy is developed taking into consideration customer based concentration and maturity levels.

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

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

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

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

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

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

Due to the financial uncertainty caused by the coronavirus epidemic, conservative liquidity management has been one of the top priorities of the Bank. The Bank manages LCR above the limit by keeping its high-quality liquid assets at a sufficient level. The Bank has created four different stress test scenarios that measure how long it can meet its cumulative cash outflows without providing any new funds from the market or by providing funds at very low levels. A new scenario was created by observing the financial movements during the coronavirus epidemic and it was observed that in all scenarios, the Bank withstands stress over the minimum life expectancy of 30 days.

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

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

Liquidity Coverage Ratio

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

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

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

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

Liquidity Coverage Ratio (Continued)

| | Consideration Rate Unweighted Amounts ^(*) | | Consideration Rate Weighted Amounts ^(*) | |
|--|---|-------------------|---|-------------------|
| | TL+FC | FC | TL+FC | FC |
| Prior Period - 31 December 2021 | | | | |
| HIGH QUALITY LIQUID ASSETS | | | 60,813,146 | 42,159,807 |
| 1. High Quality Liquid Assets | - | - | 60,813,146 | 42,159,807 |
| CASH OUTFLOWS | | | | |
| 2. Retail and Small Business Customers Deposits | 142,445,916 | 85,890,876 | 13,107,912 | 8,589,088 |
| 3. Stable deposits | 22,733,598 | - | 1,136,680 | - |
| 4. Less stable deposits | 119,712,318 | 85,890,876 | 11,971,232 | 8,589,088 |
| 5. Unsecured Funding other than Retail and Small Business Customers Deposits | 53,088,632 | 33,169,750 | 28,190,637 | 17,673,287 |
| 6. Operational deposits | 1,835,716 | 724,319 | 458,929 | 181,080 |
| 7. Non-Operational Deposits | 41,503,111 | 29,074,970 | 19,838,642 | 14,178,884 |
| 8. Other Unsecured Funding | 9,749,805 | 3,370,461 | 7,893,066 | 3,313,323 |
| 9. Secured funding | - | - | - | - |
| 10. Other Cash Outflows | 22,697,893 | 5,332,054 | 22,697,893 | 5,332,054 |
| 11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions | 22,697,893 | 5,332,054 | 22,697,893 | 5,332,054 |
| 12. Debts related to the structured financial products | - | - | - | - |
| 13. Commitment related to debts to financial markets | - | - | - | - |
| 14. Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments | 66,378,356 | 3,516,584 | 3,318,918 | 175,829 |
| 15. Other irrevocable or conditionally revocable commitments | 123,596,393 | 33,282,667 | 9,141,360 | 3,226,641 |
| 16. TOTAL CASH OUTFLOWS | - | - | 76,456,720 | 34,996,899 |
| CASH INFLOWS | | | | |
| 17. Secured Lending Transactions | 162,765 | 273,898 | - | - |
| 18. Unsecured Lending Transactions | 16,599,230 | 9,206,568 | 11,943,644 | 8,140,506 |
| 19. Other Cash Inflows | 22,708,639 | 20,298,391 | 22,708,639 | 20,298,392 |
| 20. TOTAL CASH INFLOWS | 39,470,634 | 29,778,857 | 34,652,283 | 28,438,898 |
| 21. TOTAL HIGH QUALITY LIQUID ASSETS | - | - | 60,813,146 | 42,159,807 |
| 22. TOTAL NET CASH OUTFLOWS | - | - | 41,804,437 | 9,895,194 |
| 23. LIQUIDITY COVERAGE RATIO (%) | - | - | 145,47 | 426,06 |

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

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

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

Liquidity Coverage Ratio (Continued)

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

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

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

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

Funding sources of the Bank mainly consist of deposits which constitute 63% of total liabilities of the bank (31 December 2021 - 61%) and also include repo, syndication, securitization, securities issued and other instruments including subordinated debts.

The Bank effectively uses derivative transactions to manage interest and liquidity risk. Impact of derivative cash flows in terms of liquidity coverage ratio is limited. However, FX swaps used in short term foreign currency liquidity management cause liquidity coverage ratio to fluctuate due to changes in volume and 1-month maturity. In addition, possible cash outflow caused by margin call requirements of derivative transactions is taken into consideration in accordance with the respective regulations.

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

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

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

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

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

Presentation of assets and liabilities according to their remaining maturities

| Current Period | Demand | Up to 1 month | 1-3 months | 3-12 months | 1-5 Years | 5 Years and over | Unallocated ⁽¹⁾ | Total |
|---|---------------------|---------------------|---------------------|--------------------|--------------------|-------------------|----------------------------|--------------------|
| Assets | | | | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank ⁽²⁾ | 54,063,392 | 40,474,399 | - | - | - | - | (10,615) | 94,527,176 |
| Due from Banks ⁽³⁾ | 3,281,486 | 7,386,811 | - | - | - | - | (5,879) | 10,662,418 |
| Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) ⁽⁴⁾ | 603,134 | 1,712,797 | 5,608,356 | 4,443,590 | 1,883,836 | 2,829,442 | - | 17,081,155 |
| Money Markets Placements ⁽⁵⁾ | - | 4,427,376 | 4,040,604 | - | - | - | (5,082) | 8,462,898 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) ⁽⁶⁾ | 7,674 | 783,014 | 565,092 | 5,222,179 | 24,491,293 | 15,937,882 | - | 47,007,134 |
| Loans and Receivables | - | 74,018,497 | 49,088,923 | 118,050,268 | 79,548,732 | 22,654,964 | 1,595,814 | 344,957,198 |
| Financial Assets Measured at Amortized Cost ⁽⁷⁾ | - | - | 401,790 | 6,903,067 | 32,103,048 | 22,555,400 | (20,038) | 61,943,267 |
| Other Assets | - | 6,329,890 | - | - | 732,626 | - | 10,051,414 | 17,113,930 |
| Total Assets | 57,955,686 | 135,132,784 | 59,704,765 | 134,619,104 | 138,759,535 | 63,977,688 | 11,605,614 | 601,755,176 |
| Liabilities | | | | | | | | |
| Bank Deposits | 692,867 | 4,269,764 | 2,776,079 | 2,487,065 | - | - | - | 10,225,775 |
| Other Deposits | 125,803,712 | 147,617,093 | 96,999,607 | 13,024,560 | 612,778 | 508 | - | 384,058,258 |
| Funds Borrowed | - | 2,034,081 | 6,180,906 | 27,004,754 | 16,107,187 | 7,454,113 | - | 58,781,041 |
| Money Market Borrowings | - | 10,999,438 | 3,073,384 | 3,498,932 | 3,797,042 | 560,064 | - | 21,928,860 |
| Securities Issued | - | 4,617,401 | 7,211,923 | 3,008,301 | 13,102,081 | - | - | 27,939,706 |
| Miscellaneous Payables | - | 29,177,464 | - | - | - | - | - | 29,177,464 |
| Other Liabilities ⁽⁸⁾ | - | 7,040,602 | 822,991 | 1,923,106 | 2,139,259 | 1,768,254 | 55,949,860 | 69,644,072 |
| Total Liabilities | 126,496,579 | 205,755,843 | 117,064,890 | 50,946,718 | 35,758,347 | 9,782,939 | 55,949,860 | 601,755,176 |
| Liquidity Excess/(Gap) | (68,540,893) | (70,623,059) | (57,360,125) | 83,672,386 | 103,001,188 | 54,194,749 | (44,344,246) | - |
| Net-Off Balance Sheet Position⁽⁹⁾ | - | 1,451,298 | 6,050,828 | 4,699,451 | 2,600,912 | 37 | - | 14,802,526 |
| Receivables from Financial Derivative Instruments | - | 138,454,055 | 74,488,201 | 40,445,173 | 62,708,472 | 58,949,274 | - | 375,045,175 |
| Liabilities from Derivatives | - | 137,002,757 | 68,437,373 | 35,745,722 | 60,107,560 | 58,949,237 | - | 360,242,649 |
| Non-cash Loans⁽¹⁰⁾ | - | 3,167,528 | 7,830,151 | 27,464,272 | 9,713,322 | 922,518 | 16,131,398 | 65,229,189 |
| Prior period | | | | | | | | |
| Total Assets | 39,224,327 | 88,742,875 | 25,302,117 | 70,336,053 | 98,901,913 | 39,857,688 | 9,004,268 | 371,369,241 |
| Total Liabilities | 96,056,009 | 131,401,672 | 35,575,893 | 44,551,007 | 17,792,932 | 15,463,180 | 30,528,548 | 371,369,241 |
| Liquidity Excess/(Gap) | (56,831,682) | (42,658,797) | (10,273,776) | 25,785,046 | 81,108,981 | 24,394,508 | (21,524,280) | - |
| Net-Off Balance Sheet Position⁽⁹⁾ | - | (1,117,746) | (804,808) | 1,549,989 | 1,906,623 | 27,793 | - | 1,561,851 |
| Receivables from Derivative Instruments | - | 42,825,059 | 26,557,248 | 14,206,270 | 41,032,444 | 32,234,801 | - | 156,855,822 |
| Liabilities from Derivative Instruments | - | 43,942,805 | 27,362,056 | 12,656,281 | 39,125,821 | 32,207,008 | - | 155,293,971 |
| Non-cash Loans⁽¹⁰⁾ | - | 2,300,899 | 3,178,517 | 14,234,830 | 4,524,946 | 565,055 | 8,343,292 | 33,147,539 |

⁽¹⁾ The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified "Unallocated" column. Unallocated other liabilities include shareholders' equity amounting to TL 44,265,529 (31 December 2021 - TL 22,144,060), current tax liabilities amounting to TL 2,766,075 (31 December 2021 - None) and unallocated provisions amounting to TL 8,918,257 (31 December 2021 - TL 1,567,815).

⁽²⁾ Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank includes expected loss provisions the amount of TL 10,615 (31 December 2021 - TL 7,083).

⁽³⁾ Banks include balance of expected loss provisions amounting to TL 5,879 (31 December 2021 - TL 3,670).

⁽⁴⁾ Financial Assets at Fair Value Through Profit/Loss include TL 15,808,676 (31 December 2021 - TL 18,644,431) derivative financial assets used for hedging purposes.

⁽⁵⁾ Receivables from Money Markets includes the balance of expected loss provisions amounting to TL 5,082 (31 December 2021 - None)

⁽⁶⁾ Financial Assets at Fair Value Through Other Comprehensive Income include TL 6,868,484 (31 December 2021 - TL 3,359,463) derivative financial assets used for hedging purposes.

⁽⁷⁾ Financial assets measured at amortized cost include TL 20,038 (31 December 2021 - TL 9,793) of expected loss provisions.

⁽⁸⁾ Other Liabilities include Derivative Financial Assets amounting to TL 6,396,238 (31 December 2021 - TL 12,452,428).

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

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

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

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

Analysis of financial liabilities by remaining contractual maturities

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

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

^(*) Amounts related to letters of guarantee represent maturities based on contract and amounts per these maturities and the amounts have the nature to be withdrawn on demand optionally.

The table below shows the remaining maturities of derivative financial assets and liabilities:

| Current Period | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | 5 years and longer | Total |
|--|----------------|------------------|------------------|------------------|--------------------|-------------------|
| Forward Contracts Buy ^(**) | 9,936,299 | 5,574,106 | 6,532,312 | 287,757 | - | 22,330,474 |
| Forward Contracts Sell ^(**) | (10,930,615) | (5,645,193) | (6,015,957) | (289,825) | - | (22,881,590) |
| Swap Contracts Buy ^(*) | 121,017,044 | 28,135,907 | 27,216,419 | 62,353,367 | 58,949,272 | 297,672,009 |
| Swap Contracts Sell ^(*) | (119,691,704) | (22,963,629) | (21,959,487) | (59,002,523) | (58,949,238) | (282,566,581) |
| Futures Buy | - | 2,577,934 | - | - | - | 2,577,934 |
| Futures Sell | - | (2,610,296) | - | - | - | (2,610,296) |
| Options Buy | 13,589,634 | 38,879,754 | 6,696,442 | 67,348 | - | 59,233,178 |
| Options Sell | (13,526,882) | (38,153,086) | (6,461,515) | (67,348) | - | (58,208,831) |
| Other | - | - | 1,308,762 | 747,864 | - | 2,056,626 |
| Total | 393,776 | 5,795,497 | 7,316,976 | 4,096,640 | 34 | 17,602,923 |

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

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

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

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

Analysis of financial liabilities by remaining contractual maturities (Continued)

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

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

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

VII. Explanations Regarding Leverage Ratio

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

The Bank's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 5.97% (31 December 2021 - 5.96%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

The table related to leverage ratio calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" published in Official Gazette dated 5 November 2013 and numbered 28812 is below:

| | Book Value | |
|---|----------------------------------|--------------------------------|
| | Current Period ^(*) | Prior Period ^(*) |
| Assets on Balance sheet | | |
| Assets on Balance sheet (except for derivative financial instruments and credit (Assets deducted from capital stock) | 564,542,488 | 319,780,825 |
| Total risk amount related to Assets on Balance sheet | 563,553,916 | 319,054,995 |
| Derivative financial instruments and credit derivatives | | |
| Replacement cost of derivative financial instruments and credit derivatives | 23,234,025 | 19,899,502 |
| Potential credit risk amount of derivative financial instruments and credit derivatives | 7,924,670 | 1,898,270 |
| Total risk amount related to derivative financial instruments and credit derivatives | 31,158,695 | 21,797,772 |
| Financial transactions having security or commodity collateral | | |
| Risk amount of financial transactions having security or commodity collateral | 49,485 | 2,665 |
| Risk amount sourcing from transactions mediated | 849,565 | 452,004 |
| Total risk amount related to financial transactions having security or commodity Collateral | 899,050 | 454,669 |
| Off-Balance sheet Transaction | | |
| Gross nominal amount of off-balance sheet transactions | 362,571,207 | 191,895,841 |
| (Adjustment amount sourcing from multiplying to credit conversion rates) | 94,599,387 | 56,567,997 |
| Total risk amount related to off-balance sheet transactions | 267,971,820 | 135,327,844 |
| Capital and Total Risk | | |
| Core Capital | 51,567,778 | 28,265,345 |
| Amount of Total risk | 863,583,481 | 476,635,280 |
| Financial leverage ratio | | |
| Financial leverage ratio | 5.97% | 5.96% |

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

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

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

The fair value of the fixed rate loans is determined based on discounted cash flows using the current market interest rates. Book value of floating rate loans represent their fair value.

The fair value of financial assets measured at amortized cost are determined through market rates. If market rates cannot be spotted, market rates of securities with similar interest, maturity and other characteristics are used instead.

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

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

In the table below; the fair values and the carrying values of some of the financial assets and liabilities are presented. Book value represents the total of cost of subject asset and liabilities and accrued interest.

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

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

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

In accordance with “IFRS 13, Fair Value Measurement” accounts represented at fair value in the face of financial statements are required to be leveled according to the observability of the data used for the calculation of fair value.

The classification of fair value calculation is as follows.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (Market value);
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
- Level 3: Inputs that are not observable for the asset and liability (Fair value calculations which are not observable).

In the table below, the fair value classification of the financial instruments that are recorded at fair value at the financial statements is presented:

| Current Period | Level 1 | Level 2 | Level 3 | Total |
|---|-------------------|-------------------|----------------|-------------------|
| Financial Assets | 40,924,239 | 23,014,727 | 141,649 | 64,080,615 |
| Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) | 965,244 | 165,586 | 141,649 | 1,272,479 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) ^(*) | 39,958,995 | 171,981 | - | 40,130,976 |
| Derivative Financial Assets | - | 22,677,160 | - | 22,677,160 |
| Financial Liabilities | 30,387 | 6,365,851 | - | 6,396,238 |
| Derivative Financial Liabilities | 30,387 | 6,365,851 | - | 6,396,238 |

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

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

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

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

Confirmation for fair value of financial assets under Level 3 is as below:

| | Current Period | Prior Period |
|--|----------------|----------------|
| Opening Balance | 242,355 | 126,806 |
| Change in total gain/loss | 99,896 | 92,368 |
| <i>Accounted in the statement of profit or loss and other comprehensive income</i> | 99,896 | 92,368 |
| <i>Accounted in other comprehensive income</i> | - | - |
| Purchases and Transfers | 9,069 | 23,181 |
| Disposals | (209,670) | - |
| Matured Loans | - | - |
| Sales from Level 3 | - | - |
| Closing Balance | 141,649 | 242,355 |

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

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

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to Assets

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

| | Current Period | | Prior Period | |
|-----------------------------|------------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| Cash in TL/Foreign Currency | 1,621,492 | 6,809,684 | 678,315 | 6,245,263 |
| T.R. Central Bank | 7,929,515 | 74,677,290 | 6,654,230 | 56,333,197 |
| Other | 168,850 | 3,330,960 | 103,735 | 279,831 |
| Total | 9,719,857 | 84,817,934 | 7,436,280 | 62,858,291 |

b) Balances with the Central Bank of Türkiye

| | Current Period | | Prior Period | |
|------------------------------|------------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| Unrestricted Demand Deposits | 7,929,515 | 34,202,891 | 6,654,230 | 18,465,910 |
| Restricted Time Deposits | - | 40,474,399 | - | 37,867,287 |
| Total | 7,929,515 | 74,677,290 | 6,654,230 | 56,333,197 |

As of 31 December 2022, amount of TL 10,615 (31 December 2021 - TL 7,083) provision provided for the account T.R. Central Bank.

As of 31 December 2022, our bank has been appointed to CBRT depending on the maturity structure, the required reserve rates for TL liabilities vary between 3% and 8% for TL deposits and other liabilities according to their maturities. The reserve rates for foreign currency liabilities vary between 5% and 25% for deposit and other foreign currency liabilities according to their maturities. Gold deposit liabilities vary between 22% and 26% for gold liabilities according to their maturities.

2. Further information on financial assets at fair value through profit/loss

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

| | Current Period | | Prior Period | |
|----------------------------------|----------------|----------|--------------|---------------|
| | TL | FC | TL | FC |
| Given as Collateral/Blocked | - | - | - | 19,850 |
| Subject to repurchase agreements | - | - | - | - |
| Total | - | - | - | 19,850 |

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

| | Current Period | | Prior Period | |
|----------------------|------------------|------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Forward Transactions | 457,631 | - | 373,516 | - |
| Swap Transactions | 4,694,578 | 2,272,253 | 7,657,503 | 1,729,687 |
| Futures Transactions | - | 514 | - | - |
| Options | - | 758,724 | - | 289,303 |
| Total | 5,152,209 | 3,031,491 | 8,031,019 | 2,018,990 |

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

3. a) Information on banks accounts

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

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

b) Information on foreign bank accounts

| | Unrestricted Amount | | Restricted Amount ^(**) | |
|-------------------------------|---------------------|------------------|-----------------------------------|------------------|
| | Current Period | Prior Period | Current Period | Prior Period |
| EU Countries | 1,479,052 | 1,240,635 | 132,836 | 7,478,485 |
| USA and Canada | 892,625 | 5,046,277 | - | 3,244 |
| OECD Countries ^(*) | 644,395 | 8,567 | 4,383,255 | - |
| Off-shore Banking Regions | - | - | - | - |
| Other | 128,577 | 139,039 | - | - |
| Total | 3,144,649 | 6,434,518 | 4,516,091 | 7,481,729 |

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

^(**)Includes the guarantees in foreign banks for the borrowings from foreign markets.

4. Information on Receivables from Reverse Repurchase Agreements

| | Current Period | | Prior Period | |
|--|------------------|----------------|--------------|----------------|
| | TL | FC | TL | FC |
| Domestic Transactions | 3,613,560 | - | - | - |
| T.R Central Bank | - | - | - | - |
| Banks | 3,613,560 | - | - | - |
| Intermediary Institutions | - | - | - | - |
| Other Financial Institutions and Organizations | - | - | - | - |
| Other Institutions and Organization | - | - | - | - |
| Real Persons | - | - | - | - |
| Foreign Transactions | - | 427,044 | - | 159,508 |
| Central Banks | - | - | - | - |
| Banks | - | 427,044 | - | 159,508 |
| Intermediary Institutions | - | - | - | - |
| Other Financial Institutions and Organizations | - | - | - | - |
| Other Institutions and Organizations | - | - | - | - |
| Real Persons | - | - | - | - |
| Total | 3,613,560 | 427,044 | - | 159,508 |

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

5. Information on Financial Assets Measured at Fair Value through Other Comprehensive Income

a) Information on financial assets measured at fair value through other comprehensive income that are subject to repurchase agreements and given as collateral/blocked

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

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

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

^(*)The Eurobond Portfolio amounting to TL 5,436,447 (31 December 2021 - TL 4,561,219) which is accounted for as financial assets measured at fair value through other comprehensive income were hedged under fair value hedge accounting starting from March and April 2009.

^(**)As of 31 December 2022, amount of TL 5,094 (31 December 2021 - TL 2,815) provision provided for financial assets measured at fair value through other comprehensive income account.

6. Information related to loans

a) Information on all types of loans and advances given to shareholders and employees of the Bank

| | Current Period | | Prior Period | |
|---|----------------|----------------|----------------|---------------|
| | Cash | Non-Cash | Cash | Non-Cash |
| Direct Loans Granted to Shareholders | - | 116,854 | - | 55,271 |
| Corporate Shareholders | - | 116,854 | - | 55,271 |
| Individual Shareholders | - | - | - | - |
| Indirect Loans Granted to Shareholders | - | - | - | - |
| Loans Granted to Employees^(*) | 333,147 | - | 170,379 | - |
| Total | 333,147 | 116,854 | 170,379 | 55,271 |

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

6. Information related to loans (Continued)

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

b.1) Financial assets measured at amortized cost

| Cash Loans | Standard Loans and Other Receivables | Loans Under Close Monitoring ^(*) | | |
|---|--------------------------------------|--|------------------------------------|-------------------------------------|
| | | Loans and Receivables Not Subject to restructuring | Restructured Loans and Receivables | Refinance |
| | | Loans and Receivables with Revised Contract Terms | | |
| Non-specialized Loans | 316,104,629 | 25,704,921 | 283,676 | 10,362,820 |
| Enterprise Loans | 21,781,739 | 225,055 | - | - |
| Export Loans | 30,084,021 | 570,691 | - | - |
| Import Loans | - | - | - | - |
| Loans Given to Financial Sector | 8,967,129 | 660 | - | - |
| Retail Loans | 63,178,577 | 6,119,881 | 148,238 | 1,113,156 |
| Credit Cards | 56,905,369 | 7,364,784 | - | 519,526 |
| Other | 135,187,794 | 11,423,850 | 135,438 | 8,730,138 |
| Specialized Loans | - | - | - | - |
| Other Receivables | - | - | - | - |
| Total | 316,104,629 | 25,704,921 | 283,676 | 10,362,820 |
| | | | Standard Loans | Loans Under Close Monitoring |
| Current Period | | | | |
| Provision for 12 Month Expected Credit Losses | | | 3,485,429 | - |
| Significant Increase in Credit Risk | | | - | 5,609,232 |
| Prior Period | | | | |
| Provision for 12 Month Expected Credit Losses | | | 2,093,107 | - |
| Significant Increase in Credit Risk | | | - | 3,267,407 |

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

In the current period, the Bank has no loans followed under financial assets at fair value through profit or loss in accordance with TFRS 9 (31 December 2021 - TL 209,670). As of 31 March 2022, Türk Telekomünikasyon A.Ş., owned by LYY Telekomünikasyon A.Ş. 192,500,000,000 Group A registered shares representing 55% of its capital were sold to the Turkey Wealth Fund, and as a result of the collection made from the sale amount, the portion of the related loan corresponding to the Bank's share was closed. LYY's Türk Telekomünikasyon A.Ş. After the transfer of its shares to the Turkey Wealth Fund, the loan (TL 353 million) was classified under the loans as loss, since it was no longer possible to make the principal and interest payments to our Bank, and the receivables, which were subsequently fully provisioned, were written off from the assets.

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

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

6. Information related to loans (Continued)

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

| | Short Term | Medium and Long Term | Total |
|---|-------------------|----------------------|--------------------|
| Consumer Loans - TL | 9,251,454 | 55,709,347 | 64,960,801 |
| Housing Loans | 1,917 | 3,332,029 | 3,333,946 |
| Automobile Loans | 546 | 24,835 | 25,381 |
| Personal Need Loans | 9,248,991 | 52,352,483 | 61,601,474 |
| Other | - | - | - |
| Consumer Loans - FC Indexed | - | 924 | 924 |
| Housing Loans | - | 913 | 913 |
| Automobile Loans | - | - | - |
| Personal Need Loans | - | 11 | 11 |
| Other | - | - | - |
| Consumer Loans - FC | - | - | - |
| Housing Loans | - | - | - |
| Automobile Loans | - | - | - |
| Personal Need Loans | - | - | - |
| Other | - | - | - |
| Individual Credit Cards - TL | 47,503,877 | 666,279 | 48,170,156 |
| Installment | 20,043,764 | 490,905 | 20,534,669 |
| Non- Installment | 27,460,113 | 175,374 | 27,635,487 |
| Individual Credit Cards - FC | 127,183 | 109 | 127,292 |
| Installment | - | - | - |
| Non- Installment | 127,183 | 109 | 127,292 |
| Personnel Loans - TL | 51,565 | 152,092 | 203,657 |
| Housing Loans | - | 36 | 36 |
| Automobile Loans | - | - | - |
| Personal Need Loans | 51,565 | 152,056 | 203,621 |
| Other | - | - | - |
| Personnel Loans - FC Indexed | - | - | - |
| Housing Loans | - | - | - |
| Automobile Loans | - | - | - |
| Personal Need Loans | - | - | - |
| Other | - | - | - |
| Personnel Loans - FC | - | - | - |
| Housing Loans | - | - | - |
| Automobile Loans | - | - | - |
| Personal Need Loans | - | - | - |
| Other | - | - | - |
| Personnel Credit Cards - TL | 125,742 | 804 | 126,546 |
| Installment | 55,195 | 353 | 55,548 |
| Non-Installment | 70,547 | 451 | 70,998 |
| Personnel Credit Cards - FC | 479 | - | 479 |
| Installment | - | - | - |
| Non-Installment | 479 | - | 479 |
| Overdraft Accounts - TL (Real Persons) | 5,250,121 | 144,349 | 5,394,470 |
| Overdraft Accounts - FC (Real Persons) | - | - | - |
| Total | 62,310,421 | 56,673,904 | 118,984,325 |

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

6. Information related to loans (Continued)

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

| | Short Term | Medium and Long Term | Total |
|--|-------------------|----------------------|-------------------|
| Commercial Loans with Installment Facility - TL | 2,243,716 | 29,863,053 | 32,106,769 |
| Real Estate Loans | - | 306,071 | 306,071 |
| Automobile Loans | 111,175 | 2,164,483 | 2,275,658 |
| Personal Need Loans | 2,132,541 | 27,392,499 | 29,525,040 |
| Other | - | - | - |
| Commercial Loans with Installment Facility - FC Indexed | - | 220,362 | 220,362 |
| Real Estate Loans | - | 1,251 | 1,251 |
| Automobile Loans | - | - | - |
| Personal Need Loans | - | 219,111 | 219,111 |
| Other | - | - | - |
| Commercial Loans with Installment Facility - FC | - | - | - |
| Real Estate Loans | - | - | - |
| Automobile Loans | - | - | - |
| Personal Need Loans | - | - | - |
| Other | - | - | - |
| Corporate Credit Cards - TL | 16,214,117 | 138,999 | 16,353,116 |
| Installment | 7,089,394 | 80,724 | 7,170,118 |
| Non-Installment | 9,124,723 | 58,275 | 9,182,998 |
| Corporate Credit Cards - FC | 12,080 | 10 | 12,090 |
| Installment | - | - | - |
| Non-Installment | 12,080 | 10 | 12,090 |
| Overdraft Accounts - TL (Legal Entities) | 1,979,324 | 6,555 | 1,985,879 |
| Overdraft Accounts - FC (Legal Entities) | - | - | - |
| Total | 20,449,237 | 30,228,979 | 50,678,216 |

f) Allocation of loans to customers^(*)

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

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

g) Allocation of domestic and foreign loans^(*)

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

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

6. Information related to loans (Continued)

h) Loans granted to subsidiaries and associates

| | Current Period | Prior Period |
|---|------------------|------------------|
| Direct Loans Granted to Subsidiaries and Associates | 5,341,116 | 2,202,964 |
| Indirect Loans Granted to Subsidiaries and Associates | - | - |
| Total | 5,341,116 | 2,202,964 |

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

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

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

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

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

j.2) Movement of total non-performing loans

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

6. Information related to loans (Continued)

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

None (31 December 2021 - None).

j.4) Breakdown of non-performing loans according to their gross and net values

| | III. Group | IV. Group | V. Group |
|--|---|--|---|
| | Loans and receivables with limited collectability | Loans and receivables with doubtful collectability | Uncollectible loans and other receivables |
| Current Period (Net) | 243,275 | 181,045 | 1,171,493 |
| Loans to Real Persons and Legal Entities (Gross) | 874,620 | 636,382 | 7,322,937 |
| Provision (-) | 631,345 | 455,337 | 6,151,444 |
| Loans to Real Persons and Legal Entities (Net) | 243,275 | 181,045 | 1,171,493 |
| Banks (Gross) | - | - | - |
| Provision (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | - | - | 190,987 |
| Provision (-) | - | - | 190,987 |
| Other Loans and Receivables (Net) | - | - | - |
| Prior Period (Net) | 490,012 | 276,194 | 1,442,209 |
| Loans to Real Persons and Legal Entities (Gross) | 1,098,553 | 716,284 | 7,009,968 |
| Specific provision (-) | 608,541 | 440,090 | 5,567,759 |
| Loans to Real Persons and Legal Entities (Net) | 490,012 | 276,194 | 1,442,209 |
| Banks (Gross) | - | - | - |
| Specific provision (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | - | - | 144,239 |
| Specific provision (-) | - | - | 144,239 |
| Other Loans and Receivables (Net) | - | - | - |
| | III. Group | IV. Group | V. Group |
| | Loans and receivables with limited collectability | Loans and receivables with doubtful collectability | Uncollectible loans and other receivables |
| Current Period (Net) | | | |
| Interest Accruals and Valuation Differences | 120,510 | 56,583 | 1,257,336 |
| Provision (-) | 84,423 | 27,740 | 862,381 |
| Prior Period (Net) | | | |
| Interest Accruals and Valuation Differences | 199,336 | 86,316 | 1,195,269 |
| Provision (-) | 110,170 | 40,115 | 791,012 |

k) Liquidation policies for uncollectible loans and other receivables

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

6. Information related to loans (Continued)

1) Explanations on write-off policy

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

7. Information on Financial Assets Measured at Amortized Cost

a) Information on financial assets measured at amortized cost subject to repurchase agreements and provided as collateral/blocked

| | Current Period | | Prior Period | |
|----------------------------------|------------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| Given as Collateral/Blocked | 7,436,978 | - | 1,261,325 | 635,643 |
| Subject to repurchase agreements | 234,667 | 19,644,899 | 1,506,303 | 13,431,793 |
| Total | 7,671,645 | 19,644,899 | 2,767,628 | 14,067,436 |

b) Information on government debt securities measured at amortized cost

| | Current Period | | Prior Period | |
|-----------------------|-------------------|-------------------|-------------------|-------------------|
| | TL | FC | TL | FC |
| Government Bond | 41,598,971 | 19,504,773 | 14,876,060 | 14,162,999 |
| Treasury Bill | - | - | - | - |
| Other Debt Securities | - | 367,824 | - | 254,975 |
| Total | 41,598,971 | 19,872,597 | 14,876,060 | 14,417,974 |

c) Information on investment securities measured at amortized cost

| | Current Period | | Prior Period | |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| | TL | FC | TL | FC |
| Debt Securities | 41,598,971 | 20,364,334 | 14,876,060 | 14,980,916 |
| Publicly-traded | 41,598,971 | 20,364,334 | 14,876,060 | 14,980,916 |
| Non-publicly traded | - | - | - | - |
| Provision for losses (-) | - | - | - | - |
| Total | 41,598,971 | 20,364,334 | 14,876,060 | 14,980,916 |

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

| | Current Period | Prior Period |
|---|-------------------|-------------------|
| Value at the beginning of the period | 29,856,976 | 18,743,356 |
| Exchange differences on monetary assets | 6,288,072 | 6,418,170 |
| Acquisitions during the year | 12,898,683 | 5,543,888 |
| Disposals through sales and redemptions | (10,005,623) | (2,609,710) |
| Provision for losses (-) | - | - |
| Valuation effect | 22,925,197 | 1,761,272 |
| The sum of end of the period | 61,963,305 | 29,856,976 |

As of 31 December 2022, a provision amounting to TL 20,038 (31 December 2021 - TL 9,793) is provided for the financial assets measured at amortized cost.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

8. Investments in associates (Net)

8.1. Investments in associates

a) Information on the unconsolidated subsidiaries

| Title | Address (City/Country) | Bank's Share-If Different, Voting Rights (%) | Bank's Risk Group Share (%) |
|---|------------------------|--|-----------------------------|
| Bankalararası Kart Merkezi (BKM) ^(*) | Istanbul/Türkiye | 4.52 | 4.52 |
| Ulusal Derecelendirme A.Ş. ^(**) | Istanbul/ Türkiye | 2.86 | 2.86 |
| İhracatı Geliştirme A.Ş. (İGE) ^(***) | Istanbul/Türkiye | 0,82 | 0,82 |

| Total Assets | Shareholder's Equity | Total Fixed Assets ^(****) | Interest Income | Income on Securities Portfolio | Current Period Profit/Loss | Prior Period Profit/Loss | Company's Fair Value |
|--------------|----------------------|--------------------------------------|-----------------|--------------------------------|----------------------------|--------------------------|----------------------|
| 679,563 | 579,361 | 124,627 | 53,568 | - | 207,418 | 93,651 | - |
| 104,324 | 86,888 | 31,509 | 4,629 | - | 58,825 | 2,467 | - |
| - | - | - | - | - | - | - | - |

^(*) Current period information is based on 30 September 2022 financials. Prior period profit and loss amounts are based on 30 September 2021 financials.

^(**) Current period information is based on 31 December 2021 financials. Prior period profit and loss amounts are based on 31 December 2020 financials.

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

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

b) Information on the consolidated subsidiaries

None (31 December 2021 - None).

8.2. Movements of investments in associates

| | Current Period | Prior Period |
|--|----------------|---------------|
| Balance at the Beginning of Period | 14,026 | 14,026 |
| Movements During the Period | 31,451 | - |
| Purchases | - | - |
| Bonus Shares Received | 31,451 | - |
| Dividends From Current Year Profit | - | - |
| Sales | - | - |
| Reclassifications | - | - |
| Increase/Decrease in Market Values | - | - |
| Currency Differences on Foreign Associates | - | - |
| Impairment Losses (-) | - | - |
| Balance at the End of the Period | 45,477 | 14,026 |
| Capital Commitments | - | - |
| Share Percentage at the End of the Period (%) | - | - |

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

8. Investments in associates (Net) (Continued)

8.3. Sectoral information on investments and associates, and the related carrying amounts

| | Current Period | Prior Period |
|---------------------|----------------|---------------|
| Factoring Companies | - | - |
| Leasing Companies | - | - |
| Finance Companies | - | - |
| Other Associates | 45,477 | 14,026 |
| Total | 45,477 | 14,026 |

8.4. Quoted Associates

None (31 December 2021 - None).

8.5. Valuation methods of investments in associates

| | Current Period | Prior Period |
|-------------------------|----------------|---------------|
| Valued at Cost | 45,477 | 14,026 |
| Valued at Fair Value | - | - |
| Valued at Equity Method | - | - |
| Total | 45,477 | 14,026 |

9. Investments in subsidiaries (Net)

a) Information on the unconsolidated subsidiaries

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

| | Total Assets | Shareholder's Equity | Total Fixed Assets | Interest Income | Income on Securities Portfolio | Current Period Profit/Loss | Prior Period Profit/Loss | Company's Fair Value |
|----|--------------|-------------------------|-----------------------|--------------------|--------------------------------------|----------------------------------|-----------------------------|-------------------------|
| 1. | 151,778 | (8,665) | 53,381 | - | - | 7,406 | 11,873 | - |
| 2. | 186,555 | 138,040 | 12,147 | 9,819 | - | 26,364 | 6,775 | - |

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

9. Investments in subsidiaries (Net) (Continued)

b) Information on the subsidiaries

b.1) Information on the subsidiaries

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

Information on subsidiaries in the order presented in the table above

| | Total Assets | Shareholders' Equity | Total Fixed Assets | Interest Income | Income on Securities Portfolio | Current Period Profit/Loss | Prior Period Profit/Loss | Company's Fair Value ^(*) |
|----|--------------|-------------------------|-----------------------|--------------------|--------------------------------------|----------------------------------|-----------------------------|--|
| 1. | 3,426,190 | 1,118,751 | 43,213 | 379,601 | 11,674 | 464,752 | 183,054 | - |
| 2. | 16,857,633 | 1,636,292 | 31,358 | 1,460,350 | - | 401,552 | 201,536 | 1,622,787 |
| 3. | 354,717 | 228,954 | 1,677 | 3,230 | - | 59,332 | 23,383 | - |
| 4. | 9,712,380 | 551,597 | 25,209 | 1,558,221 | - | 295,365 | 59,826 | - |
| 5. | 3,426,190 | 1,118,751 | 43,213 | 379,601 | 11,674 | 464,752 | - | - |

b.2) Movement of subsidiaries

| | Current Period | Prior Period |
|--|------------------|------------------|
| Balance at the beginning of the period | 2,129,798 | 1,645,370 |
| Movements during the period | 1,360,405 | 484,428 |
| Bonus Shares Received | - | - |
| Purchases | - | - |
| Dividends from Current Year Profit | - | - |
| Disposals ^(*) | - | (25,651) |
| Revaluation Increase ^(**) | 1,360,405 | 510,079 |
| Impairment Provision | - | - |
| Balance at the End of the Period | 3,490,203 | 2,129,798 |
| Capital Commitments | - | - |
| Share Percentage at the end of the Period (%) | - | - |

^(*) The sale amount of the Hemenal Finansman A.Ş. pursuant to the decision of the Board of Directors dated 19 October 2020. As of the balance sheet date, the said sale transaction was completed on 31 May 2021.

^(**) Includes equity method accounting differences.

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

| | Current Period | Prior Period |
|---------------------|------------------|------------------|
| Factoring Companies | 551,597 | 260,648 |
| Leasing Companies | 1,622,787 | 1,230,205 |
| Finance Companies | - | - |
| Other Subsidiaries | 1,315,819 | 638,945 |
| Total | 3,490,203 | 2,129,798 |

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

9. Investments in subsidiaries (Net) (Continued)

b) Information on the subsidiaries (Continued)

b.4) Consolidated subsidiaries quoted on stock exchange

| | Current Period | Prior Period |
|---|------------------|------------------|
| Quoted on Domestic Stock Exchanges | 1,622,787 | 1,230,205 |
| Quoted on International Stock Exchanges | - | - |
| Total | 1,622,787 | 1,230,205 |

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

The Bank does not have any significant subsidiaries.

10. Information on joint ventures

| Title | Address (City/Country) | Bank's Share-If different, Voting Rights (%) | Bank's Risk Group Share (%) |
|--|------------------------|--|-----------------------------|
| 1. Cigna Sağlık, Hayat ve Emeklilik A.Ş. ^(*) | Istanbul/Türkiye | 49.00 | 49.00 |
| 2. Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. ^(**) | Istanbul/Türkiye | 33.33 | 33.33 |

| | Total Assets | Shareholders' Equity | Total Fixed Asset | Interest Income | Securities Income | Current Period Profit/Loss | Prior Period Profit/Loss | Company's Fair Value |
|----|--------------|----------------------|-------------------|-----------------|-------------------|----------------------------|--------------------------|----------------------|
| 1. | 4,365,673 | 503,401 | 64,497 | - | - | 426,965 | 259,843 | - |
| 2. | 272,878 | 161,713 | 74,425 | - | - | 56,460 | 47,210 | - |

^(*) Cigna Sağlık, Hayat ve Emeklilik A.Ş., which is among the joint ventures of the Bank, is accounted by the fair value method in the unconsolidated financial statements in accordance with the Turkish Financial Reporting Standards.

^(**) Current period information is presented as of 30 November 2022, and prior period profit and loss amounts are presented based on the financial statements prepared as of 31 November 2021.

11. Information on lease receivables (Net)

None (31 December 2021 - None).

12. Information on the hedging derivative financial assets

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

^(*) Derivative financial instruments for fair value hedging consist of swaps. As of 31 December 2022, TL 7,407,026 (31 December 2021 - TL 8,388,215) from loans, TL 217,950 (31 December 2021 - None) of securities represents the fair value of derivatives which are designated as hedging instruments. In the current period derivative financial instruments used in the fair value hedging of the securities issued have no fair value (31 December 2021 - TL 206,207).

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

13. Explanations regarding the investment properties

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

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

a) If impairment on individual asset recorded or reversed in the current period is material for the overall financial statements

Events and conditions for recording or reversing impairment and amount of recorded or reversed impairment in the financial statements

There is no provision for impairment in the current period as a result of changes in the fair values of real estates determined by licensed real estate valuation companies (31 December 2021 - TL 3,972 impairment provision).

b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this

None (31 December 2021 - None).

c) Pledges, mortgages and other restrictions (if any) on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets

None (31 December 2021 - None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

14. Explanations on intangible assets

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

a) Disclosures for book value, description and remaining life to be amortized for a specific intangible fixed asset that is material to the financial statements

None (31 December 2021 - None).

b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition

None (31 December 2021 - None).

c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition

None (31 December 2021 - None).

d) The book value of intangible fixed assets that are pledged or restricted for use

None (31 December 2021 - None).

e) Amount of purchase commitments for intangible fixed assets

None (31 December 2021 - None).

f) Information on revalued intangible assets according to their types

None (31 December 2021 - None).

g) Amount of total research and development expenses recorded in the statement of profit or loss and other comprehensive income within the period if any

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

14. Explanations on intangible assets (Continued)

h) Positive or negative consolidation goodwill on entity basis

None (31 December 2021 - None).

i) Information on goodwill

None (31 December 2021 - None).

j) Movements on goodwill in the current period

None (31 December 2021 - None).

15. Information on assets held for sale and discontinued operations

None (31 December 2021 - None).

16. Information on Tax Asset

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

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

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

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

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

| | Current Period 01.01.-31.12.2022 | Prior Period 01.01.-31.12..2021 |
|--|-------------------------------------|------------------------------------|
| Deferred Tax as of 1 January Active/Passive (Net) | 133,892 | 931,700 |
| Deferred Tax (Loss)/Gain | 1,661,570) | (1,053,299) |
| Deferred Tax that is Realized Under Shareholder's Equity | (1,441,135) | 255,491 |
| Deferred Tax Active/(Passive) (Net) | 354,327 | 133,892 |

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

I. Explanations and Disclosures Related to Assets (Continued)

17. Information on assets held for sale and discontinued operations

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

^(*)In prior period, within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192,500,000,000 A group shares owned by OTAŞ, representing 55% of its issued share capital corresponding to A group shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. As per the agreed structure, it is agreed on the corresponding agreements, completed all required corporate and administrative permissions and the transaction is concluded by a transfer of the aforementioned shares to the special purpose entity incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. In this context, the Bank owned 1.19% of the founded special purpose entity and the related investment is considered within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operation. Impairment has been calculated for the entire share amount of LYY A.Ş. which was acquired in 2020. As of 31 March 2022, Türk Telekomünikasyon A.Ş., owned by LYY A.Ş. 192,500,000,000 Group A registered shares representing 55% of its capital were sold to the Turkey Wealth Fund.

18. Information on other assets

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

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

19. Accrued interest and income

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

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

II. Explanations and Disclosures Related to Liabilities

1. Information on maturity structure of deposits

Current Period

| | Demand | 7 days notice | Up to 1 month | 1-3 months | 3-6 months | 6-12 months | 1 year and over | Accumulated Deposit Accounts | Total |
|--------------------------------|--------------------|---------------|-------------------|-------------------|--------------------|-------------------|------------------|------------------------------|--------------------|
| Saving Deposits | 17,850,909 | - | 28,462,849 | 30,209,586 | 76,800,432 | 2,528,154 | 2,095,541 | 1,273 | 157,948,744 |
| Foreign Currency | 71,193,484 | - | 13,817,078 | 22,158,132 | 14,478,140 | 2,823,557 | 2,297,663 | 4,903 | 126,772,957 |
| Residents in Türkiye. | 66,386,181 | - | 13,346,753 | 21,291,812 | 13,872,696 | 2,277,577 | 1,395,762 | 4,903 | 118,575,684 |
| Residents Abroad | 4,807,303 | - | 470,325 | 866,320 | 605,444 | 545,980 | 901,901 | - | 8,197,273 |
| Public Sector Deposits | 578,667 | - | 44,150 | 1,347 | - | 51 | - | - | 624,215 |
| Commercial Deposits | 14,618,809 | - | 20,438,661 | 14,995,790 | 15,036,159 | 5,678,716 | 3,316,340 | - | 74,084,475 |
| Other Ins. Deposits | 141,156 | - | 359,956 | 1,380,266 | 347,147 | 239,893 | 43 | - | 2,468,461 |
| Precious Metal Deposits | 21,420,687 | - | - | 22,269 | 14,806 | 25,226 | 676,418 | - | 22,159,406 |
| Bank Deposits | 692,867 | - | 3,762,398 | 3,163,722 | 810,537 | 1,796,251 | - | - | 10,225,775 |
| T.R. Central Bank. | - | - | - | - | - | - | - | - | - |
| Domestic Banks | 10,889 | - | 433,921 | - | - | - | - | - | 444,810 |
| Foreign Banks | 678,633 | - | 3,328,477 | 3,163,722 | 810,537 | 1,796,251 | - | - | 9,777,620 |
| Participation Banks | 3,345 | - | - | - | - | - | - | - | 3,345 |
| Other | - | - | - | - | - | - | - | - | - |
| Total | 126,496,579 | - | 66,885,092 | 71,931,112 | 107,487,221 | 13,091,848 | 8,386,005 | 6,176 | 394,284,033 |

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

Prior Period

| | Demand | 7 Days Notice | Up to 1 Month | 1-3 Months | 3-6 Months | 6-12 Months | 1 Year and Over | Accumulated Deposit Accounts | Total |
|--------------------------------|-------------------|---------------|-------------------|-------------------|-------------------|------------------|------------------|------------------------------|--------------------|
| Saving Deposits | 8,461,102 | - | 14,099,359 | 22,054,036 | 2,852,082 | 412,060 | 1,057,209 | 1,033 | 48,936,881 |
| Foreign Currency | 61,149,298 | - | 11,342,735 | 35,233,030 | 9,175,765 | 2,243,798 | 2,530,106 | 5,290 | 121,680,022 |
| Residents in Türkiye | 58,663,884 | - | 11,108,157 | 34,389,617 | 8,755,156 | 2,140,704 | 1,566,486 | 5,290 | 116,629,294 |
| Residents Abroad | 2,485,414 | - | 234,578 | 843,413 | 420,609 | 103,094 | 963,620 | - | 5,050,728 |
| Public Sector Deposits | 523,066 | - | 22,699 | 1,886 | 859 | 719 | - | - | 549,229 |
| Commercial Deposits | 5,082,550 | - | 8,014,924 | 7,118,381 | 51,125 | 12,203 | 15,122 | - | 20,294,305 |
| Other Ins. Deposits | 76,498 | - | 39,437 | 735,107 | 1,234 | 33,650 | 245 | - | 886,171 |
| Precious Metal Deposits | 20,194,048 | - | - | 129,327 | 48,272 | 29,318 | 1,198,554 | - | 21,599,519 |
| Bank Deposits | 569,447 | - | 11,644,754 | 688,474 | 74,417 | - | - | - | 12,977,092 |
| T.R. Central Bank | - | - | 8,629,829 | - | - | - | - | - | 8,629,829 |
| Domestic Banks | 3,857 | - | 210,075 | - | - | - | - | - | 213,932 |
| Foreign Banks | 561,120 | - | 2,804,850 | 688,474 | 74,417 | - | - | - | 4,128,861 |
| Participation Banks | 4,470 | - | - | - | - | - | - | - | 4,470 |
| Other | - | - | - | - | - | - | - | - | - |
| Total | 96,056,009 | - | 45,163,908 | 65,960,241 | 12,203,754 | 2,731,748 | 4,801,236 | 6,323 | 226,923,219 |

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

II. Explanations and Disclosures Related to Liabilities (Continued)

1. Information on maturity structure of deposits (Continued)

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

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

^(*) With the amendment of the Regulation on Deposits and Participation Funds Subject to Insurance and Premiums Collected by The Savings Deposit Insurance Fund published in the Official Gazette dated 27 August 2022 and numbered 31936, all deposits and participation funds in credit institutions, other than those belonging to official institutions, credit institutions and financial institutions, started to be insured. In this context, commercial deposits covered by insurance amount to TL 9,717,740 is included in the footnote.

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

1.3. Savings deposits that are not covered under the guarantee of deposit insurance fund

| | Current Period | Prior Period |
|--|----------------|----------------|
| Deposits and accounts in branches abroad | 9,181 | 3,014 |
| Deposits of ultimate shareholders and their close family members | - | - |
| Deposits of Chairperson and members of the Board of Directors and their close family members | 515,786 | 410,147 |
| Deposits obtained through illegal acts defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated 26 September 2004 | - | - |
| Saving deposits in banks established in Türkiye exclusively for off-shore banking activities | - | - |
| Total | 524,967 | 413,161 |

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

II. Explanations and Disclosures Related to Liabilities (Continued)

2. Information on trading derivative financial liabilities

Negative differences table for derivative financial liabilities held for trading

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

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

3. Information on funds borrowed

a) Information on banks and other financial institutions

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

b) Maturity information on funds borrowed

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

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

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

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

II. Explanations and Disclosures Related to Liabilities (Continued)

4. Information on funds provided under repurchase agreements

| | Current Period | | Prior Period | |
|--|----------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| From domestic transactions | 16,101 | - | 1,891,193 | - |
| Financial institutions and organizations | 116 | - | 1,878,568 | - |
| Other institutions and organizations | 8,772 | - | 5,798 | - |
| Real persons | 7,213 | - | 6,827 | - |
| From foreign transactions | 178,955 | 21,733,804 | 411,619 | 15,717,177 |
| Financial institutions and organizations | 169,856 | 13,970,191 | 407,467 | 15,717,177 |
| Other institutions and organizations | 9,099 | 181,991 | 4,152 | - |
| Real persons | - | 7,581,622 | - | - |
| Total | 195,056 | 21,733,804 | 2,302,812 | 15,717,177 |

5. Information on securities issued (Net)

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

The Bank has USD 4 billion bond issuance program (Global Medium Term Note Program) and USD 1 billion green and/or sustainable debt instrument issuance limit.

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

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

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

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

7.1. Changes in agreements and further commitments arising

No changes have been made to the leasing agreements in the current period (31 December 2021 - None).

7.2. Explanations on financial lease liabilities

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

II. Explanations and Disclosures Related to Liabilities (Continued)

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

7.3. Information and footnotes on operational lease

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

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

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

8. Information on liabilities arising from hedging purpose derivatives

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

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

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

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

9. Information on provisions

9.1. Provision for currency exchange gain/loss on foreign currency indexed loans

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

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

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

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

II. Explanations and Disclosures Related to Liabilities (Continued)

9. Information on provisions (Continued)

9.3. Information on employee termination benefits

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

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

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

As of 31 December 2022, TL 1,177,995 (31 December 2021 - TL 443,764) provision for salaries, bonuses and premiums to be paid to the personnel has been presented under the "Reserve for Employee Benefits" in its financial statements.

9.3.1. Movement of employee termination benefits

| | Current Period 01.01.-31.12.2022 | Prior Period 01.01.-31.12.2021 |
|---|-------------------------------------|-----------------------------------|
| As of 1 January | 469,457 | 282,700 |
| Service Cost | 54,738 | 33,948 |
| Interest Cost | 84,527 | 36,104 |
| Settlement/curtailment/termination loss | 22,816 | 21,015 |
| Actuarial Difference | 578,606 | 133,776 |
| Paid during the period | (64,158) | (38,086) |
| Total | 1,145,986 | 469,457 |

9.4. Information on other provisions

Except for those stated in footnote 9.3 above, other provisions amounting to TL 431.576 (31 December 2021 - TL 336.841) includes provisions for lawsuits and tax lawsuits against the Bank. The Bank has benefited from the relevant articles of the Law No. 7326 regarding various ongoing tax lawsuits.

In the unconsolidated financial statements prepared as of 31 December 2022, other provisions include free provisions amounting to TL 5,400,000, which is not among the requirements of the BRSA Accounting and Financial Reporting Legislation, are recorded as expense in the current period by the Bank.

10. Explanations on taxation

10.1. Informations on current taxes

10.1.1. Informations on current tax liability

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

10.1.2. Information on taxes payable

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

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

II. Explanations and Disclosures Related to Liabilities (Continued)

10. Explanations on taxation (Continued)

10.1. Informations on current taxes (Continued)

10.1.3. Information on premiums

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

11. Information on payables related to assets held for sale

None (31 December 2021 - None).

12. Information on subordinated loans

| | Current Period | | Prior Period | |
|--|----------------|-------------------|--------------|-------------------|
| | TL | FC | TL | FC |
| To be included in the calculation of additional capital | - | 9,826,193 | - | 6,816,673 |
| Subordinated Loans | - | 9,826,193 | - | 6,816,673 |
| Subordinated debt instruments | - | - | - | - |
| Debt instruments to be included in contribution capital calculation | - | 7,301,531 | - | 5,035,891 |
| Subordinated loans | - | 7,301,531 | - | 5,035,891 |
| Subordinated debt instruments | - | - | - | - |
| Total | - | 17,127,724 | - | 11,852,564 |

13. Information on shareholder's equity

13.1. Paid-in capital

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

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

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

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

None (31 December 2021 - None).

13.4. Information on share capital increases from revaluation funds

None (31 December 2021 - None).

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

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

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

None (31 December 2021 - None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

II. Explanations and Disclosures Related to Liabilities (Continued)

13. Information on shareholder's equity (Continued)

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

None (31 December 2021 - None).

14. Common stock issue premiums

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

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

15. Securities value increase fund

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

16. Accrued interest and expenses

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

| | Current Period | | Prior Period | |
|----------------------------------|------------------|------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Derivative Financial Liabilities | 3,008,663 | 3,387,575 | 9,160,015 | 3,292,413 |
| Deposits | 2,984,346 | 250,152 | 347,788 | 61,807 |
| Funds Borrowed | 17,494 | 416,789 | 20,185 | 125,790 |
| Money Market Borrowings | 2,767 | 139,542 | 10,311 | 52,057 |
| Securities Issued | - | 400,290 | 17,839 | 436,439 |
| Other Accruals | 1,273,478 | 368,615 | 416,526 | 291,202 |
| Total | 7,286,748 | 4,962,963 | 9,972,664 | 4,259,708 |

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

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

1. Information related to off-balance sheet contingencies

1.1. Type and amount of irrevocable commitments

| | Current Period | Prior Period |
|--|--------------------|-------------------|
| Credit Cards Limit Commitments | 111,928,372 | 49,733,289 |
| Commitment For Use Guaranteed Credit Allocation | 47,345,675 | 27,844,210 |
| Forward, Asset Purchase Commitments | 14,849,695 | 3,966,054 |
| Other Irrevocable Commitments | 17,048,935 | 3,181,145 |
| Payment Commitments for Cheques | 3,895,823 | 2,885,779 |
| Commitments for Promotions Related with Credit Cards and Banking Activities Prom. Uyg. Taah | 109,533 | 71,498 |
| Tax and Fund Liabilities due to Export Commitments | 118,666 | 29,314 |
| Total | 195,296,699 | 87,711,289 |

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

A provision of TL 624,723 (31 December 2021 - TL 253,860) has been made for non-compensated and non-cash loans or expected loan losses on off-balance sheet loans.

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

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

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

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

2. Total amount of non-cash loans

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

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

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

| | Current Period | | | | Prior Period | | | |
|-----------------------------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|
| | TL | (%) | FC | (%) | TL | (%) | FC | (%) |
| Agricultural | 165,630 | 0.56 | 596 | 0.0 | 64,146 | 0.49 | 187,880 | 0.55 |
| Farming and Raising Livestock | 79,656 | 0.27 | 596 | 0.0 | 48,540 | 0.37 | 3,788 | 0.01 |
| Forestry | 45,255 | 0.15 | - | - | 13,982 | 0.11 | - | - |
| Fishing | 40,719 | 0.14 | - | - | 1,624 | 0.01 | 184,092 | 0.54 |
| Manufacturing | 10,058,694 | 33.88 | 18,219,721 | 51.27 | 2,694,667 | 20.47 | 16,869,155 | 49.14 |
| Mining and Quarrying | 161,862 | 0.55 | 33,296 | 0.09 | 60,835 | 0.46 | 54,775 | 0.16 |
| Production | 9,498,871 | 31.99 | 17,910,743 | 50.40 | 2,419,032 | 18.38 | 16,439,294 | 47.88 |
| Electricity, gas and water | 397,961 | 1.34 | 275,682 | 0.78 | 214,800 | 1.63 | 375,086 | 1.09 |
| Construction | 6,222,108 | 20.96 | 6,167,027 | 17.35 | 3,711,216 | 28.20 | 5,393,318 | 15.71 |
| Services | 12,797,899 | 43.10 | 10,669,011 | 30.02 | 6,341,918 | 48.19 | 11,592,111 | 33.76 |
| Wholesale and Retail Trade | 8,726,222 | 29.39 | 4,304,979 | 12.11 | 4,009,451 | 30.46 | 3,844,435 | 11.20 |
| Hotel, Food and Beverage Services | 609,706 | 2.05 | 1,135,063 | 3.19 | 149,130 | 1.13 | 1,224,499 | 3.57 |
| Transportation&Communication | 713,008 | 2.40 | 842,222 | 2.37 | 560,897 | 4.26 | 332,004 | 0.97 |
| Financial Institutions | 1,614,311 | 5.44 | 3,808,729 | 10.72 | 988,705 | 7.51 | 5,811,220 | 16.93 |
| Real Estate and Renting Services | 89,435 | 0.30 | 20,669 | 0.06 | 27,266 | 0.21 | 16,753 | 0.05 |
| Self Employment Services | 583,415 | 1.96 | 417,290 | 1.17 | 296,136 | 2.25 | 262,665 | 0.77 |
| Educational Services | 31,168 | 0.10 | - | - | 17,433 | 0.13 | - | - |
| Health and Social Services | 430,634 | 1.45 | 140,059 | 0.39 | 292,900 | 2.23 | 100,535 | 0.29 |
| Other | 446,739 | 1.50 | 481,764 | 1.36 | 349,260 | 2.65 | 289,553 | 0.84 |
| Total | 29,691,070 | 100.00 | 35,538,119 | 100.00 | 13,161,207 | 100.00 | 34,332,017 | 100.00 |

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

| Current Period ^(*) | I. Group | | II. Group | |
|---|-------------------|-------------------|----------------|----------------|
| | TL | FC | TL | FC |
| Letters of Guarantee | 25,201,036 | 19,889,615 | 367,838 | 141,765 |
| Bills of Exchange and Acceptances | 3,970,331 | 9,694,144 | 58,000 | 2,143 |
| Letters of Credit | 38,039 | 5,809,183 | 185 | 1,269 |
| Endorsements | - | - | - | - |
| Purchase Guarantees for Securities Issued | - | - | - | - |
| Factoring Related Guarantees | - | - | - | - |
| Other Collaterals and Sureties | - | - | - | - |
| Non-Cash Loans | 29,209,406 | 35,392,942 | 426,023 | 145,177 |

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

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

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

| Prior Period ^(*) | I. Group | | II. Group | |
|---|-------------------|-------------------|----------------|----------------|
| | TL | FC | TL | FC |
| Letters of Guarantee | 12,812,490 | 17,387,175 | 158,679 | 104,436 |
| Bills of Exchange and Acceptances | 71,783 | 8,627,682 | - | 8,211 |
| Letters of Credit | 63,674 | 8,197,343 | - | 7,170 |
| Endorsements | - | - | - | - |
| Purchase Guarantees for Securities Issued | - | - | - | - |
| Factoring Related Guarantees | - | - | - | - |
| Other Collaterals and Sureties | - | - | - | - |
| Non-Cash Loans | 12,947,947 | 34,212,200 | 158,679 | 119,817 |

^(*) The amount of TL 54,581 excluded for non-cash loans and ECL provision of non-cash loans which are under off-balance accounts and not indemnified and unliquidated but provisioned.

5. Information on derivative financial instruments

| | Current Period | Prior Period |
|---|--------------------|--------------------|
| Types of trading transactions | | |
| Foreign Currency Related Derivative Transactions (I) | 440,112,742 | 232,868,961 |
| Forward transactions ^(*) | 45,212,064 | 27,308,158 |
| Swap transactions | 275,840,461 | 200,917,401 |
| Futures transactions | 1,618,208 | 764,011 |
| Option transactions | 117,442,009 | 3,879,391 |
| Interest Related Derivative Transactions (II) | 159,791,156 | 134,510,238 |
| Forward rate transactions | - | - |
| Interest rate swap transactions | 156,221,134 | 134,510,238 |
| Interest option transactions | - | - |
| Futures interest transactions | 3,570,022 | - |
| Security option transactions | - | - |
| Other trading derivative transactions (III) | 2,056,626 | 1,427,525 |
| A.Total Trading Derivative Transactions (I+II+III) | 601,960,524 | 368,806,724 |
| Types of hedging transactions | | |
| Fair value hedges | 41,217,628 | 47,936,722 |
| Cash flow hedges | 106,959,367 | 66,987,631 |
| Net investment hedges | - | - |
| B.Total Hedging Related Derivatives | 148,176,995 | 114,924,353 |
| Total Derivative Transactions (A+B) | 750,137,519 | 483,731,077 |

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

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

5. Information on derivative financial instruments (Continued)

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

| | Forward Buy ^(*) | Forward Sell ^(*) | Swap Buy ^(*) | Swap Sell ^(*) | Option Buy | Option Sell | Futures Buy | Futures Sell | Other |
|-----------------------|----------------------------|-----------------------------|-------------------------|--------------------------|-------------------|-------------------|------------------|------------------|------------------|
| Current Period | | | | | | | | | |
| TL | 13,715,428 | 846,945 | 30,998,215 | 95,111,438 | 45,910,391 | 12,799,328 | - | 825,285 | - |
| USD | 3,300,933 | 17,975,259 | 211,928,771 | 114,947,182 | 11,634,673 | 36,843,573 | 2,577,934 | 1,785,011 | 2,056,626 |
| Euro | 4,944,415 | 2,287,495 | 26,712,416 | 72,128,001 | 1,684,385 | 7,378,288 | - | - | - |
| Other | 369,698 | 1,771,891 | 28,032,607 | 379,960 | 3,729 | 1,187,642 | - | - | - |
| Total | 22,330,474 | 22,881,590 | 297,672,009 | 282,566,581 | 59,233,178 | 58,208,831 | 2,577,934 | 2,610,296 | 2,056,626 |

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

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

| | Forward Buy ^(**) | Forward Sell ^(**) | Swap Buy ^(*) | Swap Sell ^(*) | Option Buy | Option Sell | Futures Buy | Futures Sell | Other |
|---------------------|-----------------------------|------------------------------|-------------------------|--------------------------|------------------|------------------|----------------|----------------|------------------|
| Prior Period | | | | | | | | | |
| TL | 6,855,300 | 1,540,982 | 17,376,629 | 61,314,860 | 821,817 | 405,775 | 361,015 | 15,423 | - |
| USD | 2,509,104 | 9,930,727 | 162,013,980 | 92,032,731 | 572,131 | 1,192,399 | 18,895 | 368,678 | 1,427,525 |
| Euro | 3,728,663 | 2,321,230 | 28,376,151 | 66,045,188 | 511,472 | 279,616 | - | - | - |
| Other | 122,863 | 299,289 | 23,077,722 | 114,731 | 48,196 | 47,985 | - | - | - |
| Total | 13,215,930 | 14,092,228 | 230,844,482 | 219,507,510 | 1,953,616 | 1,925,775 | 379,910 | 384,101 | 1,427,525 |

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

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

5.1. Fair value hedge accounting

a) Loans

The Bank applies fair value hedge accounting within the framework of TAS 39 by performing swap transactions in order to protect itself against changes that may occur in the fair value of a certain part of its long term fixed interest loans resulting from changes in market interest rates. As of the balance sheet date, the TL installment loans amounting to TL 2,113,014 (31 December 2021 - TL 7,277,481) were subject to hedge accounting by swaps with a nominal amount of TL 4,808,155 (31 December 2021 - TL 5,829,388). On 31 December 2022, the net market valuation difference loss of TL 105,060 arising from TL 196,115 gain from the aforementioned loans (31 December 2021 - TL 750,813 loss) and TL 301,175 loss from swaps (31 December 2021 - TL 689,193 gain), is shown under "Gains/Losses From Derivative Transactions" account in the financial statements.

According to TAS 39, fair value hedge accounting definitions, some of the fair value hedge accounting applications ceased. The fair value differences of the hedged loans are amortized through statement of profit or loss and other comprehensive income until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TL 67,268 (31 December 2021 - TL 62,140 gain) related to the loans that are ineffective for hedge accounting under "Gain/(Loss) From Financial Derivatives Transactions" as gain during the current period.

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

The Bank applies fair value hedge accounting through swaps in order to hedge long term fixed coupon foreign currency eurobonds in its portfolio against interest rate fluctuations. As of the balance sheet date, eurobonds with a nominal value of USD 259,315 Million and EUR 44 Million (31 December 2021 - USD 299,952 Million and EUR 44 Million) were subject to hedge accounting by interest swaps of the same nominal value. On 31 December 2022, net market valuation difference loss of TL 5,635, arising from, TL 844,795 loss from aforementioned eurobonds (31 December 2021 - TL 131,060 gain) and TL 839,160 gain from swaps (31 December 2021 - TL 130,504 loss), is shown under "Gains/Losses From Derivative Transactions" account in the financial statements.

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

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

5. Information on derivative financial instruments (Continued)

5.1. Fair value hedge accounting (Continued)

c) Marketable Securities Issued

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

5.2. Cash flow hedge accounting

a) Floating Rate Loans

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

As of the balance sheet date, swaps with a nominal amount of USD 525 million (31 December 2021 - USD 675 million) have been subject to hedging accounting as hedging instruments and as a result of the mentioned hedge accounting, fair value loss before tax amounting to TL 572,313 (31 December 2021 -

TL 91,416 gain) has been recognized under equity in the current period. There is no ineffective portion in the mentioned hedge accounting transaction. The loss amounting to TL 4 related to the ineffective part is associated with the profit or loss statement (31 December 2021 - None).

As of the balance sheet date, swaps with a nominal amount of TL 5,472 million (31 December 2021 - TL 1,850 million) have been subject to hedging accounting as hedging instruments. As a result of the mentioned hedging accounting, fair value gain before tax of TL 330,708 (31 December 2021 - TL 165,120) was accounted under equity in the current period. The gain amounting to TL 75 related to the ineffective part is associated with the profit or loss statement (31 December 2021 - None).

b) Deposit

The Bank applies cash flow hedge accounting using interest rate swaps in order to hedge itself from the interest rate changes of deposits that have an average maturity until 3 months, the Bank implements cash flow hedge accounting with interest rate swaps. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity "Hedging Funds", whereas the ineffective portions are accounted for at statement of profit or loss and other comprehensive income as defined in TAS 39. As at the balance sheet date, swaps amounting to TL 50,000 are subject to hedge accounting as hedging instruments (31 December 2021 - TL 150,000). As a result of the mentioned hedge accounting, fair value loss before taxes amounting to TL 2,192 are accounted for under equity during the current period (31 December 2021 - TL 16,723 gain). There is no ineffective portion in the mentioned hedge accounting transaction (31 December 2021 - None).

As of the balance sheet date, swaps with a nominal amount of USD 1,621 million (31 December 2021 - USD 1,328 million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 114 million (31 December 2021 - EUR 74 million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value gain before taxes amounting to TL 2,123,518 are accounted for under equity during the current period (31 December 2021 - TL 526,927 gain). The gain amounting to TL 13,216 (31 December 2021 - TL 3,875 loss) related to the ineffective portion is associated with the statement of profit or loss and other comprehensive income.

c) Floating Rate Liabilities

The Bank applies cash flow hedge accounting using interest rate swaps in order to hedge its subordinated loans which have floating interest payment. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity "Hedging Funds", whereas the ineffective portions are accounted for at statement of profit or loss and other comprehensive income as defined in TAS 39. As at the balance sheet date, swaps amounting to USD 423 million are subject to hedge accounting as hedging instruments (31 December 2021 - USD 454 million). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TL 423,088 are accounted for under equity during the current period (31 December 2021 - TL 48,015 gain). There is no ineffective portion in the mentioned hedge accounting transaction.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

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

5. Information on derivative financial instruments (Continued)

5.2. Cash flow hedge accounting (Continued)

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

When the cash flow hedge accounting cannot be maintained effectively as defined in TAS 39, the accounting practice is terminated. According to this; The valuation effects classified under equity due to hedge accounting are reflected in the profit or loss statement over the life of the hedged item. In this context; In the current period, a loss amounting to TL 12,357 (31 December 2021 - TL 28,640 loss) has been transferred from shareholders' equity to the statement of profit or loss in relation to the hedge accounting practices that the Bank has terminated.

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

6. Credit derivatives and risk exposures on credit derivatives

As of 31 December 2022, the Bank has no commitments "Credit Linked Notes" (As of 31 December 2021 - None).

As of 31 December 2022, "Other Derivative Financial Assets" with nominal amount of USD 110,000,000 (31 December 2021 - USD 110,000,000) are included in Bank's "Credit Default Swap". In aforementioned transaction, the Bank is the seller of the protection for USD 110,000,000.

7. Information on contingent liabilities and assets

The Bank has recorded a provision of TL 280,929 (31 December 2021 - TL 222,837) for the lawsuits filed against the Bank with a high probability of occurrence, in accordance with Principle of Prudence. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

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

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

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

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

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

1. a) Information on interest income received from loans

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

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

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

b) Information on interest income from banks

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

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

c) Information on interest income from securities portfolio

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

As stated in Section Three disclosure VII.2, the Bank has inflation indexed (CPI) government bonds in its Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) and Financial Assets Measured at Amortized Cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Republic of Türkiye Ministry of Treasury and Finance, reference index used for the actual payments is determined based on the inflation rates of two months before

d) Information on interest income received from associates and subsidiaries

| | Current Period | Prior Period |
|--|----------------|--------------|
| Interest Received from Associates and Subsidiaries | 498,138 | 159,672 |

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

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

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

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

b) Information on interest expense paid to associates and subsidiaries

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

c) Information on interest expense paid to securities issued

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

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

| Account | Time Deposits | | | | | | Accumulated Deposit Account | Total |
|-------------------------|-----------------|------------------|------------------|------------------|------------------|----------------|-----------------------------|-------------------|
| | Demand Deposits | Up to 1 month | Up to 3 months | Up to 6 months | Up to 1 year | Over 1 year | | |
| Turkish Lira | | | | | | | | |
| Bank Deposits | - | 52,247 | 16,800 | - | - | - | - | 69,047 |
| Saving Deposits | 31 | 2,763,083 | 2,489,527 | 5,654,397 | 299,312 | 212,358 | - | 11,418,708 |
| Public Sector Deposits | - | 3,760 | 1,412 | 30 | 98 | - | - | 5,300 |
| Commercial Deposits | 2 | 1,673,229 | 1,048,983 | 806,080 | 1,291,954 | 240,053 | - | 5,060,301 |
| Other Deposits | - | 22,835 | 115,670 | 3,989 | 17,015 | 7 | - | 159,516 |
| 7 Days Call Accounts | - | - | - | - | - | - | - | - |
| Total | 33 | 4,515,154 | 3,672,392 | 6,464,496 | 1,608,379 | 452,418 | - | 16,712,872 |
| Foreign Currency | | | | | | | | |
| Deposits | 5 | 189,248 | 943,422 | 496,604 | 53,189 | 55,374 | - | 1,737,842 |
| Bank Deposits | 118 | 134,170 | 90,790 | 23,429 | 60,999 | - | - | 309,506 |
| 7 Days Call Accounts | - | - | - | - | - | - | - | - |
| Precious Metal Deposits | - | 11,939 | - | - | - | - | - | 11,939 |
| Total | 123 | 335,357 | 1,034,212 | 520,033 | 114,188 | 55,374 | - | 2,059,287 |
| Grand Total | 156 | 4,850,511 | 4,706,604 | 6,984,529 | 1,722,567 | 507,792 | - | 18,772,159 |

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

| Account | Time Deposits | | | | | | Accumulated Deposit Account | Total |
|-------------------------|-----------------|------------------|------------------|----------------|----------------|----------------|-----------------------------|------------------|
| | Demand Deposits | Up to 1 month | Up to 3 months | Up to 6 months | Up to 1 year | Over 1 year | | |
| Turkish Lira | | | | | | | | |
| Bank Deposits | - | 110,875 | 35 | - | - | - | - | 110,910 |
| Saving Deposits | 43 | 1,661,563 | 4,024,068 | 315,809 | 120,525 | 171,976 | - | 6,293,984 |
| Public Sector Deposits | - | 1,936 | 129 | 165 | 22 | - | - | 2,252 |
| Commercial Deposits | 10 | 820,542 | 1,112,130 | 53,834 | 31,986 | 1,984 | - | 2,020,486 |
| Other Deposits | - | 7,569 | 89,965 | 10,341 | 22,903 | 30 | - | 130,808 |
| 7 Days Call Accounts | - | - | - | - | - | - | - | - |
| Total | 53 | 2,602,485 | 5,226,327 | 380,149 | 175,436 | 173,990 | - | 8,558,440 |
| Foreign Currency | | | | | | | | |
| Deposits | 6 | 15,158 | 190,579 | 50,512 | 12,055 | 42,226 | - | 310,536 |
| Bank Deposits | 121 | 22,717 | 5,845 | 634 | - | - | - | 29,317 |
| 7 Days Call Accounts | - | - | - | - | - | - | - | - |
| Precious Metal Deposits | - | 5,837 | - | - | - | - | - | 5,837 |
| Total | 127 | 43,712 | 196,424 | 51,146 | 12,055 | 42,226 | - | 345,690 |
| Grand Total | 180 | 2,646,197 | 5,422,751 | 431,295 | 187,491 | 216,216 | - | 8,904,130 |

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

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

e) Information on interest expense on repurchase agreements

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

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

f) Information on lease expenses

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

2. g) Information on interest expense on factoring payables

None (31 December 2021 - None).

3. Information on dividend income

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

4. Information on trading gain/loss

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

5. Information on other operating income

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

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

6. Provision for losses and other provision expenses

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

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

7. Information on other operating expenses

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

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

8. Fees for Services Obtained from Independent Auditor/Independent Audit Firm

| | Current Period ^(*) ^(**) | Prior Period ^(*) ^(**) |
|---|---|---|
| Independent audit fee for the reporting period | 6,168 | 3,302 |
| Fees for tax advisory services | - | - |
| Fee for other assurance services | 649 | 603 |
| Fees for services other than independent auditing | - | - |
| Total | 6,817 | 3,905 |

^(*)Consolidated amounts are reported.

^(**)VAT excluded.

QNB Finansbank Anonim Şirketi

Notes to Unconsolidated Financial Statements

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

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

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

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

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

10. Explanations on tax provision for continued and discontinued operations

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

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

10.2. Explanations on operating profit/loss after taxes

None (31 December 2021 - None).

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

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

12. Explanations on net income/loss for the period

12.1. If disclosure of the nature, amount and recurrence rate of income and expense items arising from ordinary banking transactions is necessary for an understanding of the Bank's performance during the period, the nature and amount of these items

None (31 December 2021 - None).

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

None.

12.3. There is no profit or loss attributable to minority shares.

12.4. There are no changes in the nature and amount of accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods.

13. Information on the components of other items in the statement of profit or loss and other comprehensive income exceeding 10% of the total, or items that comprise at least 20% of the statement of profit or loss and other comprehensive income

Fees and commissions from credit cards, transfers and insurance intermediaries are recorded in the "Others" line under "Fees and Commissions Received" account, while fees and commissions given to credit cards are recorded in the "Others" line under "Fees and Commissions Paid" account by the Bank.

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

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

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

2. Explanations on foreign exchange differences

None.

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Notes to Unconsolidated Financial Statements

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

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

3. Explanations on dividend

3.1. Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements

There is no dividend notified before the promulgation of financial statements. It was decided to distribute the year 2021 profit as stated below at the Ordinary General Assembly held on 30 March 2022.

2021 profit distribution table

| Current Year Profit | 3,928,114 |
|--|-------------|
| A - I. Legal Reserve (Turkish Commercial Code 466/1) at 5% | - |
| B - The First Dividend for Shareholders | - |
| C - Profit from Disposal of Associates | - |
| D - II. Legal Reserves | - |
| E - Gains on Real estate Sales Fund | - |
| F - Extraordinary Reserves | (3,928,114) |

3.2. Dividends per share proposed subsequent to the balance sheet date

No decision is taken concerning the profit distribution by the General Assembly as of the balance sheet date.

3.3. Transfers to legal reserves

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

4. Information on issuance of share certificates

4.1. The rights, priorities and restrictions regarding the share capital including distribution of income and repayment of the capital

None (31 December 2021 - None).

5. Information on the other capital increase items in the statement of changes in shareholders' equity

There was no capital increase in 2022 (31 December 2021 - None).

VI. Explanations And Disclosures Related To Cash Flows Statement

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents

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

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

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

"Other" item amounting to TL 399,876 (31 December 2021 - TL 123,975) included in "Net cash flow from investment activities" includes increase in intangible assets.

The effect of change in foreign exchange rate on cash and cash equivalents is the sum of the foreign exchange differences arising from the conversion of the average balances of cash and cash equivalents in foreign currency to TL at the beginning of the period and at the end of the period. As of 31 December 2022, TL 1,454,238 (31 December 2021 - TL 4,346,096).

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Notes to Unconsolidated Financial Statements

For the year ended 31 December 2022

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

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

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

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

| | Prior Period 31 December 2021 |
|-------------------------------------|----------------------------------|
| Cash | 7,307,144 |
| Cash in TL | 678,315 |
| Cash in Foreign Currencies | 6,245,263 |
| Other | 383,566 |
| Cash Equivalents | 39,793,087 |
| Balances with the T.R. Central Bank | 25,120,140 |
| Banks | 14,656,385 |
| Money Market Placements | 159,508 |
| Less: Accruals | (142,946) |
| Cash and Cash Equivalents | 47,100,231 |

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

| | Current Period 31 December 2022 |
|-------------------------------------|------------------------------------|
| Cash | 11,930,986 |
| Cash in TL | 1,621,492 |
| Cash in Foreign Currencies | 6,809,684 |
| Other | 3,499,810 |
| Cash Equivalents | 60,850,432 |
| Balances with the T.R. Central Bank | 42,132,406 |
| Banks | 10,272,810 |
| Money Market Placements | 8,467,980 |
| Less: Accruals | (22,764) |
| Cash and Cash Equivalents | 72,781,418 |

4. Restricted cash and cash equivalents due to legal requirements or other reasons

A portion of foreign bank accounts amounting to TL 396,003 (31 December 2021 - TL 464,536) includes blocked cash for foreign money and capital market transactions and for borrowings from foreign markets.

5. Additional information

5.1. Restrictions on the Bank's potential borrowings that can be used for ordinary operations or capital commitment

None (31 December 2021 - None).

5.2. The sum of cash flows that show the increases in banking activity capacity, apart from the cash flows needed to maintain current banking activity capacity

None (31 December 2021 - None).

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

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

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

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Notes to Unconsolidated Financial Statements

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

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

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

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

Current Period

| Bank's Risk Group ^(*) | Associates and Subsidiaries | | Bank's Direct and Indirect Shareholders | | Other Legal and Real Persons in Risk Group ^(**) | |
|--|-----------------------------|----------|---|----------|--|----------|
| | Cash | Non-Cash | Cash | Non-Cash | Cash | Non-Cash |
| Loans and Other Receivables | | | | | | |
| Balance at the Beginning of the Period | 2,202,964 | 25,118 | - | 55,271 | 1,773 | 4,888 |
| Balance at the End of the Period | 5,341,116 | 35,489 | - | 116,854 | 4,102 | 1,349 |
| Interest and Commission Income | 498,138 | 369 | - | 1,734 | 923 | - |

Prior Period

| Bank's Risk Group ^(*) | Associates and Subsidiaries | | Bank's Direct and Indirect Shareholders | | Other Legal and Real Persons in Risk Group ^(**) | |
|---|-----------------------------|----------|---|----------|--|----------|
| | Cash | Non-Cash | Cash | Non-Cash | Cash | Non-Cash |
| Loans and Other Receivables | | | | | | |
| Balance at the Beginning of the Period | 1,256,220 | 22,598 | 2,500 | 45,878 | 631 | 5,212 |
| Balance at the End of the Period | 2,202,964 | 25,118 | - | 55,271 | 1,773 | 4,888 |
| Interest and Commission Income ^(***) | 159,672 | 24 | - | 267 | 872 | - |

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

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

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

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

| Bank's Risk Group ^(*) | Associates and Subsidiaries | | Bank's Direct and Indirect Shareholders | | Other Legal and Real Persons in Risk Group ^(**) | |
|--|-----------------------------|--------------|---|--------------|--|--------------|
| | Current Period | Prior Period | Current Period | Prior Period | Current Period | Prior Period |
| Deposit | | | | | | |
| Balance at the Beginning of the Period | 1,046,640 | 284,875 | - | - | 525,760 | 293,470 |
| Balance at the End of the Period | 1,520,911 | 1,046,640 | - | - | 572,625 | 525,760 |
| Interest on deposits ^(***) | 32,752 | 9,086 | - | - | 22,015 | 23,218 |

^(*) As described in the Article 49 of Banking Law Nr 5411.

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

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

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

| Bank's Risk Group ^(*) | Associates and Subsidiaries | | Bank's Direct and Indirect Shareholders | | Other Legal and Real Persons in Risk Group ^(**) | |
|--|-----------------------------|--------------|---|--------------|--|--------------|
| | Current Period | Prior Period | Current Period | Prior Period | Current Period | Prior Period |
| Transactions for Trading Purposes | | | | | | |
| Beginning of the Period | 1,473,687 | 1,506,342 | - | - | - | - |
| End of the Period | 747,471 | 1,473,687 | - | - | - | - |
| Total Income/Loss ^(***) | (175,927) | 38,790 | - | (56) | 384 | (20) |
| Transactions for Hedging Purposes | | | | | | |
| Beginning of the Period | - | - | - | - | - | - |
| End of the Period | - | - | - | - | - | - |
| Total Income/Loss ^(***) | - | - | - | - | - | - |

^(*) As described in the Article 49 of Banking Law Nr 5411.

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

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

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Notes to Unconsolidated Financial Statements

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENT (Continued)

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

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

1.4. Information on benefits provided to top management

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

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

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

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

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

As of 31 December 2022, cash loans of the risk group represented 1.5% of the Bank's total cash loans (31 December 2021 - 1.0%), the deposits represented 0.5% of the Bank's total deposits (31 December 2021 - 0.7%) and derivative transactions represented 0.1% of the Bank's total derivative transactions (31 December 2021 - 0.3%).

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

The Bank enters into finance lease agreements with QNB Finans Finansal Kiralama A.Ş.. As of 31 December 2022, the Bank has net finance lease payables to QNB Finans Finansal Kiralama A.Ş. amounting to TL 8,406 (31 December 2021 - TL 10,194) relating with finance lease agreements.

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

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

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

The Bank provides agency services to Cigna Sağlık, Hayat ve Emeklilik A.Ş., which is a jointly controlled entity with 49.00% shares held by the Bank.

VIII. Explanations on the Bank's Domestic, Foreign and Off-Shore Banking Branches and Foreign Representatives

1. Information relating to the bank's domestic and foreign branch and representatives

| | Number | Employees | | | |
|---------------------------------------|--------|-----------|------------|--------------|---------|
| Domestic Branch | 435 | 11,419 | | | |
| | | | | Country | |
| Foreign Representation | - | - | | | |
| | | | | Total Assets | Capital |
| Foreign Branch | 1 | 8 | 1- Bahrain | 59,952,155 | - |
| Off-shore Banking and Region Branches | | | | - | - |

QNB Finansbank Anonim Şirketi

Notes to Unconsolidated Financial Statements

For the year ended 31 December 2022

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SECTION SIX

OTHER EXPLANATIONS

I. Other Explanations Related to the Bank's Operations

1. Disclosure related to subsequent events and transactions that have not been finalized yet, and their impact on the financial statements

The issuances of the Bank after the balance sheet date are as follows.

| Issue Date | Currency | Nominal | Due Date |
|------------|----------|------------|----------|
| 13.01.2023 | EUR | 20,000,000 | 90 |
| 23.01.2023 | GBP | 11,340,000 | 93 |
| 24.01.2023 | EUR | 10,000,000 | 90 |
| 25.01.2023 | GBP | 20,000,000 | 91 |
| 25.01.2023 | EUR | 21,770,000 | 91 |
| 31.01.2023 | USD | 34,453,000 | 91 |

2. Information on the effects of significant changes in foreign exchange rates after balance sheet date on the items denominated in foreign currency and financial statements and the Group's operations abroad that would affect decision making process of users and foreign operations of the Bank

There are no significant fluctuations in the currency exchange rates after the balance sheet date that would affect the analysis and decision making process of the readers of the financial statements.

3. Other matters

With the General Communiqué on Tax Procedure Law No. 547 published in the Official Gazette dated 14 January 2023, and No. 32073, the uncertainties regarding the revaluation of economic assets subject to depreciation and their accumulated depreciation have been eliminated within the scope of the Tax Procedure Law, and our Bank will benefit from the revaluation application.

SECTION SEVEN

INDEPENDENT AUDITOR'S REPORT

I. Explanations on the Independent Auditor's Report

The unconsolidated financial statements for the period ended 31 December 2022 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The auditor's report dated 31 January 2023 is presented preceding the unconsolidated financial statements.

II. Explanations and Notes Prepared by Independent Auditors

None (31 December 2021 - None).

QNB Finansbank Anonim Şirketi

Independent Auditor's Report

To the General Assembly of QNB Finansbank A.Ş.:

A. Audit of the Consolidated Financial Statements

1. Qualified Opinion

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

In our opinion, except for the effect of the matter on the consolidated financial statements described in the Basis for Qualified Opinion paragraph below, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette Nr.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

2. Basis for Qualified Opinion

As explained in Section Five Part II 9.4. of Explanations and Notes to the Consolidated Financial Statements; the accompanying consolidated financial statements as at 31 December 2022 include a free provision amounting to TL 5,400,000 thousand which was recognized in the current year by the Group management which is not within the requirements of BRSA Accounting and Financial Reporting Legislation.

Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette Nr.29314 dated 2 April 2015 and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (Including Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the consolidated financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our qualified opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion Section we have determined the matters described below to be key audit matters to be communicated in our report.

QNB Finansbank Anonim Şirketi

Independent Auditor's Report

| Key Audit Matters | How the key audit matter was addressed in the audit |
|--|---|
| <p>Impairment of loans and receivables determined within the framework of TFRS 9</p> <p>The Group has total expected credit losses for loans and receivables amounting to TL 17,235,625 thousand in respect to total loans and receivables amounting to TL 380,340,562 thousand which represent a significant portion of the Group's total assets in its consolidated financial statements as at 31 December 2022. Explanations and notes regarding the provision for impairment of loans are represented in Notes VIII of Section Three, II.1. of Section Four, II.4. of Section Four and 1.6. of Section Five of the accompanying consolidated financial statements as at 31 December 2022.</p> <p>The Group recognizes provisions for impairment in accordance with "TFRS 9 Financial Instruments" requirements in line with the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 with number 29750. TFRS 9 is a complex accounting standard which requires considerable judgement and interpretation. These judgements and interpretations are key in the development of the financial models built to measure the expected credit losses on loans recorded at amortized cost. In addition, the operation of the models requires large data inputs that are generated through more than one system and the accuracy and completeness of the data are key in the determination of expected credit losses on loans. Impairment allowances are calculated on a collective basis for portfolios of loans of a similar nature and on individual basis for significant loans taking into account Management's best estimate at the balance sheet date and historical losses incurred.</p> <p>Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan balances; the appropriateness of classification of loans as per their credit risk (staging) in accordance with applicable regulation and the importance of determination of the associated impairment allowances. Timely and correctly identification of loss event and the level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.</p> | <p>With respect to stage classification of loans and receivables calculation of expected credit losses in accordance with TFRS 9, we have assessed policy, procedure and management principles of the Group within the scope of our audit. We tested the design and the operating effectiveness of relevant controls implemented in accordance with these principles.</p> <p>We checked appropriateness of matters considered in methodology applied by the Group with respect to TFRS 9 for calculation of the provision amount through stage classification of loans and receivables. For forward looking assumptions by the Group's management in its expected credit losses calculations, we held discussions with management, evaluated the assumptions using publicly available information. Regarding expected credit losses methodology; we have assessed and tested appropriateness of model segmentation, lifetime probability of default model, exposure at default model, loss given default model, and approaches in relation to projection of macroeconomic expectations with our financial risk experts. We have assessed expert judgment utilized in interpretation of supportable forward looking expectations (including macroeconomic factors). Our procedures also included the following:</p> <ul style="list-style-type: none"> • Together with our financial risk experts, we evaluated and tested reasonableness of the changes in the expected credit loss allowance methodology and the performance of the impairment models used. • For a sample of exposures, we checked the accuracy of determining Exposure at Default, including the consideration of prepayments and repayments in the cash flows and the resultant arithmetical calculations. • We checked the calculation of the Loss Given Default (LGD) used by the Group in the expected credit losses calculations, and tested collaterals, recovery and costs in addition to arithmetical calculations. • For a selected sample, we checked expected credit losses determined based on individual assessment per Group's policy by means of supporting data, and evaluated appropriateness via communications with management. • We checked key data sources for data used in expected credit losses calculations. We tested reliability and completeness of the data used in expected credit losses calculations with our information systems specialists. • We checked accuracy of expected credit losses calculations. • To assess appropriateness of the Group's determination of staging for credit risk, identification of impairment and timely and appropriate provisioning for impairment we have performed loan review procedures based on a selected sample. • We have reviewed disclosures made within the TFRS 9 framework in the consolidated financial statements of the Group with respect to loans and receivables related impairment provisions. |

QNB Finansbank Anonim Şirketi

Independent Auditor's Report

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

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the BRSA Accounting and Financial Reporting Legislation, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette Nr.29314 dated 2 April 2015 and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette Nr.29314 dated 2 April 2015 and SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

QNB Finansbank Anonim Şirketi

Independent Auditor's Report

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Bank's bookkeeping activities concerning the period from 1 January to 31 December 2022 period are not in compliance with the TCC and provisions of the Bank's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

Additional Paragraph for Convenience Translation

BRSA Accounting and Financial Reporting Legislation explained in detail in Section Three differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board including the application of IAS 29 - Financial Reporting in Hyperinflationary Economies as of 31 December 2022. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated financial position, results of operations, changes in equity and cash flows of the Group in accordance with IFRS.

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

Talar Gül, SMMM
Partner

Istanbul, 31 January 2023

QNB Finansbank Anonim Şirketi

The Consolidated Financial Report of QNB Finansbank A.Ş.

For the year ended 31 December 2022

The Parent Bank's;

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

The consolidated financial report for the year ended 31 December 2022, designed by the Banking Regulation and Supervision Agency in line with the Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- General Information about the Parent Bank
- Consolidated Financial Statements of the Parent Bank
- Explanations on the Accounting Policies of the Parent Bank
- Information on Consolidated Financial Structure And Risk Management of the Group
- Footnotes and Explanations on Consolidated Financial Statements
- Other Explanations
- Independent Auditor's Report

Within the context of this financial report for the year ended, the consolidated subsidiaries, entities under common control and structured entities are as follows. There are no associates included in the consolidation.

| <u>Subsidiaries</u> | <u>Entities Under Common Control (Joint Ventures)</u> |
|--|---|
| 1. ONB Finans Finansal Kiralama Anonim Şirketi | 1. Cigna Sağlık, Hayat ve Emeklilik A.Ş. |
| 2. QNB Finans Yatırım Menkul Değerler Anonim Şirketi | |
| 3. QNB Finans Portföy Yönetimi Anonim Şirketi | <u>Structured Entities</u> |
| 4. QNB Finans Faktoring Anonim Şirketi | 1. Bosphorus Financial Services Limited |
| 5. QNB Finans Varlık Kiralama Şirketi Anonim Şirketi | 2. Finance Capital Finance Limited |
| 6. QNBeyond Ventures B.V. | |

The consolidated financial statements and related disclosures and footnotes for the year ended 31 December 2022, are prepared in accordance with the Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying consolidated financial statements are presented in **thousands of Turkish Lira (TL)**.

Mehmet Ömer Arif Aras
Chairman of
the Board of Directors

Ali Teoman Kerman
Member of the Board of
Directors and Chairman of the
Audit Committee

Ramzi T.A. Mari
Member of the Board of
Directors and of the
Audit Committee

Noor Mohd J. A. Al-Naimi
Member of the Board of
Directors and of the Audit Committee

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

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

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

Ercan Sakarya
Director of Financial,
Statutory Reporting and
Treasury Control

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

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

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QNB Finansbank Anonim Şirketi

Notes to 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 ABOUT THE PARENT BANK

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

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

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

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

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

99.88% of shares of Parent Bank are controlled by Qatar National Bank as of 31 December 2022 and remaining 0.12% of related shares are public shares.

50% of QNB shares, which is the first commercial bank of Qatar founded in 1964 and has been traded at Qatar Stock Exchange since 1997, are owned by Qatar Investment Authority while 50% of related shares are public shares. QNB is operating over 30 countries mainly in Middle East and North Africa Regions as well as being the biggest bank of Qatar. Also with respect to total assets, total credits and total deposits QNB is the biggest bank of Middle East and North Africa.

Regarding the partnership share in Cigna Sağlık Hayat ve Emeklilik A.Ş., whose capital is 49%; The Parent Bank's Board of Directors determined that TL 981,000,000 of the 22,950,000 shares with a nominal value of TL 22,950,000 which corresponds to 51% of the capital of Cigna Sağlık Hayat ve Emeklilik A.Ş., owned by Cigna Nederland Gamma BV In this context, a Share Purchase Agreement was signed with Cigna Nederland Gamma BV on 21 October 2022. The share transfer process will be completed after the necessary permissions are obtained. The said share transfer transaction was realized with the General Assembly held on 21 December 2022, after the necessary permissions were obtained, but due to the absence of the original certificates of transfer, a lawsuit was filed by the The Parent Bank for the annulment of the certificates. The registration of the General Assembly regarding the share transfer was completed on 13 January 2023.

QNB Finansbank Anonim Şirketi

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

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

GENERAL INFORMATION ABOUT THE PARENT BANK (Continued)

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

| Name | Title | Date of Appointment | Education |
|-------------------------------|---|---------------------|-----------|
| Dr. Ömer A. Aras | Chairman | 16 April 2010 | PhD |
| Yousef Mahmoud H. N. Al-Neama | Deputy Chairman and Executive Member | 28 May 2019 | Masters |
| Ali Teoman Kerman | Board Member and Chairman of the Audit Committee | 16 April 2013 | Masters |
| Ramzi T. A. Mari | Board Member and Audit Committee Member | 16 June 2016 | Masters |
| Fatma Abdulla S.S. Al-Suwaidi | Board Member | 16 June 2016 | Masters |
| Durmuş Ali Kuzu | Board Member and Audit Committee Member | 25 August 2016 | PhD |
| Osman Ömür Tan | Board Member and General Manager | 1 January 2022 | Masters |
| Temel Güzeloğlu | Board Member | 16 April 2010 | Masters |
| Esel Yıldız Çekin | Board Member | 2 September 2022 | Graduate |
| Adel Ali M. A. Al-Malki | Board Member | 28 May 2019 | Graduate |
| Noor Mohd J. A. Al-Naimi | Board Member and Audit Committee Member | 22 June 2017 | Graduate |
| Adnan Menderes Yayla | Executive Vice President | 20 May 2008 | Masters |
| Köksal Çoban | Executive Vice President | 19 August 2008 | Masters |
| Dr. Mehmet Kürşad Demirkol | Executive Vice President | 8 October 2010 | PhD |
| Enis Kurtoğlu | Executive Vice President | 14 May 2015 | Masters |
| Murat Koraş | Executive Vice President | 14 May 2015 | Masters |
| Engin Turhan | Executive Vice President | 14 June 2016 | Masters |
| Cumhur Türkmen | Executive Vice President | 11 June 2018 | Graduate |
| Cenk Akıncılar | Executive Vice President | 21 January 2019 | Graduate |
| Burçin Dünder Tüzün | Executive Vice President | 1 December 2019 | Masters |
| Zeynep Kulalar | Executive Vice President | 1 December 2019 | Graduate |
| Derya Düner | Executive Vice President | 1 January 2020 | Graduate |
| Ali Yılmaz | Executive Vice President | 1 January 2020 | Masters |
| Ahmet Erzençin | Head of the Department of Internal Control and Compliance | 12 September 2012 | Graduate |
| Ersin Emir | Head of Internal Audit | 18 February 2011 | Masters |
| Zeynep Aydın Demirkıran | Head of Risk Management | 16 September 2011 | Masters |

^(*) İsmail Işık, who served as Loans Monitoring and Follow-up Director at the reporting date, has been appointed as Loans Monitoring and Follow-up Assistant General Manager as of 18 January 2023.

The shares of the persons mentioned above in the Parent Bank are insignificant.

QNB Finansbank Anonim Şirketi

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

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

GENERAL INFORMATION ABOUT THE PARENT BANK (Continued)

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

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

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

The Parent Bank's activities include trade finance and corporate banking, private and retail banking, SME banking, currency, money markets, securities operations and credit card operations. In addition, the Parent Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of 31 December 2022, the Parent Bank operates through 434 domestic (31 December 2021 - 442), 1 foreign (31 December 2021 - 1) and 1 Atatürk Airport Free Trade Zone (31 December 2021 - 1) branches. As of 31 December 2022, the Group has 13,021 employees (31 December 2021 - 12,345 employees).

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

None.

QNB Finansbank Anonim Şirketi

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

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

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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- III. Consolidated Statement of Profit or Loss
- IV. Consolidated Statement of Profit or Loss and Other Comprehensive Income
- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Statement of Cash Flows
- VII. Consolidated Statement of Profit Appropriation

QNB Finansbank Anonim Şirketi

Consolidated Statement of Balance Sheet-Assets

For the year ended 31 December 2022

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

I. CONSOLIDATED BALANCE SHEET - ASSETS

| | Section 5 Part I | Current Period 31.12.2022 | | | Prior Period 31.12.2021 | | |
|--|---------------------|------------------------------|--------------------|--------------------|----------------------------|--------------------|--------------------|
| | | TL | FC | TOTAL | TL | FC | TOTAL |
| I. FINANCIAL ASSETS (NET) | | 68,912,958 | 109,703,251 | 178,616,209 | 36,871,893 | 91,649,894 | 128,521,787 |
| 1.1. Cash and Cash Equivalents | | 20,873,217 | 93,254,542 | 114,127,759 | 7,519,867 | 78,743,431 | 86,263,298 |
| 1.1.1. Cash and Balances with The Central Bank | (1) | 9,719,857 | 84,817,934 | 94,537,791 | 7,436,280 | 62,858,291 | 70,294,571 |
| 1.1.2. Banks | (3) | 3,127,925 | 8,015,778 | 11,143,703 | 94,349 | 15,725,779 | 15,820,128 |
| 1.1.3. Receivables From Money Market | (4) | 8,040,936 | 427,044 | 8,467,980 | - | 159,508 | 159,508 |
| 1.1.4. Expected Credit Losses (-) | | 15,501 | 6,214 | 21,715 | 10,762 | 147 | 10,909 |
| 1.2. Financial Assets Measured at Fair Value through Profit/Loss | (2) | 1,069,093 | 549,922 | 1,619,015 | 275,004 | 499,454 | 774,458 |
| 1.2.1. Public Sector Debt Securities | | 436,626 | 239,920 | 676,546 | 118,648 | 64,122 | 182,770 |
| 1.2.2. Equity Securities | | 535,326 | - | 535,326 | 156,356 | - | 156,356 |
| 1.2.3. Other Financial Assets | | 97,141 | 310,002 | 407,143 | - | 435,332 | 435,332 |
| 1.3. Financial Assets Measured at Fair Value through Other Comprehensive Income | (5) | 29,672,154 | 10,585,327 | 40,257,481 | 9,634,529 | 10,043,218 | 19,677,747 |
| 1.3.1. Public Sector Debt Securities | | 29,662,961 | 10,468,015 | 40,130,976 | 9,625,335 | 10,008,077 | 19,633,412 |
| 1.3.2. Equity Securities | | 9,193 | 117,312 | 126,505 | 9,194 | 35,141 | 44,335 |
| 1.3.3. Other Financial Assets | | - | - | - | - | - | - |
| 1.4. Derivative Financial Assets | (12) | 17,298,494 | 5,313,460 | 22,611,954 | 19,442,493 | 2,363,791 | 21,806,284 |
| 1.4.1. Derivative Financial Assets at Fair Value Through Profit/Loss | | 12,467,643 | 3,275,585 | 15,743,228 | 16,227,512 | 2,219,309 | 18,446,821 |
| 1.4.2. Derivative Financial Assets at Fair Value Through Other Comprehensive Income | | 4,830,851 | 2,037,875 | 6,868,726 | 3,214,981 | 144,482 | 3,359,463 |
| II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST(NET) | | 289,882,206 | 135,165,998 | 425,048,204 | 137,049,425 | 105,153,019 | 242,202,444 |
| 2.1. Loans | (6) | 247,116,343 | 109,023,513 | 356,139,856 | 128,657,423 | 81,883,367 | 210,540,790 |
| 2.2. Lease Receivables | (11) | 4,588,489 | 10,018,732 | 14,607,221 | 2,954,638 | 7,735,110 | 10,689,748 |
| 2.3. Factoring Receivables | (7) | 9,129,082 | 464,403 | 9,593,485 | 2,889,195 | 921,323 | 3,810,518 |
| 2.4. Other Financial Assets Measured at Amortized Cost | (8) | 41,598,971 | 20,364,334 | 61,963,305 | 14,876,060 | 14,980,916 | 29,856,976 |
| 2.4.1. Government Debt Securities | | 41,598,971 | 19,872,597 | 61,471,568 | 14,876,060 | 14,417,974 | 29,294,034 |
| 2.4.2. Other Financial Assets | | - | 491,737 | 491,737 | - | 562,942 | 562,942 |
| 2.5. Expected Credit Losses (-) | | 12,550,679 | 4,704,984 | 17,255,663 | 12,327,891 | 367,697 | 12,695,588 |
| III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET) | (15) | - | - | - | - | - | - |
| 3.1. Held for sale | | - | - | - | - | - | - |
| 3.2. Discontinued Operations | | - | - | - | - | - | - |
| IV. INVESTMENTS | | 462,086 | - | 462,086 | 270,367 | - | 270,367 |
| 4.1. Investment in Associates (Net) | (9) | 45,477 | - | 45,477 | 14,027 | - | 14,027 |
| 4.1.1. Equity Method Associates | | - | - | - | - | - | - |
| 4.1.2. Unconsolidated | | 45,477 | - | 45,477 | 14,027 | - | 14,027 |
| 4.2. Investment in Subsidiaries (Net) | | 128,046 | - | 128,046 | 38,046 | - | 38,046 |
| 4.2.1. Unconsolidated Financial Investments | | - | - | - | - | - | - |
| 4.2.2. Unconsolidated Non-Financial Investments | | 128,046 | - | 128,046 | 38,046 | - | 38,046 |
| 4.3. Equity Under Common Control (Joint Ventures) (Net) | (10) | 288,563 | - | 288,563 | 218,294 | - | 218,294 |
| 4.3.1. Equity method associates | | 285,763 | - | 285,763 | 215,494 | - | 215,494 |
| 4.3.2. Unconsolidated | | 2,800 | - | 2,800 | 2,800 | - | 2,800 |
| V. TANGIBLE ASSETS (NET) | | 4,790,853 | 94 | 4,790,947 | 3,694,478 | 37 | 3,694,515 |
| VI. INTANGIBLE ASSETS (NET) | | 1,054,534 | - | 1,054,534 | 648,585 | - | 648,585 |
| 6.1. Goodwill | | - | - | - | - | - | - |
| 6.2. Others | | 1,054,534 | - | 1,054,534 | 648,585 | - | 648,585 |
| VII. INVESTMENT PROPERTIES (NET) | (13) | - | - | - | - | - | - |
| VIII. CURRENT TAX ASSET | | 101,935 | - | 101,935 | 2,040 | - | 2,040 |
| IX. DEFERRED TAX ASSET | (14) | 563,762 | - | 563,762 | 341,690 | - | 341,690 |
| X. OTHER ASSETS (NET) | (16) | 9,502,136 | 1,004,001 | 10,506,137 | 7,206,046 | 961,538 | 8,167,584 |
| TOTAL ASSETS | | 375,270,470 | 245,873,344 | 621,143,814 | 186,084,524 | 197,764,488 | 383,849,012 |

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

QNB Finansbank Anonim Şirketi
Consolidated Statement of Balance Sheet-Assets
For the year ended 31 December 2022

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

I. CONSOLIDATED BALANCE SHEET - LIABILITIES AND EQUITY

| | | Current Period 31.12.2022 | | | Prior Period 31.12.2021 | | | |
|--------------|---|------------------------------|--------------------|--------------------|----------------------------|--------------------|--------------------|--------------------|
| | | TL | FC | TOTAL | TL | FC | TOTAL | |
| I. | DEPOSITS | (1) | 234,983,599 | 157,779,523 | 392,763,122 | 79,231,701 | 146,644,878 | 225,876,579 |
| II. | FUNDS BORROWED | (3) | 6,196,254 | 49,021,103 | 55,217,357 | 3,904,586 | 33,347,681 | 37,252,267 |
| III. | MONEY MARKET BORROWINGS | (4) | 1,344,833 | 21,733,804 | 23,078,637 | 2,473,437 | 15,717,177 | 18,190,614 |
| IV. | SECURITIES ISSUED (NET) | (5) | 8,732,587 | 23,284,322 | 32,331,409 | 6,023,724 | 23,779,092 | 29,802,816 |
| 4.1. | Bills | | 8,418,087 | 5,911,335 | 14,329,422 | 6,023,724 | 2,154,632 | 8,178,356 |
| 4.2. | Asset Backed Securities | | 314,500 | - | 314,500 | - | - | - |
| 4.3. | Bonds | | - | 17,372,987 | 17,372,987 | - | 21,624,460 | 21,624,460 |
| V. | FUNDS | | - | - | - | - | - | - |
| 5.1. | Borrowers' Funds | | - | - | - | - | - | - |
| 5.2. | Others | | - | - | - | - | - | - |
| VI. | FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT & LOSS (NET) | | - | - | - | - | - | - |
| VII. | DERIVATIVE FINANCIAL LIABILITIES | | 3,008,663 | 3,706,325 | 6,714,988 | 9,160,015 | 3,623,875 | 12,783,890 |
| 7.1. | Derivative Financial Liabilities at Fair Value Through Profit & Loss (Net) | (2) | 3,008,663 | 3,260,937 | 6,269,600 | 8,982,699 | 2,954,958 | 11,937,657 |
| 7.2. | Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income | (8) | - | 445,388 | 445,388 | 177,316 | 668,917 | 846,233 |
| VIII. | FACTORING PAYABLES | | - | - | - | - | - | - |
| IX. | LEASE PAYABLES (NET) | (7) | 741,286 | 336 | 741,622 | 486,716 | 546 | 487,262 |
| X. | PROVISIONS | (9) | 8,803,052 | 293,969 | 9,097,021 | 1,648,376 | 25 | 1,648,401 |
| 10.1. | Restructuring Provisions | | - | - | - | - | - | - |
| 10.2. | Reserve for Employee Benefits | | 2,578,626 | 18,146 | 2,596,772 | 1,032,218 | - | 1,032,218 |
| 10.3. | Insurance Technical Provisions (Net) | | - | - | - | - | - | - |
| 10.4. | Other Provisions | | 6,224,426 | 275,823 | 6,500,249 | 616,158 | 25 | 616,183 |
| XI. | CURRENT TAX LIABILITY | (10) | 2,843,483 | - | 2,843,483 | 167,723 | - | 167,723 |
| XII. | DEFERRED TAX LIABILITY | | - | - | - | - | - | - |
| XIII. | LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET) | (11) | - | - | - | - | - | - |
| 13.1. | Held for Sale | | - | - | - | - | - | - |
| 13.2. | Discontinued Operations | | - | - | - | - | - | - |
| XIV. | SUBORDINATED DEBT INSTRUMENTS | (12) | - | 17,127,724 | 17,127,724 | - | 11,852,564 | 11,852,564 |
| 14.1. | Subordinated Loans | | - | 17,127,724 | 17,127,724 | - | 11,852,564 | 11,852,564 |
| 14.2. | Other Debt Instruments | | - | - | - | - | - | - |
| XV. | OTHER LIABILITIES | | 19,501,461 | 17,450,858 | 37,266,819 | 10,664,123 | 12,970,564 | 23,634,687 |
| XVI. | SHAREHOLDERS' EQUITY | | 44,948,075 | (671,943) | 44,276,132 | 24,793,806 | (2,641,597) | 22,152,209 |
| 16.1. | Paid-in Capital | (13) | 3,350,000 | - | 3,350,000 | 3,350,000 | - | 3,350,000 |
| 16.2. | Capital Reserves | | 714 | - | 714 | 714 | - | 714 |
| 16.2.1. | Share Premium | (14) | 714 | - | 714 | 714 | - | 714 |
| 16.2.2. | Share Cancellation Profits | | - | - | - | - | - | - |
| 16.2.3. | Other Capital Reserves | | - | - | - | - | - | - |
| 16.3. | Other Comprehensive Income/Expense Items not to be Reclassified to Profit or Loss | | (672,157) | - | (672,157) | (223,943) | - | (223,943) |
| 16.4. | Other Comprehensive Income/Expense Items to be Reclassified to Profit or Loss | | 4,054,334 | (671,943) | 3,382,391 | 678,071 | (2,641,597) | (1,963,526) |
| 16.5. | Profit Reserves | | 20,979,569 | - | 20,979,569 | 17,072,922 | - | 17,072,922 |
| 16.5.1. | Legal Reserves | | 771,685 | - | 771,685 | 757,842 | - | 757,842 |
| 16.5.2. | Status Reserves | | - | - | - | - | - | - |
| 16.5.3. | Extraordinary Reserves | | 20,207,884 | - | 20,207,884 | 16,315,080 | - | 16,315,080 |
| 16.5.4. | Other Profit Reserves | | - | - | - | - | - | - |
| 16.6. | Profit/Loss | | 17,223,799 | - | 17,223,799 | 3,906,647 | - | 3,906,647 |
| 16.6.1. | Prior Periods' Profit/Loss | | - | - | - | - | - | - |
| 16.6.2. | Current Period's Net Profit/Loss | | 17,223,799 | - | 17,223,799 | 3,906,647 | - | 3,906,647 |
| 16.7. | Minority Interest | | 11,816 | - | 11,816 | 9,395 | - | 9,395 |
| | TOTAL LIABILITIES | | 331,417,793 | 289,726,021 | 621,143,814 | 138,554,207 | 245,294,805 | 383,849,012 |

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

QNB Finansbank Anonim Şirketi

Consolidated Balance Sheet–Liabilities and Equity

For the year ended 31 December 2022

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

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

| Section 5 Part III | | Current Period 31.12.2022 | | | Prior Period 31.12.2021 | | |
|-----------------------|---|------------------------------|--------------------|----------------------|----------------------------|--------------------|--------------------|
| | | TL | FC | TOTAL | TL | FC | TOTAL |
| A. | OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III) | 480,095,115 | 600,797,641 | 1,080,892,756 | 251,760,151 | 433,120,870 | 684,881,021 |
| I. | GUARANTEES (1), (2), (3), (4) | 29,655,581 | 35,538,119 | 65,193,700 | 13,136,090 | 34,332,017 | 47,468,107 |
| 1.1. | Letters of guarantee | 25,589,026 | 20,031,380 | 45,620,406 | 13,000,633 | 17,491,611 | 30,492,244 |
| 1.1.1. | Guarantees subject to State Tender Law | 884,755 | 188,383 | 1,073,138 | 553,377 | 133,441 | 686,818 |
| 1.1.2. | Guarantees given for foreign trade operations | 12,326,430 | 19,842,997 | 32,169,427 | 7,284,585 | 17,358,170 | 24,642,755 |
| 1.1.3. | Other letters of guarantee | 12,377,841 | - | 12,377,841 | 5,162,671 | - | 5,162,671 |
| 1.2. | Bank loans | 4,028,331 | 9,696,287 | 13,724,618 | 71,783 | 8,635,893 | 8,707,676 |
| 1.2.1. | Import letter of acceptance | 4,028,331 | 9,696,287 | 13,724,618 | 71,783 | 8,635,893 | 8,707,676 |
| 1.2.2. | Other bank acceptances | - | - | - | - | - | - |
| 1.3. | Letters of credit | 38,224 | 5,810,452 | 5,848,676 | 63,674 | 8,204,513 | 8,268,187 |
| 1.3.1. | Documentary letters of credit | 38,224 | 5,228,027 | 5,266,251 | 63,674 | 7,424,841 | 7,488,515 |
| 1.3.2. | Other letters of credit | - | 582,425 | 582,425 | - | 779,672 | 779,672 |
| 1.4. | Prefinancing given as guarantee | - | - | - | - | - | - |
| 1.5. | Endorsements | - | - | - | - | - | - |
| 1.5.1. | Endorsements to the Central Bank of Türkiye | - | - | - | - | - | - |
| 1.5.2. | Other endorsements | - | - | - | - | - | - |
| 1.6. | Securities issue purchase guarantees | - | - | - | - | - | - |
| 1.7. | Factoring guarantees | - | - | - | - | - | - |
| 1.8. | Other guarantees | - | - | - | - | - | - |
| 1.9. | Other collaterals | - | - | - | - | - | - |
| II. | COMMITMENTS | 252,607,322 | 24,746,561 | 277,353,883 | 150,696,819 | 7,991,015 | 158,687,834 |
| 2.1. | Irrevocable commitments (1) | 172,054,958 | 23,241,741 | 195,296,699 | 81,782,660 | 6,016,159 | 87,798,819 |
| 2.1.1. | Forward asset purchase commitments | 4,018,129 | 10,831,566 | 14,849,695 | 1,145,232 | 2,908,352 | 4,053,584 |
| 2.1.2. | Forward deposit purchase and sales commitments | - | - | - | - | - | - |
| 2.1.3. | Share capital commitment to associates and subsidiaries | - | - | - | - | - | - |
| 2.1.4. | Loan guaranting commitments | 47,343,805 | 1,870 | 47,345,675 | 27,050,703 | 793,507 | 27,844,210 |
| 2.1.5. | Securities underwriting commitments | - | - | - | - | - | - |
| 2.1.6. | Commitments for reserve deposit requirements | - | - | - | - | - | - |
| 2.1.7. | Payment commitment for checks | 3,895,823 | - | 3,895,823 | 2,885,779 | - | 2,885,779 |
| 2.1.8. | Tax and fund liabilities from export commitments | 118,666 | - | 118,666 | 29,314 | - | 29,314 |
| 2.1.9. | Commitments for credit card expenditure limits | 111,928,372 | - | 111,928,372 | 49,733,289 | - | 49,733,289 |
| 2.1.10. | Commitments for promotions related with credit cards and banking activities | 109,533 | - | 109,533 | 71,498 | - | 71,498 |
| 2.1.11. | Receivables from short sale commitments | - | - | - | - | - | - |
| 2.1.12. | Payables for short sale commitments | - | - | - | - | - | - |
| 2.1.13. | Other irrevocable commitments | 4,640,630 | 12,408,305 | 17,048,935 | 866,845 | 2,314,300 | 3,181,145 |
| 2.2. | Revocable commitments | 80,552,364 | 1,504,820 | 82,057,184 | 68,914,159 | 1,974,856 | 70,889,015 |
| 2.2.1. | Revocable loan granting commitments | 79,347,287 | - | 79,347,287 | 68,374,855 | - | 68,374,855 |
| 2.2.2. | Other revocable commitments | 1,205,077 | 1,504,820 | 2,709,897 | 539,304 | 1,974,856 | 2,514,160 |
| III. | DERIVATIVE FINANCIAL INSTRUMENTS (5), (6) | 197,832,212 | 540,512,961 | 738,345,173 | 87,927,242 | 390,797,838 | 478,725,080 |
| 3.1. | Derivative financial instruments for hedging purposes | 22,065,418 | 128,742,067 | 150,807,485 | 12,489,736 | 101,394,674 | 113,884,410 |

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

QNB Finansbank Anonim Şirketi

Consolidated Balance Sheet–Liabilities and Equity

For the year ended 31 December 2022

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

| | Section 5 Part III | Current Period 31.12.2022 | | | Prior Period 31.12.2021 | | |
|------------|--|------------------------------|----------------------|----------------------|----------------------------|--------------------|----------------------|
| | | TL | FC | TOTAL | TL | FC | TOTAL |
| 3.1.1. | Fair value hedge | 6,235,235 | 36,659,431 | 42,894,666 | 6,172,818 | 40,723,961 | 46,896,779 |
| 3.1.2. | Cash flow hedge | 15,830,183 | 92,082,636 | 107,912,819 | 6,316,918 | 60,670,713 | 66,987,631 |
| 3.1.3. | Hedge of net investment in foreign operations | - | - | - | - | - | - |
| 3.2. | Held for trading transactions | 175,766,794 | 411,770,894 | 587,537,688 | 75,437,506 | 289,403,164 | 364,840,670 |
| 3.2.1. | Forward foreign currency buy/sell transactions | 10,544,244 | 19,818,125 | 30,362,369 | 7,288,292 | 16,053,812 | 23,342,104 |
| 3.2.1.1. | Forward foreign currency transactions-buy | 10,071,714 | 5,490,339 | 15,562,053 | 6,377,847 | 4,862,254 | 11,240,101 |
| 3.2.1.2. | Forward foreign currency transactions-sell | 472,530 | 14,327,786 | 14,800,316 | 910,445 | 11,191,558 | 12,102,003 |
| 3.2.2. | Swap transactions related to foreign currency and interest rates | 105,687,546 | 326,800,908 | 432,488,454 | 66,545,184 | 268,882,455 | 335,427,639 |
| 3.2.2.1. | Foreign currency swap-buy | 6,624,797 | 132,828,947 | 139,453,744 | 2,126,829 | 98,404,122 | 100,530,951 |
| 3.2.2.2. | Foreign currency swap-sell | 60,927,351 | 75,886,225 | 136,813,576 | 37,918,755 | 62,467,695 | 100,386,450 |
| 3.2.2.3. | Interest rate swaps-buy | 19,067,699 | 59,042,868 | 78,110,567 | 13,249,800 | 54,005,319 | 67,255,119 |
| 3.2.2.4. | Interest rate swaps-sell | 19,067,699 | 59,042,868 | 78,110,567 | 13,249,800 | 54,005,319 | 67,255,119 |
| 3.2.3. | Foreign currency, interest rate and securities options | 58,709,719 | 58,732,290 | 117,442,009 | 1,227,592 | 2,651,799 | 3,879,391 |
| 3.2.3.1. | Foreign currency options-buy | 45,910,391 | 13,322,787 | 59,233,178 | 821,817 | 1,131,799 | 1,953,616 |
| 3.2.3.2. | Foreign currency options-sell | 12,799,328 | 45,409,503 | 58,208,831 | 405,775 | 1,520,000 | 1,925,775 |
| 3.2.3.3. | Interest rate options-buy | - | - | - | - | - | - |
| 3.2.3.4. | Interest rate options-sell | - | - | - | - | - | - |
| 3.2.3.5. | Securities options-buy | - | - | - | - | - | - |
| 3.2.3.6. | Securities options-sell | - | - | - | - | - | - |
| 3.2.4. | Foreign currency futures | 825,285 | 792,923 | 1,618,208 | 376,438 | 387,573 | 764,011 |
| 3.2.4.1. | Foreign currency futures-buy | - | 792,923 | 792,923 | 361,015 | 18,895 | 379,910 |
| 3.2.4.2. | Foreign currency futures-sell | 825,285 | - | 825,285 | 15,423 | 368,678 | 384,101 |
| 3.2.5. | Interest rate futures | - | 3,570,022 | 3,570,022 | - | - | - |
| 3.2.5.1. | Interest rate futures-buy | - | 1,785,011 | 1,785,011 | - | - | - |
| 3.2.5.2. | Interest rate futures-sell | - | 1,785,011 | 1,785,011 | - | - | - |
| 3.2.6. | Other | - | 2,056,626 | 2,056,626 | - | 1,427,525 | 1,427,525 |
| B. | CUSTODY AND PLEDGED ITEMS (IV+V+VI) | 2,121,542,054 | 716,989,813 | 2,838,531,867 | 1,389,205,116 | 499,735,768 | 1,888,940,884 |
| IV. | ITEMS HELD IN CUSTODY | 400,872,053 | 33,839,097 | 434,711,150 | 242,561,027 | 26,811,981 | 269,373,008 |
| 4.1. | Assets under management | 15,019,765 | 7,963 | 15,027,728 | 9,104,743 | 9,997 | 9,114,740 |
| 4.2. | Investment securities held in custody | 237,790,076 | 12,787,625 | 250,577,701 | 153,604,458 | 11,510,543 | 165,115,001 |
| 4.3. | Checks received for collection | 32,048,284 | 2,269,091 | 34,317,375 | 13,107,448 | 3,535,033 | 16,642,481 |
| 4.4. | Commercial notes received for collection | 3,714,274 | 1,470,469 | 5,184,743 | 2,363,152 | 1,179,744 | 3,542,896 |
| 4.5. | Other assets received for collection | - | - | - | - | - | - |
| 4.6. | Assets received for public offering | - | - | - | - | - | - |
| 4.7. | Other items under custody | 112,299,654 | 17,303,949 | 129,603,603 | 64,381,226 | 10,576,664 | 74,957,890 |
| 4.8. | Custodians | - | - | - | - | - | - |
| V. | PLEDGED ITEMS | 994,474,840 | 388,564,158 | 1,383,038,998 | 666,936,857 | 290,504,187 | 957,441,044 |
| 5.1. | Marketable securities | 5,758,007 | 25,835,961 | 31,593,968 | 5,098,635 | 18,744,531 | 23,843,166 |
| 5.2. | Guarantee notes | 754,876 | 505,077 | 1,259,953 | 538,348 | 602,312 | 1,140,660 |
| 5.3. | Commodity | 1,005,497 | - | 1,005,497 | 521,666 | - | 521,666 |
| 5.4. | Warranty | - | - | - | - | - | - |
| 5.5. | Properties | 223,359,270 | 180,431,706 | 403,790,976 | 130,004,304 | 146,855,545 | 276,859,849 |
| 5.6. | Other pledged items | 763,597,190 | 181,791,414 | 945,388,604 | 530,773,904 | 124,301,799 | 655,075,703 |
| 5.7. | Pledged items-depository | - | - | - | - | - | - |
| VI. | ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES | 726,195,161 | 294,586,558 | 1,020,781,719 | 479,707,232 | 182,419,600 | 662,126,832 |
| | TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B) | 2,601,637,169 | 1,317,787,454 | 3,919,424,623 | 1,640,965,267 | 932,856,638 | 2,573,821,905 |

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

QNB Finansbank Anonim Şirketi

Consolidated Statement of Off-Balance Sheet Commitments and Contingencies

For the year ended 31 December 2022

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

III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | Section 5 Part IV | Current Period 01.01. - 31.12.2022 | Prior Period 01.01. - 31.12.2021 |
|--|----------------------|---------------------------------------|-------------------------------------|
| I. INTEREST INCOME | (1) | 66,995,815 | 26,917,067 |
| 1.1. Interest income on loans | | 40,449,705 | 20,108,892 |
| 1.2. Interest income on reserve deposits | | 130,135 | 447,034 |
| 1.3. Interest income on banks | | 302,850 | 53,333 |
| 1.4. Interest income on money market transactions | | 168,060 | 70,409 |
| 1.5. Interest income on securities portfolio | | 22,584,528 | 4,752,529 |
| 1.5.1. Financial assets measured at FVTPL | | 87,425 | 26,533 |
| 1.5.2. Financial assets measured at FVOCI | | 5,650,136 | 1,899,478 |
| 1.5.3. Financial assets measured at amortized cost | | 16,846,967 | 2,826,518 |
| 1.6. Financial lease income | | 1,451,341 | 853,316 |
| 1.7. Other interest income | | 1,909,196 | 631,554 |
| II. INTEREST EXPENSE (-) | (2) | 28,428,661 | 14,082,721 |
| 2.1. Interest on deposits | | 18,739,409 | 8,895,044 |
| 2.2. Interest on funds borrowed | | 3,927,500 | 1,966,188 |
| 2.3. Interest on money market transactions | | 2,545,739 | 1,321,703 |
| 2.4. Interest on securities issued | | 2,763,449 | 1,790,883 |
| 2.5. Interest on leases | | 100,667 | 61,052 |
| 2.6. Other interest expenses | | 351,897 | 47,851 |
| III. NET INTEREST INCOME/EXPENSE (I-II) | | 38,567,154 | 12,834,346 |
| IV. NET FEES AND COMMISSIONS INCOME/EXPENSES | | 6,688,561 | 3,681,746 |
| 4.1. Fees and commissions received | | 9,049,873 | 4,767,706 |
| 4.1.1. Non-cash loans | | 429,217 | 268,526 |
| 4.1.2. Others | | 8,620,656 | 4,499,180 |
| 4.2. Fees and commissions paid (-) | | 2,361,312 | 1,085,960 |
| 4.2.1. Non-cash loans | | 6,048 | 3,693 |
| 4.2.2. Others | | 2,355,264 | 1,082,267 |
| V. DIVIDEND INCOME | (3) | 16,976 | 1,305 |
| VI. NET TRADING INCOME/LOSS (NET) | (4) | 1,071,694 | (3,208,946) |
| 6.1. Trading account gain/losses | | 1,563,149 | 180,869 |
| 6.2. Gain/losses from derivative transactions | | (6,835,151) | (6,500,905) |
| 6.3. Foreign exchange gain/losses | | 6,343,696 | 3,111,090 |
| VII. OTHER OPERATING INCOME | (5) | 333,926 | 483,880 |
| VIII. TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII+VIII) | | 46,678,311 | 13,792,331 |
| IX. EXPECTED CREDIT LOSSES (-) | (6) | 5,096,254 | 3,311,372 |
| X. OTHER PROVISION EXPENSES (-) | | 5,939,858 | 175,967 |
| XI. PERSONEL EXPENSES | | 4,799,775 | 2,340,253 |
| XII. OTHER OPERATING EXPENSES | (7) | 6,407,621 | 2,937,412 |
| XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII) | | 24,434,803 | 5,027,327 |
| XIV. INCOME RESULTED FROM MERGERS | | - | - |
| XV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING | | 219,325 | 107,822 |
| XVI. GAIN/LOSS ON NET MONETARY POSITION | | - | - |
| XVII. OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV) | (8) | 24,654,128 | 5,135,149 |
| XVIII. PROVISION FOR TAXES OF CONTINUED OPERATIONS (±) | (9) | 7,427,908 | 1,227,288 |
| 18.1. Current tax charge | | 9,086,568 | 278,506 |
| 18.2. Deferred tax charge (+) | | 1,712,063 | 1,617,451 |
| 18.3. Deferred tax credit (-) | | (3,370,723) | (668,669) |
| XIX. NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII) | (10) | 17,226,220 | 3,907,861 |
| XX. INCOME FROM DISCONTINUED OPERATIONS | | - | - |
| 20.1. Income from assets held for sale | | - | - |
| 20.2. Income from sale of associates, subsidiaries and joint-ventures | | - | - |
| 20.3. Others | | - | - |
| XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-) | | - | - |
| 21.1. Expenses on assets held for sale | | - | - |
| 21.2. Expenses on sale of associates, subsidiaries and joint-ventures | | - | - |
| 21.3. Others | | - | - |
| XXII. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX+XX) | | - | - |
| XXIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±) | | - | - |
| 23.1. Current tax charge | | - | - |
| 23.2. Deferred tax charge (+) | | - | - |
| 23.3. Deferred tax credit (-) | | - | - |
| XXIV. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXI±XXII) | | - | - |
| XXV. NET PROFIT/LOSS (XVIII+XXIII) | (11) | 17,226,220 | 3,907,861 |
| 25.1. Group's profit/loss | | 17,223,799 | 3,906,647 |
| 25.2. Minority interest | | 2,421 | 1,214 |
| Earnings Per Share | | 0,51414 | 0,11662 |

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

QNB Finansbank Anonim Şirketi
Consolidated Balance Sheet–Liabilities and Equity
For the year ended 31 December 2022

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

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

| | Current Period 01.01.-31.12.2022 | Prior Period 01.01.-31.12.2021 |
|---|-------------------------------------|-----------------------------------|
| I. CURRENT PERIOD PROFIT/LOSS | 17,226,220 | 3,907,861 |
| II. OTHER COMPREHENSIVE INCOME | 4,897,703 | (996,880) |
| 2.1. Other Income/Expense Items not to be Reclassified to Profit or Loss | (448,214) | (112,379) |
| 2.1.1. Revaluation Surplus on Tangible Assets | - | - |
| 2.1.2. Revaluation Surplus on Intangible Assets | - | - |
| 2.1.3. Defined Benefit Plans' Actuarial Gains/Losses | (607,631) | (140,736) |
| 2.1.4. Other Income/Expense Items not to be Reclassified to Profit or Loss | 1,030 | - |
| 2.1.5. Deferred Taxes on Other Comprehensive Income not to be Reclassified to Profit or Loss | 158,387 | 28,357 |
| 2.2. Other Income/Expense Items to be Reclassified to Profit or Loss | 5,345,917 | (884,501) |
| 2.2.1. Translation Differences | - | - |
| 2.2.2. Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI | 4,532,943 | (1,392,805) |
| 2.2.3. Gains/losses from Cash Flow Hedges | 2,407,949 | 280,271 |
| 2.2.4. Gains/Losses on Hedges of Net Investments in Foreign Operations | - | - |
| 2.2.5. Other Income/Expense Items to be Reclassified to Profit or Loss | - | - |
| 2.2.6. Deferred Taxes on Other Comprehensive Income to be Reclassified to Profit or Loss | (1,594,975) | 228,033 |
| III. TOTAL COMPREHENSIVE INCOME (I+II) | 22,123,923 | 2,910,981 |

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

QNB Finansbank Anonim Şirketi
Consolidated Statement of Changes in Shareholders' Equity
For the year ended 31 December 2022

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | Section 5 Part V | Paid-in Capital | Share Premium | Share Cancellation Profits | Other Capital Reserves | Other Comprehensive Income/ Expense Items not to be Reclassified to Profit or Loss | | |
|--|------------------------|--------------------|------------------|----------------------------------|------------------------------|--|---|-----------------------|
| | | | | | | Revaluation surplus on tangible and intangible assets | Defined Benefit Plans' Actuarial Gains/ Losses | Others ^(*) |
| Prior Period - 01.01. - 31.12.2021 | | | | | | | | |
| I. Balances at Beginning of Period | | 3,350,000 | 714 | - | - | - | (111,564) | - |
| II. Correction made as per TAS 8 | | - | - | - | - | - | - | - |
| 2.1. Effect of Corrections | | - | - | - | - | - | - | - |
| 2.2. Effect of Changes in Accounting Policies | | - | - | - | - | - | - | - |
| III. Adjusted Balances at Beginning of Period (I+II) | | 3,350,000 | 714 | - | - | - | (111,564) | - |
| IV. Total Comprehensive Income | | - | - | - | - | - | (112,379) | - |
| V. Capital Increase in Cash | | - | - | - | - | - | - | - |
| VI. Capital Increase from Internal Sources | | - | - | - | - | - | - | - |
| VII. Capital Reserves from Inflation Adjustments to Paid-in Capital | | - | - | - | - | - | - | - |
| VIII. Convertible Bonds | | - | - | - | - | - | - | - |
| IX. Subordinated Liabilities | | - | - | - | - | - | - | - |
| X. Others Changes | | - | - | - | - | - | - | - |
| XI. Profit Distribution | | - | - | - | - | - | - | - |
| 11.1. Dividends | | - | - | - | - | - | - | - |
| 11.2. Transfers to Reserves | | - | - | - | - | - | - | - |
| 11.3. Others | | - | - | - | - | - | - | - |
| Balances at end of the period (III+IV+.....+X+XI) | | 3,350,000 | 714 | - | - | - | (223,943) | - |

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

**Other Comprehensive Income/Expense
Items to be Reclassified to Profit or Loss**

| Translation Differences | Income/ Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI | Others ^(**) | Profit Reserves | Prior Periods' Profit/ Loss | Current Period's Net Profit/ Loss | Shareholders' Equity Before Minority Interest | Minority Interest | Total Shareholders' Equity |
|----------------------------|---|------------------------|--------------------|--------------------------------------|--|--|----------------------|----------------------------------|
| - | (475,892) | (603,133) | 14,217,872 | 101,267 | 2,753,783 | 19,233,047 | 8,181 | 19,241,228 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | (475,892) | (603,133) | 14,217,872 | 101,267 | 2,753,783 | 19,233,047 | 8,181 | 19,241,228 |
| - | (1,107,636) | 223,135 | - | - | 3,906,647 | 2,909,767 | 1,214 | 2,910,981 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | 2,855,050 | (101,267) | (2,753,783) | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | 2,855,050 | (101,267) | (2,753,783) | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | (1,583,528) | (379,998) | 17,072,922 | - | 3,906,647 | 22,142,814 | 9,395 | 22,152,209 |

QNB Finansbank Anonim Şirketi
Consolidated Statement of Changes in Shareholders' Equity
For the year ended 31 December 2022

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

| | | Other Comprehensive Income/ Expense Items not to be Reclassified to Profit or Loss | | | | | | | |
|---|---|--|--------------------|------------------|----------------------------------|------------------------------|---|---|-----------------------|
| | | Section 5 Part V | Paid-in Capital | Share Premium | Share Cancellation Profits | Other Capital Reserves | Revaluation surplus on tangible and intangible assets | Defined Benefit Plans' Actuarial Gains/ Losses | Others ^(*) |
| Current Period - 01.01. - 31.12.2022 | | | | | | | | | |
| I. | Balances at Beginning of Period | | 3,350,000 | 714 | - | - | - | (223,943) | - |
| II. | Correction made as per TAS 8 | | - | - | - | - | - | - | - |
| 2.1. | Effect of Corrections | | - | - | - | - | - | - | - |
| 2.2. | Effect of Changes in Accounting Policies | | - | - | - | - | - | - | - |
| III. | Adjusted Balances at Beginning of Period (I+II) | | 3,350,000 | 714 | - | - | - | (223,943) | - |
| IV. | Total Comprehensive Income | | - | - | - | - | - | (449,245) | 1,031 |
| V. | Capital Increase in Cash | | - | - | - | - | - | - | - |
| VI. | Capital Increase from Internal Sources | | - | - | - | - | - | - | - |
| VII. | Capital Reserves from Inflation Adjustments to Paid-in Capital | | - | - | - | - | - | - | - |
| VIII. | Convertible Bonds | | - | - | - | - | - | - | - |
| IX. | Subordinated Liabilities | | - | - | - | - | - | - | - |
| X. | Others Changes | | - | - | - | - | - | - | - |
| XI. | Profit Distribution | | - | - | - | - | - | - | - |
| 11.1. | Dividends | | - | - | - | - | - | - | - |
| 11.2. | Transfers to Reserves | | - | - | - | - | - | - | - |
| 11.3. | Others | | - | - | - | - | - | - | - |
| | Balances at end of the period (III+IV+.....+X+XI) | | 3,350,000 | 714 | - | - | - | (673,188) | 1,031 |

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

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

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

**Other Comprehensive Income/Expense
Items to be Reclassified to Profit or Loss**

| Translation Differences | Income/ Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI | Others ^(**) | Profit Reserves | Prior Periods' Profit/ Loss | Current Period's Net Profit/ Loss | Shareholders' Equity Before Minority Interest | Minority Interest | Total Shareholders' Equity |
|----------------------------|---|------------------------|--------------------|--------------------------------------|--|--|----------------------|----------------------------------|
| - | (1,583,528) | (379,998) | 17,072,922 | - | 3,906,647 | 22,142,814 | 9,395 | 22,152,209 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | (1,583,528) | (379,998) | 17,072,922 | - | 3,906,647 | 22,142,814 | 9,395 | 22,152,209 |
| - | 3,435,311 | 1,910,606 | - | - | 17,223,799 | 22,121,502 | 2,421 | 22,123,923 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | 3,906,647 | - | (3,906,647) | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | 3,906,647 | - | (3,906,647) | - | - | - |
| - | - | - | - | - | - | - | - | - |
| - | 1,851,783 | 1,530,608 | 20,979,569 | - | 17,223,799 | 44,264,316 | 11,816 | 44,276,132 |

QNB Finansbank Anonim Şirketi

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

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

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

| | Section 5 Part VI | Current Period 01.01.- 31.12.2022 | Prior Period 01.01.- 31.12.2021 |
|--|----------------------|---|---------------------------------------|
| A. CASH FLOWS FROM/(TO) BANKING OPERATIONS | | | |
| 1.1. Operating Profit Before Changes in Operating Assets and Liabilities (+) | | 8,863,813 | 9,986,046 |
| 1.1.1. Interest received | | 30,170,928 | 25,054,667 |
| 1.1.2. Interest paid | | (33,741,600) | (15,761,881) |
| 1.1.3. Dividend received | | 16,976 | 1,305 |
| 1.1.4. Fees and commissions received | | 9,140,802 | 4,769,118 |
| 1.1.5. Other income | | 333,926 | 483,880 |
| 1.1.6. Collections from previously written off loans | | 2,406,693 | 2,119,294 |
| 1.1.7. Payments to personnel and service suppliers | | (4,174,934) | (2,232,334) |
| 1.1.8. Taxes paid | | (7,808,223) | (2,334,344) |
| 1.1.9. Other | | 12,519,245 | (2,113,659) |
| 1.2. Changes in Assets and Liabilities | | 18,953,389 | 6,412,248 |
| 1.2.1. Net (increase) decrease in financial assets measured at fair value through profit/loss | | (120,067) | (854,483) |
| 1.2.2. Net (increase) decrease in due from banks | | (2,298,195) | (24,803,607) |
| 1.2.3. Net (increase) decrease in loans | | (116,410,268) | (32,516,803) |
| 1.2.4. Net (increase) decrease in other assets | | (6,554,484) | 3,360,662 |
| 1.2.5. Net increase (decrease) in bank deposits | | (1,890,347) | 12,179,425 |
| 1.2.6. Net increase (decrease) in other deposits | | 124,147,142 | 39,949,184 |
| 1.2.7. Net (increase) decrease in financial liabilities measured at fair value through profit and loss | | - | - |
| 1.2.8. Net increase (decrease) in funds borrowed | | 4,103,424 | (3,668,039) |
| 1.2.9. Net increase (decrease) in matured payables | | - | - |
| 1.2.10. Net increase (decrease) in other liabilities | | 17,976,184 | 12,765,909 |
| I. Net Cash Provided from Banking Operations (+/-) | | 27,817,202 | 16,398,294 |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| II. Net Cash Provided from/(Used In) Investing Activities (+/-) | | (7,242,850) | (4,031,648) |
| 2.1. Purchase of entities under common control, associates and subsidiaries | | - | - |
| 2.2. Sale of entities under common control, associates and subsidiaries | | - | - |
| 2.3. Fixed assets purchases | | (2,270,079) | (790,676) |
| 2.4. Fixed assets sales | | 591,661 | 129,974 |
| 2.5. Purchase of financial assets measured at fair value through other comprehensive income | | (27,968,380) | (10,448,300) |
| 2.6. Sale of financial assets measured at fair value through other comprehensive income | | 25,940,243 | 10,317,576 |
| 2.7. Purchase of Financial Assets Measured at Amortized Cost | | (12,898,683) | (5,543,887) |
| 2.8. Sale of Financial Assets Measured at Amortized Cost | | 10,005,623 | 2,609,710 |
| 2.9. Other | | (643,235) | (306,045) |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| III. Net Cash Provided from/(Used In) Financing Activities | | 3,428,289 | 15,202,991 |
| 3.1. Cash obtained from funds borrowed and securities issued | | 24,367,162 | 27,584,977 |
| 3.2. Cash used for repayment of funds borrowed and securities issued | | (21,092,362) | (12,376,809) |
| 3.3. Capital increase | | - | - |
| 3.4. Dividends paid | | - | - |
| 3.5. Payments for finance leases | | - | - |
| 3.6. Other | | 153,489 | (5,177) |
| IV. Effect of Foreign Currency Translation Differences on Cash and Cash Equivalents (+/-) | | 1,454,238 | 4,346,096 |
| V. Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV) | | 25,456,879 | 31,915,733 |
| VI. Cash and Cash Equivalents at the Beginning Of The Period (+) | | 47,798,834 | 15,883,101 |
| VII. Cash and Cash Equivalents at End of the Period (V+VI) | | 73,255,713 | 47,798,834 |

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

QNB Finansbank Anonim Şirketi
Consolidated Statement of Profit Appropriation
For the year ended 31 December 2022

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

VII. CONSOLIDATED STATEMENT OF PROFIT APPROPRIATION^(*)

| | Current Period 31.12.2022 ^(**) | Prior Period 31.12.2021 |
|---|--|----------------------------|
| I. DISTRIBUTION OF CURRENT YEAR INCOME | | |
| 1.1. CURRENT YEAR INCOME | 24,282,814 | 4,989,941 |
| 1.2. TAXES AND DUTIES PAYABLE | 7,059,048 | 1,061,827 |
| 1.2.1. Corporate Tax (Income Tax) | 8,720,618 | 8,528 |
| 1.2.2. Income Withholding Tax | - | - |
| 1.2.3. Other Taxes And Duties | (1,661,570) | 1,053,299 |
| A. NET INCOME FOR THE YEAR (1.1.-1.2.) | 17,223,766 | 3,928,114 |
| 1.3. PRIOR YEAR LOSSES (-) | - | - |
| 1.4. FIRST LEGAL RESERVES (-) | - | - |
| 1.5. OTHER STATUTORY RESERVES (-) | - | - |
| B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)] | 17,223,766 | 3,928,114 |
| 1.6. FIRST DIVIDEND TO SHAREHOLDERS (-) | - | - |
| 1.6.1. To Owners Of Ordinary Shares | - | - |
| 1.6.2. To Owners Of Privileged Shares | - | - |
| 1.6.3. To Owners Of Preferred Shares | - | - |
| 1.6.4. To Profit Sharing Bonds | - | - |
| 1.6.5. To Holders Of Profit And (Loss) Sharing Certificates | - | - |
| 1.7. DIVIDENDS TO PERSONNEL (-) | - | - |
| 1.8. DIVIDENDS TO BOARD OF DIRECTORS (-) | - | - |
| 1.9. SECOND DIVIDEND TO SHAREHOLDERS (-) | - | - |
| 1.9.1. To Owners Of Ordinary Shares | - | - |
| 1.9.2. To Owners Of Privileged Shares | - | - |
| 1.9.3. To Owners Of Preferred Shares | - | - |
| 1.9.4. To Profit Sharing Bonds | - | - |
| 1.9.5. To Holders Of Profit And (Loss) Sharing Certificates | - | - |
| 1.10. SECOND LEGAL RESERVES (-) | - | - |
| 1.11. STATUTORY RESERVES (-) | - | - |
| 1.12. EXTRAORDINARY RESERVES | - | 3,927,444 |
| 1.13. OTHER RESERVES | - | - |
| 1.14. SPECIAL FUNDS | - | 670 |
| II. DISTRIBUTION OF RESERVES | | |
| 2.1. APPROPRIATED RESERVES | - | - |
| 2.2. SECOND LEGAL RESERVES (-) | - | - |
| 2.3. DIVIDENDS TO SHAREHOLDERS (-) | - | - |
| 2.3.1. To Owners Of Ordinary Shares | - | - |
| 2.3.2. To Owners Of Privileged Shares | - | - |
| 2.3.3. To Owners Of Preferred Shares | - | - |
| 2.3.4. To Profit Sharing Bonds | - | - |
| 2.3.5. To Holders Of Profit And (Loss) Sharing Certificates | - | - |
| 2.4. DIVIDENDS TO PERSONNEL (-) | - | - |
| 2.5. DIVIDENDS TO BOARD OF DIRECTORS (-) | - | - |
| III. EARNINGS PER SHARE | | |
| 3.1. TO OWNERS OF ORDINARY SHARES | 0.5141 | 0.1173 |
| 3.2. TO OWNERS OF ORDINARY SHARES (%) | 51.41% | 11.73% |
| 3.3. TO OWNERS OF PRIVILEGED SHARES | - | - |
| 3.4. TO OWNERS OF PRIVILEGED SHARES (%) | - | - |
| IV. DIVIDEND PER SHARE | | |
| 4.1. TO OWNERS OF ORDINARY SHARES | - | - |
| 4.2. TO OWNERS OF ORDINARY SHARES (%) | - | - |
| 4.3. TO OWNERS OF PRIVILEGED SHARES | - | - |
| 4.4. TO OWNERS OF PRIVILEGED SHARES (%) | - | - |

^(*) Profit Appropriation Statement has been prepared according to unconsolidated financial statements of the Parent Bank.

^(**) Decision regarding the profit distribution for the 2021 will be taken at the General Meeting.

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

QNB Finansbank Anonim Şirketi

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

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

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

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

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

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

Explanation for convenience translation to English:

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

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

The accounting policies and valuation principles used in the preparation of the interim financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended 31 December 2021 except for the new regulations mentioned in the chapter VIII. The accounting policies and valuation principles related with current period are explained in Notes II to XXVI below.

Consolidated financial statements are prepared in TL accordance with the historical cost basis except for financial instruments measured at fair value through profit/loss, financial assets measured at fair value through other comprehensive income, derivative financial assets and liabilities.

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

2.1. Changes in Accounting policies and disclosures

In its accompanying consolidated financial statements, the Parent Bank announced the Phase 1 amendments to TFRS 9, TAS 39 and TFRS 7 within the scope of the Indicative Interest Rate Reform published by the POA in the Official Gazette dated 14 December 2019 and Nr. 30978. It has been implemented since 1 January 2020.

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

Within the scope of the said reform; The Bank has operations in the field of loans, securities, borrowing and derivative products, as well as hedge accounting applications. With this; A significant portion of bank transactions are indexed to EURIBOR and USD LIBOR reference interest rates, and EURIBOR continues to be used after the transition. And also; It is anticipated that USD LIBOR rates will continue to be published overnight in 1M, 3M, 6M and 1Y grades until June 2023.

QNB Finansbank Anonim Şirketi

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

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

ACCOUNTING POLICIES (Continued)

I. Basis of Presentation (Continued)

2.1. Changes in Accounting policies and disclosures (Continued)

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

| Current Period | Derivative | Non-Derivative Financial Instruments |
|------------------------------|--------------------|--------------------------------------|
| USD LIBOR | 163,431,174 | 31,984,554 |
| Hedge Accounting Instruments | 89,029,911 | - |
| Total | 252,461,085 | 31,984,554 |

| Prior Period | Derivative | Non-Derivative Financial Instruments |
|------------------------------|--------------------|--------------------------------------|
| USD LIBOR | 119,086,162 | 31,030,011 |
| Hedge Accounting Instruments | 64,743,012 | - |
| Total | 183,829,174 | 31,030,011 |

2.2. Other

In TAS 29 Financial Reporting Standard in Hyperinflationary Economies, the threshold value to be taken as a basis for determining whether there is hyperinflation in an economy by considering the economies with high inflation and the financial statements of the enterprises whose functional currency is the currency of a hyperinflationary economy are related to inflation. explains how to fix it. On 20 January 2022, the Public Oversight Authority ("POA") made a statement on the Implementation of Financial Reporting in High Inflation Economies within the Scope of Turkish Financial Reporting Standards, Financial Reporting Standard for Large and Medium Sized Enterprises. Accordingly, it has been stated that businesses applying TFRS do not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29 Financial Reporting in High Inflation Economies. As of the preparation date of these financial statements, no new disclosure has been made by POA within the scope of TAS 29, and no inflation adjustment has been made according to TAS 29 while preparing the financial statements dated 31 December 2022.

TFRS 17 Insurance Contracts Standard was published in the Official Gazette dated 16 February 2019 and Nr. 30688 by the Public Oversight Accounting and Auditing Standards Authority and is valid for annual reporting periods beginning on or after 1 January 2023. This standard replaces TFRS 4, which currently allows for a wide variety of applications. The related standard is expected to have a significant impact on the unconsolidated financial statements of the Bank as of 1 January 2023.

The tension between Russia and Ukraine since January 2022 has subsequently turned into a crisis and a hot conflict, and the current situation continues as of the date of the report. The Bank does not carry out any activities in the two countries that are subject to the crisis. However, since the course of the crisis is uncertain as of the report date, developments that may occur on a global scale and the effects of these developments on the global and regional economy on the Bank's operations are closely monitored.

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

1. Strategy for the use of financial instruments

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

QNB Finansbank Anonim Şirketi

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

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

ACCOUNTING POLICIES (Continued)

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

1. Strategy for the use of financial instruments (Continued)

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

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

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

Hedging strategies for foreign exchange risk resulting from other foreign currency transactions are explained in the foreign currency risk section.

2. Foreign currency transactions

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

The Group accounts for the transactions denominated in foreign currencies in accordance with TAS 21 "The Effects of Changes in Foreign Exchange Rates". Foreign exchange gains and losses arising from transactions that are completed, As of 31 December 2022 are translated to TL by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities except for non-monetary items are converted into TL by using foreign currency exchange rates of the Parent Bank for the period end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency nonmonetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement.

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

The foreign currency position of the Parent Bank and the profit/loss from the foreign exchange transactions realized are included in the statement of profit or loss comprehensive foreign exchange gains/losses and income/losses from derivative financial instruments in the statement of profit or loss comprehensive. While gain/loss from spot foreign exchange transactions are included in the profit/loss item of foreign exchange gain/loss on balance sheet, profit/loss from derivative transactions (forward, option etc.) for the purpose of hedging related transactions are included in income/loss statement of derivative financial instruments. Therefore, in order to determine the net profit/loss effects of foreign exchange transactions, two balances should be assessed together. As of 31 December 2022, derivative financial transactions loss amounting to TL 6,835,151 (31 December 2021 - TL 6,500,905 derivative financial transactions loss) from the total foreign exchange gain amounting to TL 6,343,696 (31 December 2021 - TL 3,111,090 foreign exchange gain) excluding the net interest expense amounting to TL 4,731,113 (31 December 2021 - TL 4,684,038) arising from derivative transactions is TL 4,239,658 the net profit on foreign currency transactions (31 December 2021 - TL 1,294,223 net foreign currency transaction profit).

2.3. Foreign associates

None.

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

ACCOUNTING POLICIES (Continued)

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

The accompanying consolidated financial statements are prepared in accordance with TFRS 10 “Turkish Financial Reporting Standard in regards to Consolidated Financial Statements” and BRSA’s “Regulation on Preparation of Consolidated Financial Statements of Banks” published on the Official Gazette No. 26340 and dated 8 November 2006. The corporations included in consolidation and their places of incorporation, nature of activities and shareholding percentages are as follows:

| | Consolidation Method | Place of Establishment | Subject of Operations | Effective Share of the Group (%) | |
|---|----------------------|------------------------|----------------------------------|----------------------------------|------------------|
| | | | | 31 December 2022 | 31 December 2021 |
| 1. QNB Finans Yatırım Menkul Değerler A.Ş. (QNB Finans Yatırım) | Full Consolidation | Türkiye | Securities Intermediary Services | 100.00 | 100.00 |
| 2. QNB Finans Portföy Yönetimi A.Ş. (QNB Finans Portföy) | Full Consolidation | Türkiye | Portfolio Management | 100.00 | 100.00 |
| 3. QNB Finans Finansal Kiralama A.Ş. (QNB Finans Leasing) | Full Consolidation | Türkiye | Financial Leasing | 99.40 | 99.40 |
| 4. QNB Finans Faktoring A.Ş. (QNB Finans Faktoring) | Full Consolidation | Türkiye | Factoring Services | 100.00 | 100.00 |
| 5. QNB Finans Varlık Kiralama Şirketi A.Ş. | Full Consolidation | Türkiye | Asset Lease | 100.00 | 100.00 |
| 6. QNBeyond Ventures B.V. | Full Consolidation | Netherlands | Financial Holding | 100.00 | 100.00 |
| 7. Cigna Sağlık, Hayat ve Emeklilik A.Ş. | Equity Method | Türkiye | Private Pension and Insurance | 49.00 | 49.00 |

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

Differences between the accounting policies of subsidiaries and entities under common control and those of the Parent Bank are adjusted, if material. The financial statements of the subsidiaries and entities under common control are prepared as of 31 December 2022.

1. Subsidiaries

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

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

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

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

QNB Finansbank Anonim Şirketi

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ACCOUNTING POLICIES (Continued)

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

2. Associates and entities under common control

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

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

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

IV. Explanations on Derivative Financial Assets and Liabilities

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

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

The Parent Bank's derivative instruments held for trading and derivative instruments hedging purpose are classified, measured and accounted in accordance with "IFRS 9" and TAS 39 "Financial Instruments: Recognition and Measurement", respectively. Derivative instruments held for trading and derivative instruments hedging purpose are initially recognized at fair value and subsequently measured at fair value. Also, the liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual values. The derivative transactions are accounted for at fair value subsequent to initial recognition and are presented in the "Derivative Financial Assets at Fair Value Through Profit/Loss", "Derivative Financial Liabilities at Fair Value Through Profit & Loss" or "Derivative Financial Assets at Fair Value Through Other Comprehensive Income" and "Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income" items of the balance sheet depending on the resulting positive or negative amounts of the computed value. These amounts of derivative transactions presented on the balance sheet, represent the fair value differences based on the valuation.

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

Fair values of option contracts are calculated with option pricing models

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

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

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

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

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

In cash flow hedge accounting

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

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Notes to Consolidated Financial Statements

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ACCOUNTING POLICIES (Continued)

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

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

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

In fair value hedge accounting

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

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

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

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

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

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

QNB Finans Finansal Kiralama A.Ş., the subsidiary of the Parent Bank issues securities, uses loan and financial through swaps, in order to hedge itself against changes in interest and exchange rates regarding lease receivables

Fair value hedge accounting effects are accounted under “Derivative Financial Transactions Profit/Loss from Derivative Financial Transactions” in the statement of profit or loss. QNB Finans Finansal Kiralama A.Ş., the subsidiary, conducts efficiency tests on every balance sheet date for transactions where fair value hedge accounting is applied.

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

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

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

As of 30 September 2018, the Bank terminated the hedge accounting for the fair value hedge of the fair value risk arising from the changes in the exchange rates for the real estates purchased in previous periods in foreign currency and the fair value of which is in foreign currency in the market and as of 31 December 2022, fair value exchange difference adjustment amounting to TL 1,142,449 which is shown intangible assets in the balance sheet, is amortized over the economic life of the property subject to hedging.

QNB Finansbank Anonim Şirketi

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ACCOUNTING POLICIES (Continued)

V. Explanations on Interest Income and Expenses

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

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

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

VI. Explanations on Fees and Commission Income and Expenses

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

VII. Explanations and Disclosures on Financial Instruments

Initial recognition of financial instruments

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

Initial measurement of financial instruments

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

Classification of financial instruments

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

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

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ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Instruments (Continued)

Assessment of business model

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

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

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

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

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

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

Other business models

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

Measurement categories of financial assets and liabilities

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

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

Financial assets at the fair value through profit or loss

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the statement of profit or loss and other comprehensive income. According to uniform chart of accounts explanations interest income earned on financial asset and the difference between their acquisition costs and amortized costs are recorded as interest income in the statement of profit or loss. The differences between the amortized costs and the fair values of such assets are recorded under trading account income/losses in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

The Parent Bank has stocks, bills and bonds in portfolios of financial assets at fair value through profit and loss that are accounted in accordance with the Group's business model. In accordance with TFRS 9, the Parent Bank has classified cash flows are solely payments of principal and interest at certain dates under financial assets at fair value through profit and loss related to private purpose loans as of December, 2018.

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ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Instruments (Continued)

Financial assets at fair value through other comprehensive income

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

“Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the statement of profit or loss and other comprehensive income of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and are accounted under the “Other comprehensive income/expense items to be reclassified to profit/loss” under shareholders’ equity. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

Parent Bank has inflation indexed (CPI) government bonds in its financial assets at fair value through other comprehensive income and measured at amortized cost portfolios. CPI government bonds that are constant throughout their lives and their real principal amounts are preserved from inflation. These marketable securities are valued and accounted by using effective interest rate method by considering the real coupon rates and reference inflation index at the issue date together with the index calculated by considering the estimated inflation rate as disclosed by the Turkish Treasury. As disclosed in ‘Inflation Indexed Bonds Manual’ published by Turkish Treasury, reference index used for the real payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary.

Some portion of the Eurobond portfolio which has been recognized as financial assets at fair value through other comprehensive income are designated as fair value hedged items, hedged against interest rate fluctuations, starting from March and April 2009, and some portion of the TL government bonds are designated as fair value hedged items, hedged against interest rate fluctuations, starting from July 2011. Those securities are disclosed under financial assets at FV through OCI in order to be in line with balance sheet presentation. The fair value differences of Eurobond and TL government bond hedged items are accounted for under “Trading Account Gains/Losses” in the statement of profit or loss and other comprehensive income.

In cases where fair value hedge operations cannot be effectively performed as described in TAS 39, fair value hedge accounting is ceased. After fair value accounting is ceased; value differences, previously reflected the statement of profit or loss and other comprehensive income, are amortized through the equity until the maturity of related hedged securities. The fair value differences of related portfolio securities sold prior to maturity are immediately recognized in the statement of profit or loss and other comprehensive income.

Financial assets measured at amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in statement of profit or loss and other comprehensive income.

The Parent Bank as explained in part IV, “Explanations on Derivative Financial Assets and Liabilities”, enters into fx swap transactions against TL in order to hedge the possible losses which might arise due to the changes in the fair value of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. The Parent Bank accounts for the hedged loan portfolio at fair value related to hedged risk, the swap transactions used as the hedging instrument at fair value and reflects the related net gain or loss to respective period’s statement of profit or loss and other comprehensive income.

When the fair value hedge accounting could not be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through statement of profit or loss and other comprehensive income until the maturity of the hedged loans.

Equity Instruments Measured at Fair Value Through Other Comprehensive Income

At initial recognition, an irrevocable election can be made to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of TFRS 9. Such election is made separately for each financial instrument. Fair value differences recognized in other comprehensive income are not transferred to profit or loss in the following periods and transferred to prior years’ profit/loss. The equity instruments measured at fair value through other comprehensive income, are not subject to impairment calculation.

QNB Finansbank Anonim Şirketi

Notes to Consolidated Financial Statements

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ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses

The Group recognizes a loss allowance for expected credit losses on financial assets and loans measured at amortized cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit/loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with “Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans” effective from 1 January 2018. At each reporting date, the Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. The Group considers the changes in the default risk of financial instrument, when making the assessment.

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets are divided into three categories depending on increase in credit risk observed since their initial recognition:

Stage 1

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of expected credit losses on the 12-month default risk. It is calculated 12-month expected credit loss based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate. As of 31 December 2022, minimum probability of default rate of Basel II is used in the expected credit loss calculation of receivables from public institutions and organizations. Such calculation is performed for each of three scenarios explained below.

Stage 2

As of the reporting date of the financial asset, in the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument’s lifetime expected credit losses. Calculation approach is quite similar with approach mentioned above, but probability of default and loss amount in default ratios estimated for the lifetime of instruments.

Stage 3

Financial assets considered as impaired at the reporting date are classified as stage 3. The probability of default is taken into account as 100% in the calculation of impairment provision and Parent Bank accounts lifetime expected credit losses. In determining the impairment, the Parent Bank takes into consideration the following criteria:

- Delay of over 90 days and impairment of credit worthiness.
- Collateral and/or equity of debtor is inadequate cover the payment of receivables on the maturity.
- If it is convinced that will be delayed by more than 90 days for recovery of receivables due to macroeconomic, sector-specific or customer-specific reasons.

Calculation of expected credit losses

The Bank measured expected credit losses with the reasonable, objective and supportable information based on a probability-weighted including estimations about time value of money, past events, current conditions and future economic conditions as of the reporting date, without undue cost or effort. The calculation of expected credit losses consists of three main parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD). PDs and LGDs used in the ECL calculation are point in time (“PIT”)-based for key portfolios and consider both current conditions and expected cyclical changes.

While the expected credit loss is estimated, two scenarios (internal adverse, internal severe negative) are evaluated. Each of these scenarios was associated with the different PD and LGD.

In addition, a certain portion of commercial and corporate loans is assessed individually in accordance with the internal policies in the calculation of the expected credit losses based on TFRS 9. Such calculations are made by discounting the expected cash flows from the individual financial instrument to its present value using the effective interest rate.

When measuring expected credit losses, it shall be considered the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. Such assessment is made by reflecting the estimate of expected credit loss which is unbiased and probability-weighted determined by evaluating a range of possible outcomes.

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ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses (Continued)

Probability of default (“PD”)

The PD represents the likelihood of a default over a specified time period. A 12-month PD represents the likelihood of default determined for the next 12 months and a lifetime PD represents the probability of default over the remaining lifetime of the instrument. The lifetime PD calculation is based on a series of 12-month PIT PDs that are derived from through the cycle (TTC) PDs and scenario forecasts. It is used internal rating systems for both retail and commercial portfolios to measure risk level. The internal rating models used for the commercial portfolio include customer financial information and qualitative survey responses. Whereas behavioral and application scorecards used in the retail portfolio include; the behavioral data of the customer and the product in the Bank, the demographic information of the customer, and the behavioral data of the customer in the sector. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

Loss Given Default (“LGD”)

The LGD represents an estimate of the economic loss at the time of a potential default occurring during the life of a financial instrument. The LGD is calculated taking into account expected future cash flows from collateral and other credit enhancements by considering time value of money. LGD calculations are performed using historical data which best reflects current conditions, by formation of segments based on certain risk factors that are deemed important for each portfolio and inclusion of forward-looking information and macroeconomic expectations. LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the “time value of money” calculated by means of deducting costs and additional losses from the present value of collections. The Bank bases its estimates on models for collateralized portfolios and on previous experience for unsecured parties, except for corporate loans that are assigned by the Basel Committee individually or as designated by the Basel Committee.

Exposure at default (“EAD”)

The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial instrument. It represents the cash flows outstanding at the time of default, considering expected repayments, interest payments and accruals, discounted at the effective interest rate. Future drawdowns on facilities are considered through a credit conversion factor (CCF) that is reflective of historical drawdown and default patterns and the characteristics of the respective portfolios. While the expected credit loss is estimated, two scenarios (internal adverse, internal severe negative) are evaluated. Each of these scenarios was associated with the probability of different default and loss in default.

Consideration of the macroeconomic factors

Loss given default and probability of default parameters are determined by considering macroeconomic factors. The macroeconomic variables used in the calculation of the expected loss are as follows:

- Five year credit risk of Türkiye (CDS Spread);
- Real GDP growth;
- Unemployment rate;
- Inflation rate; and
- Five year government bond interest rate of Türkiye.

Stages were determined through the models created using internal information for the Parent Bank, the simplified method has been applied for other financial institutions.

The Parent Bank revised its macroeconomic expectations and weights in the calculation of expected credit losses on 30 September 2022. Due to the nature of the model effects, events that cause changes and their effects occur at different times. For this reason, the Bank has made individual valuations in order to eliminate the timing difference and provided additional provisions for the sector and customers that are considered to have a high impact.

This approach, which is preferred in reserve calculations for the year-end period of 2022, will be revised in the following reporting periods, taking into account the impact of the pandemic, portfolio and future expectations.

Calculating the expected loss period

Lifetime ECL is calculated by taking into account maturity extensions, repayment options and the period during which the Bank will be exposed to credit risk. The time in financial guarantees and other irrevocable commitments represents the credit maturity for which the liabilities of the Bank. Behavioral maturity analysis has been performed on credit cards and overdraft accounts. With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless there is the legal right to call it earlier.

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ACCOUNTING POLICIES (Continued)

VIII. Explanations on Expected Credit Losses (Continued)

Significant increase in credit risk

The Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk of financial assets to be classified as stage 2 (Significant Increase in Credit Risk).

Within the scope of quantitative assessment, the quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date. If there is a significant deterioration in PD, it is considered that there is a significant increase in credit risk and the financial asset is classified as stage 2. In this context, the Parent Bank has calculated thresholds at which point the relative change is a significant deterioration. In the quantitative evaluation of the significant increase in credit risk, the Bank considers the absolute thresholds as well as the relative thresholds as an additional layer. Receivables below the absolute threshold value of default are not included in the relative threshold value comparison.

The Parent Bank classifies the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment:

- Loans overdue more than 30 days as of the reporting date;
- Loans classified as watch-list of the Bank; and
- When there is a change in the payment plan due to restructuring.

Write-Off Policy

Receivables that are classified as non-performing loans are collected primarily within the framework of administrative contacts with the debtors, and if no results are obtained, through legal means. In this context, in case the write-off of the uncollectible receivables comes to the agenda, one of the methods of destruction, sale of receivables and write-down can be applied.

In accordance with the provisions of the "Regulation on the Amendment of the Regulation on the Classification of Loans and the Procedures and Principles Regarding the Classification of Loans and Provisions for These" published in the Official Gazette dated 6 July 2021 and No. 31533, they are classified under the "Fifth Group - Loans with a Loss Qualification" and are for life due to the default of the debtor. The portion of the loans for which there is no reasonable expectation of the recovery of the expected loan loss provision is deducted from the records within the period determined specifically for the situation of the borrower within the scope of TFRS 9, starting from the first reporting period (interim or year-end reporting period) following their classification in this Group. In this context, deducting the loans that cannot be collected from the records is an accounting practice and does not result in the waiver of the right to receivable.

The portion of the loan receivables that do not have reasonable expectations regarding the recovery of the following items is deducted from the records within the scope of accounting practice:

- Classified as "Fifth Group - Loans with a Loss Qualification" under the regulation;
- The number of days of delay is at least one year; and
- Lifetime expected credit loss provision has been made due to the default of the borrower.

The portion of the loans that do not have reasonable expectations regarding the recovery of the loans is determined by the internal organs authorized by the Board of Directors. Within the scope of this article, deducting the loans from the records is an accounting practice. Receivables are followed up by the relevant credit and operation teams before the customer.

Within the scope of TFRS 9, the amount written off by the Parent Bank during the period is TL 361,940 (31 December 2021 - TL 126,001) and the effect on the NPL ratio of the Parent Bank is 0.10% (31 December 2021 - 0.05%). While the NPL ratio is 2.50% (31 December 2021 - 4.21%) with the current period non-performing loan figures, the calculated rate including the loans written off during the year is 2.59% (31 December 2021 - 4.26%).

IX. Explanations on Netting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when the Group has a legally enforceable right to offset the recognized amounts, and the intention of collecting or paying the net amount of related assets and liabilities or to realize the asset and settle the liability simultaneously

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ACCOUNTING POLICIES (Continued)

X. Derecognition of Financial Instruments

a) Derecognition of financial assets due to change in contractual terms

Based on TFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset could lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered as 'new' financial asset. When the Parent Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss.

Where all risks and rewards of ownership of the asset have not been transferred to another party and the Parent Bank retains control of the asset, the Parent Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the Parent Bank retains substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognized in its entirety and the consideration received is recognized as a liability.

b) Derecognition of financial assets without any change in contractual terms

The Parent Bank derecognizes the asset if the contractual rights to cash flows from the financial asset are expired or the related financial asset and all risks and rewards of ownership of the asset are transferred to another party. Except for equity instruments measured at fair value through other comprehensive income, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognized in profit/loss.

c) Derecognition of financial liabilities

It shall be removed a financial liability (or a part of a financial liability) from the statement of financial position when, and only when, it is extinguished when the obligation specified in the contract is discharged or cancelled or expires.

d) Reclassification of financial instruments

Based on TFRS 9, it shall be reclassified all affected financial assets at amortised cost to financial assets measured at fair value through other comprehensive income and fair value through profit or loss in the subsequent accounting when, and only when, it is changed the business model for managing financial assets.

e) Restructuring and refinancing of financial instruments

The Parent Bank may be changed the original contractual terms of a loan (maturity, repayment structure, guarantees and sureties) which were previously signed, in case the loan can not be repaid or if a potential payment difficulty is encountered based on the new financing power and structure of the borrower.

Restructuring is to change the financial terms of existing loans in order to facilitate the payment of debt. Refinancing is granting a new loan which will cover either the principal or the interest payment in whole or in part of one or a few existing loans due to the anticipated financial difficulty which the customer or group encounter currently or will encounter in the future.

Changes in the original terms of a credit risk can be made in the current contract or through a new contract. Corporate and commercial companies which have been restructured and refinanced may be excluded from close monitoring, as a minimum, within the scope of the Regulation on the Determination of the Qualifications of Loans and Other Receivables by Banks and the Procedures and Principles Regarding the Provisions To Be Allocated These and when the following conditions are met:

- Subsequent to the thorough review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time.
- At least 1 year should pass over the date of restructuring (or if it is later), the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring/ refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring/ refinancing.

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ACCOUNTING POLICIES (Continued)

X. Derecognition of Financial Instruments (Continued)

e) Restructuring and refinancing of financial instruments (Continued)

In order for the restructured non-performing corporate and commercial loans to be classified to the watchlist category, the following conditions must be met:

- Recovery in debt service;
- At least 1 year should pass over the date of restructuring;
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring/refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring/refinancing; and
- Collection of all overdue amounts, disappearance of the reasons for classification as nonperforming receivable (based on the conditions mentioned above) and having no overdue and there is no doubt that future payments will be made on time.

During the follow-up period of at least one year following the date of restructuring/refinancing, if there is a new restructuring/refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again.

In personal loans, loans can be restructured in order to give liquidity power to the debtor and to ensure the collection of the receivables of the Bank in case of temporary liquidity problems due to the failure of the payment obligation to the Parent Bank. The exclusion of customers from the scope of restructuring is carried out within the scope of the “Regulation on the Determination of the Qualifications of Loans and Other Receivables by Banks and the Procedures and Principles Regarding the Provisions To Be Set Aside For These”.

XI. Explanations on Sales and Repurchase Agreements and Lending of Securities

Securities sold under repurchase agreements are recorded on the balance in accordance with Uniform Chart of Accounts. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as “Investments Subject to Repurchase Agreements” and valued based on the Group’s management’s future intentions, either at market prices or using discounting method with internal rate of return.

Funds obtained in return for repo agreements are monitored in the “Funds From Repo Transactions” accounts under liabilities, and the expense rediscount is calculated according to the internal yield method for the part of the difference between the sales and repurchase prices determined by the repo agreements, which corresponds to the period.

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TL 30,168,346 (31 December 2021 - TL 22,990,663).

As of 31 December 2022 the Parent Bank has no securities that are subject to lending transactions (31 December 2021 - None).

Securities purchased with a commitment to resell (reverse repurchase agreements) has shown under “Cash and Cash Equivalents” on the line of “Money Market Placements” in the balance sheet. The difference resulting from purchase and resale prices is treated as interest income and accrued over the life of the agreement.

XII. Explanations on Assets Held for Sale and Discontinued Operations

In accordance with IFRS 5 (“Assets Held for Sale and Discontinued Operations”), assets classified as held for sale are measured at lower of carrying value or fair value less costs to sell. Amortization on subject asset is ended and these assets are presented separately on financial statements. An asset (or a disposal group) is regarded as “asset held for sale” only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset (or a disposal group) should be actively marketed at a price consistent with its fair value. Various events and conditions may prolong the sale procedures for more than one year. In case subject delay is caused by the events and conditions beyond the Group’s control and there is enough evidence that plans to sell subject asset (or a disposal group) continue subject assets continue to be classified as assets held for sale. As of 31 December 2022, the Group has assets held for sale and discontinued operations explained in footnote 1.17. of Section Five.

A discontinued operation is a part of the Parent Banks’ business classified as disposed or held-for-sale. The operating results of the discontinued operations are disclosed separately in the statement of profit or loss and other comprehensive income. The Parent Bank has no discontinuing operations.

The Parent Bank classifies tangible assets which are acquired due to non-performing receivables as other assets.

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ACCOUNTING POLICIES (Continued)

XIII. Explanations on Goodwill and Other Intangible Assets

The Group's intangible assets consist of software, intangible rights and goodwill.

The intangible assets are recorded at their historical cost less accumulated amortization and provision for impairment, if any. Amortization is calculated on a straight-line basis. Softwares have been classified as other intangible fixed assets. The useful life of softwares is determined as 3-5 years.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the Turkish Accounting Standard on Impairment of Assets (TAS 36) and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

XIV. Explanations on Tangible Assets

Tangible assets are recorded at their historical cost less accumulated depreciation and provision for impairment, if any.

Depreciation is calculated on a straight-line basis over the estimated useful life of tangible assets. The annual amortization rates used are as follows:

| | |
|---|----------|
| Properties | 2% |
| Movables purchased and acquired under finance lease contracts | 7% - 25% |

The depreciation of leasehold improvements acquired before December 2009, under operating lease agreements, is calculated according to their useful lives. Depreciation of the leasehold improvements acquired after this date is calculated over the lease period not exceeding 5 years where the lease duration is certain; or 5 years where the lease period is not certain in accordance with "Communiqué on the Amendment of Communiqué on Uniform Chart of Accounts and Explanatory Notes" dated 10 January 2011.

As of the balance sheet date, with respect to assets which are monitored under tangible assets for less than one year, the projected depreciation amount for a full year, is allocated in proportion to the tangible asset's period of stay in the assets.

Net book value of the property and leased assets under financial lease contracts are compared with the fair values determined by independent appraisers as of the year end and provision for impairment is recognized in "Other Operating Expenses" in the related period statement of profit or loss and other comprehensive income when the fair value is below the net book value in accordance with "Turkish Accounting Standard on Impairment of Assets" (TAS 36).

Gains or losses resulting from disposals of the tangible assets are recorded in the statement of profit or loss and other comprehensive income as the difference between the net proceeds and net book value of the asset.

Expenses for repairs are capitalized if the expenditure increases economic life of the asset; otherwise, they are expensed.

There are no changes in the accounting estimates in regards to amortization duration, which could have a significant impact on the current and future financial statements. There are no pledges, mortgages or other restrictions on the tangible assets. There are no purchase commitments related to the fixed assets.

XV. Explanations on Leasing Transactions

With the TFRS 16 Leases Standard, the difference between operating leases and financial leases has disappeared, and fixed assets acquired under finance lease contracts are presented under "Tangible Fixed Assets" on the asset side and under "Financial Lease Payables" on the liability side at the initial date of the lease. The basis for the determination of related balance sheet amounts is the lower of fair value of the leased asset and the present value of the lease payments. The direct costs incurred for a finance lease transaction are capitalized as additions to the cost of the leased asset. Lease payments include the financing costs incurred due to the leasing transaction and the principal amount of the leased asset for the current period. Depreciation is calculated on a straight-line basis over the estimated useful life of the leased assets at the rate of 20% except for the buildings which are depreciated at the rate of 2%.

TFRS 16 Leases

TFRS 16 Leasing standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of financial leases (on balance sheet). For lessors, the accounting stays almost the same. The Group has started to apply "TFRS 16 Leases" Standard starting from 1 January 2019.

Set out below are the accounting policies of the Group upon application of TFRS 16:

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ACCOUNTING POLICIES (Continued)

XV. Explanations on Leasing Transactions (Continued)

Right of use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The right use includes the presence of:

- The initial measurement of the lease;
- The amount obtained by deducting all lease payments received from all lease payments made on or on the date of actual lease; and
- All initial direct costs incurred by the Group.

At the end of the lease term of the underlying asset's service, the transfer of the Group is reasonably finalized, and the Group depreciates the asset until the end of the life of the underlying asset on which the lease actually began. Right-of-use assets are subject to impairment.

Lease Liabilities

The Group measures the lease obligation at the present value of the unpaid lease payments on the date that the lease commences.

Lease payments included in the measurement of the lease obligation on the date that the lease actually commences, consists of the following payments to be made for the right of use of the underlying asset during the lease period and not paid on the date the lease actually starts:

- Fixed payments;
- Variable lease payments based on an index or rate, the first measurement made using an index or rate on the actual date of the lease;
- Amounts expected to be paid by the Group under the residual value commitments;
- The use price of this option and, if the Group is reasonably confident that it will use the purchase option; and
- Fines for termination of the lease if the lease term indicates that the Group will use an option to terminate the lease.

Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that triggered the payment occurred. The Group revises the revised discount rate for the remainder of the lease term, if the implicit interest rate in the lease can be easily determined; the Group's alternative borrowing interest rate at the date of the revaluation.

After the effective date of the lease, the Group measures the lease obligation as follows:

- Increase the carrying amount to reflect the interest on the lease obligation; and
- Decreases the carrying amount to reflect the lease payments made.

In addition, in the event of a change in the lease term, in essence a change in fixed lease payments or a change in the assessment of the option to buy the underlying asset, the value of the lease obligations is remeasured.

Short-Term Leases And Leases Of Low-Value Assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Due to the Group's implementation of TFRS 16, assets classified under tangible assets as of 31 December 2022 amounted to TL 763,013 (31 December 2021 - TL 491,054), lease liability amounted to TL 755,012 (31 December 2021 - TL 495,124), financing expense amounted to TL 98,182 (31 December 2021 - TL 57,981) and depreciation expense amounted to TL 260,707 (31 December 2021 - TL 227,038).

XVI. Explanations on Factoring Receivables

Factoring receivables are measured at amortized cost using the effective interest rate method after deducting unearned interest income and expected provisions for losses.

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ACCOUNTING POLICIES (Continued)

XVII. Explanations on Provisions and Contingent Liabilities

Provisions, other than specific and general provisions for loans and other receivables, and contingent liabilities are provided for in accordance with TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. Provisions are accounted for immediately when obligations arise as a result of past events and a reliable estimate of the obligation is made by the Parent Bank. In cases where reliable estimate cannot be made of the amount of the obligation, it is considered contingent liabilities. For contingent liabilities if the probability that the event will occur is greater than the probability that it will not and the amount of the obligation can be measured reliably, a provision is made.

XVIII. Explanations on Obligations of the Group for Employee Benefits

Provision for employee severance benefits of the Group has been accounted for in accordance with TAS 19 “Employee Benefits”.

In accordance with the existing social legislation in Türkiye, the Group is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Group over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Group. The Group has reflected the retirement pay liability amount, which was calculated by an independent actuary, in the accompanying financial statements. According to TAS 19, the Group recognizes all actuarial gains and losses immediately through other comprehensive income. The Group does not have any employees who work under limited period contracts with remaining terms longer than 12 months after the balance sheet date. Provision for the employees’ unused vacations has been booked in accordance with TAS 19 and reflected to the financial statements.

There are no foundations, pension trusts or similar associations of which the Group employees are members.

XIX. Explanations on Taxation

1. Corporate tax

While the corporate tax is calculated at the rate of 20% on the corporate income according to the Corporate Tax Law No. 5520 published in the Official Gazette dated 21 June 2006 and Nr. 26205, 25% corporate tax rate was applied to the corporate earnings within 2021 taxation period as the Provisional Article 13 was added to the Corporate Tax Law with the 11th Article of the Law No. 7316 on the Collection of Public Receivables and the Law on the Amendment of Certain Laws published in the Official Gazette on 22 April 2021. Companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies were applied as 25% for corporate earnings for the taxation period of 2022 with the Law No. 7394 on Certain Amendments to Utilization of Immovable Properties Belonging to the Treasury and to the Law on Certain Amendments to Value Added Tax Law, article 26 of the Law on Amendments to Certain Laws and Statutory Decrees and the paragraph added to the temporary article 13 of the Corporate Tax Law, which was published in the Official Gazette dated 15 April 2022, and No. 31810. This amendment has been valid in the taxation of corporate income for the periods starting from 1 January 2022, and in the declarations that must be submitted as of 1 July 2022. Prepaid taxes are followed in “Current Tax Liability” or “Current Tax Asset” accounts to be deducted from the corporate tax liability of the relevant year.

With the 75% of the profits arising from the sale of the participation shares held in the Bank’s assets for more than two years and the founder’s shares, usufruct shares and preference rights held for the same period and 50% of the gains arising from the sale of immovables that are in the assets of the Bank for the same period is exempt from tax on the condition that it is added to the capital or kept in a special fund account for 5 years as stipulated in the Corporate Tax Law.

Companies calculate provisional tax at the rate of 25% for the taxation periods of 2021 and 2022 (20% in the first temporary tax period of 2021 and 23% in the first temporary tax period of 2022) on their quarterly financial profits and they declare and pay until the 17th day of the second month following that period. With the 9th article of the Law No. 7338 on the Amendment of the Tax Procedure Law and Some Laws published in the Official Gazette dated 26 October 2021 and Nr. 31640, the repetitive article 120 of the Income Tax Law No. 193 was amended and It has been stated that provisional tax will be calculated and paid on the quarterly earnings determined for the first nine months of the relevant accounting period, which is applied from the declarations submitted.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period, if they do not exceed 5 years. According to the Tax Procedure Law, declarations and related accounting records can be examined by the tax office within five years. On the other hand, if the provision of a document subject to stamp duty, whose tax and penalty is time-barred, is utilized after the expiry of the statute of limitations, the tax receivable of the aforementioned document arises.

The corporate tax provisions calculated over the profit for the period are recorded in the “Current Tax Provision” account in the profit or loss statement, and the current tax effects of the transactions that are directly accounted for in equity are reflected in the shareholders’ equity.

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ACCOUNTING POLICIES (Continued)

XIX. Explanations on Taxation (Continued)

1. Corporate Tax (Continued)

In cases where the profit for the period is not distributed and added to the capital or distributed to fully taxpayer institutions while not subject to withholding tax, in accordance with the Council of Ministers Decision no 2009/14593 and the Council of Ministers Decision no 2009/14594 published in the Official Gazette dated 3 February 2009, and Nr. 27130, and articles 15 and 30 of the Corporate Tax Law No. 5520. Real persons who are fully taxpayers, those who are not liable for corporate tax and income tax, those who are exempt from corporate tax and income tax, non-resident corporations (except for those who receive dividends through a workplace or permanent representative in Türkiye) and non-resident taxpayers while profit distribution to real persons is subject to withholding tax at the rate of 15%, this rate has been changed to 10% with the Presidential Decision published in the Official Gazette dated 22 December 2021 and Nr. 31697. In the application of withholding tax rates for profit distributions to non-resident companies and real persons, the practices included in the relevant Double Taxation Agreements are also taken into consideration.

The financial statements should be subject to inflation if both of the following conditions are met within the framework of the Tax Procedure Law's reiterated article 298/A:

- The increase in the price index (D-PPI- Domestic Producer Price Index) exceeded 100% in the last three accounting periods, including the current period; and
- To be more than 10% in the current accounting period.

The law on the amendment of the Tax Procedure Law and the Corporate Tax Law was enacted on 20 January 2022, with the Law No. 7352, and the conditions regarding the inflation adjustment within the scope of the repeated article 298 are determined in the 2021 and 2022 accounting periods and the 2023 accounting period temporary tax periods, including the temporary accounting periods. It has been decided that the financial statements will not be subject to inflation adjustment, regardless of whether the financial statements have been made. In line with the Law No. 7352, inflation adjustment will be applied to the financial statements dated 31 December 2023, and the profit/loss difference arising from the inflation adjustment will be shown in the previous years' profit/loss account and will not be taxed.

2. Deferred Taxes

The Group calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12"). In the calculation of the Parent Bank's deferred tax, the enacted tax rates that are valid in accordance with the current tax legislation are used in accordance with the tax period for the related items. The Corporate Tax rate, which is 20% in accordance with the Provisional Article 13 added to the Corporate Tax Law with the 11th Article of the Law on the Amendment of Certain Laws and the Law on the Collection of Public Claims and published in the Official Gazette on 22 April 2021, Nr. 7316, was applied as 25% for corporate earnings incurred in 2021. It will be applied as 23% for 2022.

With the Law No. 7394 published in the Official Gazette No. 31810 and dated 15 April 2022 on Evaluation of Immovable Property Owned by the Treasury and Amending the Value Added Tax Law, Article 26 of the Law on Amending Certain Laws and Decree-Laws and the paragraph added to the temporary 13th article of the Corporate Tax Law No. 5520, the Corporate Tax rate for banks, companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies will be applied as 25% for corporate earnings for the 2022 taxation period. As of 31 December 2022, deferred tax has been calculated over 25% in accordance with the tax legislation in effect in the relevant period.

This amendment will be valid in the taxation of corporate earnings for the period starting from 1 January 2022, starting with the declarations that must be submitted as of 1 July 2022.

While deferred tax liability is calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly probable to benefit from these differences by generating taxable profit in the future.

The Group is recognized deferred tax for the Stage 1 and Stage 2 expected credit losses provisions. Deferred tax effect related to transactions for which the profit or loss effect is directly accounted in equity, is also reflected to equity.

3. Transfer Pricing

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of "disguised profit distribution" by way of transfer pricing. "The General Communique on Disguised Profit Distribution by way of Transfer Pricing" published on 18 November 2007 explains the application related issues in detail. According to this Communique, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes. Disguised profit distribution amount will be recognized as share in net profit and stoppage tax will be calculated depending on whether the profit distributing institution is a real or corporate entity, full-fledged or foreign based taxpayer, is subject to or exempt from tax.

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ACCOUNTING POLICIES (Continued)

XIX. Explanations on Taxation (Continued)

3. Transfer Pricing (Continued)

As discussed under subject Communique's 7.5 Annual Documentation section, taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

XX. Additional Explanations on Borrowings

The Parent Bank and consolidated Group companies generate funds from domestically and internationally resident people and institutions by using debt instruments such as syndication, securitization, collateralized debt and bond issuance. Aforementioned transactions are initially recorded at transaction cost plus acquisition cost, reflective of their fair value, and are subsequently measured at amortized cost by using effective interest rate method.

XXI. Explanations on Share Issues

There are no shares issued in 2022 (31 December 2021 - None).

XXII. Explanations on Confirmed Bills of Exchange and Acceptances

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any. There are no acceptances and confirmed bills of exchange presented as liabilities against any assets.

XXIII. Explanations on Government Incentives

As of 31 December 2022, the Group does not have any governmental incentives or support (31 December 2021 - None).

XXIV. Explanations on Segment Reporting

In addition to corporate banking, retail banking and commercial banking services, the Group also provides private banking, SME banking, treasury operations and credit card services through branches and alternative channels. The Group serves its retail banking clients with time, demand deposits, also overdraft services, automatic account services, consumer loans, vehicle loans, housing loans and investment fund services. The Group provides services including deposit and loans, foreign trade financing, forward and option agreements to its corporate clients. Other than those mentioned above, the Group also serves in trading financial instruments, treasury operations, and performs insurance, factoring, and domestic and abroad finance lease operations.

The calculations based on the statement of profit or loss and other comprehensive income for retail banking (consumer banking and plastic cards), corporate and commercial banking that have operational units designated as the main profit centers, have been made according to the product and customer types. During the profitability calculations, the pricing of transfers among these units and treasury unit are made by using cost/return ratios that are determined by the Parent Bank's senior management and which are updated periodically. In this pricing method, general market conditions and the Parent Bank's internal policies are considered.

Corporate and Commercial Banking serves corporate firms with an annual turnover of TL 1.5 billion (full TL) or more, multinational companies operating in Türkiye, and commercial firms with an annual turnover of TL 125 million - 1,5 billion (full TL). In addition to the financing and investment needs of its customers, it offers products that will facilitate the payment and collection processes in both domestic and foreign trade. It produces solutions that will create added value for all the needs of its customers with its customer-oriented service approach, company-specific solution approach and strategy to establish long-term business partnerships.

The Consumer Banking meets the needs and expectations of the retail banking customers. The Private Banking Unit has formed and started to operate to serve customers with high level income, in a more effective way. The installments, discounts and bonus advantages are provided to the users of Card Finans in the plastic cards line. The main function of Treasury Segment is managing the liquidity of the Parent Bank and interest and foreign currency risks resulting from market conditions. This segment is in close relation with corporate, commercial, retail, SME and private banking units in order to increase the number of customers and the volume of transactions in treasury products of the Parent Bank.

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ACCOUNTING POLICIES (Continued)

XXIV. Explanation on Segment Reporting (Continued)

| Current Period (1 January - 31 December 2022) | Retail Banking | Corporate and Commercial Banking | Treasury and Head Office | Total Operations of the Group |
|---|-----------------------|---|---------------------------------|--------------------------------------|
| Operating Income | 13,442,486 | 11,859,601 | 21,595,549 | 46,897,636 |
| Dividend Income | - | - | 16,976 | 16,976 |
| Gain/(Loss) on joint venture accounted for at equity method | - | - | 219,325 | 219,325 |
| Profit Before Taxes | 4,723,097 | 6,046,524 | 13,884,507 | 24,654,128 |
| Provision Tax (-)^(*) | - | - | 7,427,908 | 7,427,908 |
| Net Profit/Loss | 4,723,097 | 6,046,524 | 6,456,599 | 17,226,220 |
| Total Assets | 126,454,786 | 236,630,113 | 228,648,529 | 621,143,814 |
| Segment Assets | 126,454,786 | 236,630,113 | 228,648,529 | 591,733,428 |
| Associates, Subsidiaries and Entities Under Common Control | - | - | - | 462,086 |
| Undistributed Assets | - | - | - | 28,948,300 |
| Total Liabilities | 253,680,550 | 128,856,795 | 144,695,892 | 621,143,814 |
| Segment Liabilities | 253,680,550 | 128,856,795 | 144,695,892 | 527,233,237 |
| Undistributed Liabilities | - | - | - | 49,634,445 |
| Equity | - | - | - | 44,276,132 |
| Other Segment Accounts | 986,034 | 664,806 | (62,799) | 1,588,041 |
| Capital Expenditures | 442,465 | 298,320 | 300 | 741,085 |
| Depreciation and Amortization | 543,569 | 366,486 | (63,099) | 846,956 |

^(*) No tax provision has been distributed.

| Prior Period (1 January - 31 December 2021) | Retail Banking | Corporate and Commercial Banking | Treasury and Head Office | Total Operations of the Group |
|---|-----------------------|---|---------------------------------|--------------------------------------|
| Operating Income | 6,790,334 | 4,827,935 | 2,174,062 | 13,792,331 |
| Dividend Income | - | - | 1,305 | 1,305 |
| Gain/(Loss) on joint venture accounted for at equity method | - | - | 107,822 | 107,822 |
| Profit Before Taxes | 3,200,872 | 510,244 | 1,424,033 | 5,135,149 |
| Provision Tax (-)^(*) | - | - | 1,227,288 | 1,227,288 |
| Net Profit/Loss | 3,200,872 | 510,244 | 196,745 | 3,907,861 |
| Total Assets | 65,542,275 | 146,803,189 | 151,071,619 | 383,849,012 |
| Segment Assets | 65,542,275 | 146,803,189 | 151,071,619 | 363,417,083 |
| Associates, Subsidiaries and Entities Under Common Control | - | - | - | 270,367 |
| Undistributed Assets | - | - | - | 20,161,562 |
| Total Liabilities | 142,168,592 | 70,730,858 | 110,075,392 | 383,849,012 |
| Segment Liabilities | 142,168,592 | 70,730,858 | 110,075,392 | 322,974,842 |
| Undistributed Liabilities | - | - | - | 38,721,961 |
| Equity | - | - | - | 22,152,209 |
| Other Segment Accounts | 818,520 | 569,503 | 4,706 | 1,392,729 |
| Capital Expenditures | 418,853 | 291,419 | 21,225 | 731,497 |
| Depreciation and Amortization | 399,667 | 278,084 | (16,519) | 661,232 |

^(*) No tax provision has been distributed.

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ACCOUNTING POLICIES (Continued)

XXV. Explanations on Profit Reserves and Profit Distribution

The General Assembly Meeting of the Parent Bank was held on 30 March 2022. In the Board of Directors, it was decided that profit distribution 2021 operations to be distributed as follows.

2021 Profit Distribution Table

| | |
|---|------------------|
| Current Year Profit | 3,928,114 |
| A - First Legal Reserves (Turkish Commercial Code 519/A) (5%) | 752,842 |
| C - Extraordinary Reserves | 3,170,272 |

XXVI. Earnings per Share

Earnings per share listed on statement of profit or loss and other comprehensive income is calculated by dividing net profit to weighted average amount of shares issued within respective year.

| | Current Period | Prior Period |
|--|----------------|---------------|
| Group's Net Profit for the Period | 17,223,799 | 3,906,647 |
| Weighted Average Amount of Shares Issued (Thousands) | 33,500,000 | 33,500,000 |
| Earnings per Share | 0.5141 | 0.1166 |

In Türkiye, companies can increase capital through “bonus share” distributed from previous year earnings to current shareholders. Such “bonus share” distributions are accounted as issued shares while calculating earnings per share. Accordingly, weighted average amount of shares issued used in these calculations is found through taking into consideration retroactive effects of subject share distributions. In case, amount of shares issued increases after the balance sheet date but before the date of financial statement preparation due to distribution of “bonus share”, earnings per share is calculated taking into consideration the new amount of shares.

Amount of issued bonus shared in 2022 is none (Amount of issued bonus shared in 2021 is none).

XXVII. Explanations on Other Matters

None.

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. Explanations on Consolidated Equity

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks.” As of 31 December 2022, Group's total capital has been calculated as TL 65,069,913 (31 December 2021 - TL 37,540,811), capital adequacy ratio is 14.50% (31 December 2021 - 15.24%) calculated pursuant to former regulations.

In accordance with the BRSA's Decision dated 21 December 2021 and No. 9996 and published in the Official Gazette dated 23 October 2015 and Nr. 29511, in the calculation of the amount subject to credit risk in accordance with the Regulation on the Measurement and Evaluation of Capital Adequacy; Banks have the right to use the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days as of 31 December 2021, when calculating the monetary assets and non-monetary assets, other than the items in foreign currency measured in historical cost, in accordance with the Turkish Accounting Standards and the related provision amounts. In the event that the net valuation differences of the securities in the portfolio of “Securities at Fair Value Through Other Comprehensive Income” are negative, these differences are not taken into account in the equity amount to be calculated and used for the capital adequacy ratio.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

I. Explanations on Consolidated Equity (Continued)

Components of consolidated shareholders' equity items

| | Current Period 31 December 2022 | Prior Period 31 December 2021 |
|---|------------------------------------|----------------------------------|
| COMMON EQUITY TIER 1 CAPITAL | | |
| Paid-in capital following all debts in terms of claim in liquidation of the Bank | 3,350,000 | 3,350,000 |
| Share issue premiums | 714 | 714 |
| Reserves | 2,979,569 | 17,072,922 |
| Gains recognized in equity as per TAS | 3,460,024 | 298,650 |
| Profit | 17,223,799 | 3,906,647 |
| Current Period Profit | 17,223,799 | 3,906,647 |
| Prior Period Profit | - | - |
| Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period | 1,031 | - |
| Minorities' Share | 11,816 | 9,395 |
| Common Equity Tier 1 Capital Before Deductions | 45,026,953 | 24,638,328 |
| Deductions from Common Equity Tier 1 Capital | | |
| Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks | - | - |
| Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS | 1,099,566 | 837,041 |
| Improvement costs for operating leasing | 110,385 | 79,130 |
| Goodwill (Net of related tax liability) | - | - |
| Other intangibles other than mortgage-servicing rights (Net of related tax liability) | 948,015 | 593,242 |
| Deferred tax assets that rely on future profitability excluding those arising from temporary differences (Net of related tax liability) | - | - |
| Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk | - | - |
| Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision | - | - |
| Gains arising from securitization transactions | - | - |
| Unrealized gains and losses due to changes in own credit risk on fair valued liabilities | - | - |
| Defined-benefit pension fund net assets | - | - |
| Direct and indirect investments of the Bank in its own Common Equity | - | - |
| Shares obtained contrary to the 4th clause of the 56th Article of the Law | - | - |
| Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank | - | - |
| Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank | - | - |
| Portion of mortgage servicing rights exceeding 10% of the Common Equity | - | - |
| Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity | - | - |
| Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks | - | - |
| Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital | - | - |
| Excess amount arising from mortgage servicing rights | - | - |
| Excess amount arising from deferred tax assets based on temporary differences | - | - |
| Other items to be defined by the BRSA | - | - |
| Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital | - | - |
| Total Deductions From Common Equity Tier 1 Capital | 2,157,966 | 1,509,413 |
| Positive difference between the amount of expected credit losses before implementation of TFRS 9 and expected credit losses from TFRS 9 adoption | - | 142,258 |
| Total Common Equity Tier 1 Capital | 42,868,987 | 23,271,173 |

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

I. Explanations on Consolidated Equity (Continued)

| | Current Period 31 December 2022 | Prior Period 31 December 2021 |
|---|------------------------------------|----------------------------------|
| ADDITIONAL TIER I CAPITAL | | |
| Preferred Stock not Included in Common Equity and the Related Share Premiums | - | - |
| Debt instruments and premiums approved by BRSA | 9,815,715 | 6,813,188 |
| Debt instruments and premiums approved by BRSA(Temporary Article 4) | - | - |
| Third parties' share in the Additional Tier I capital | - | - |
| Third parties' share in the Additional Tier I capital (Temporary Article 3) | - | - |
| Additional Tier I Capital before Deductions | 9,815,715 | 6,813,188 |
| Deductions from Additional Tier I Capital | - | - |
| Direct and indirect investments of the Bank in its own Additional Tier I Capital | - | - |
| Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7. | - | - |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital | - | - |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital | - | - |
| Other items to be defined by the BRSA | - | - |
| Transition from the Core Capital to Continue to deduce Components | - | - |
| Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | - | - |
| Net deferred tax asset/liability which is not deducted from Common equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | - | - |
| Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-) | - | - |
| Total Deductions From Additional Tier I Capital | - | - |
| Total Additional Tier I Capital | - | - |
| Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital) | 52,684,702 | 30,084,361 |
| TIER II CAPITAL | | |
| Debt instruments and premiums deemed suitable by the BRSA | - | - |
| Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4) | 7,198,191 | 4,996,338 |
| Third parties' share in the Tier II Capital | - | - |
| Third parties' share in the Tier II Capital (Temporary Article 3) | - | - |
| Provisions (Article 8 of the Regulation on the Equity of Banks) | 5,227,864 | 2,783,169 |
| Tier II Capital Before Deductions | 12,426,055 | 7,779,507 |
| Deductions From Tier II Capital | - | - |
| Direct and indirect investments of the Bank on its own Tier II Capital (-) | - | - |
| Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8. | - | - |
| Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-) | - | - |
| Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank | - | - |
| Other items to be defined by the BRSA (-) | - | - |

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

I. Explanations on Consolidated Equity (Continued)

| | Current Period 31 December 2022 | Prior Period 31 December 2021 |
|--|------------------------------------|----------------------------------|
| Total Deductions from Tier II Capital | - | - |
| Total Tier II Capital | 12,426,055 | 7,779,507 |
| Total Capital (The sum of Tier I Capital and Tier II Capital) | 65,110,757 | 37,863,868 |
| Total Capital | | |
| Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law | 8,049 | 8,140 |
| Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years | - | - |
| Other items to be defined by the BRSA (-) | 32,795 | 314,923 |
| In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components | - | - |
| The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds | - | - |
| The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds | - | - |
| The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds | - | - |

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

I. Explanations on Consolidated Equity (Continued)

| | Current Period 31 December 2022 | Prior Period 31 December 2021 |
|--|------------------------------------|----------------------------------|
| TOTAL CAPITAL | | |
| Total Capital | 65,069,913 | 37,540,805 |
| Total risk weighted amounts | 448,723,522 | 246,313,414 |
| Capital Adequacy Ratios | | |
| Consolidated Core Capital Adequacy Ratio (%) | 9.55 | 9.45 |
| Consolidated Tier 1 Capital Adequacy Ratio (%) | 11.74 | 12.21 |
| Consolidated Capital Adequacy Ratio (%) | 14.50 | 15.24 |
| BUFFERS | | |
| Bank specific total common equity tier 1 capital ratio | 3.51 | 3.51 |
| a) Capital conservation buffer requirement (%) | 2.50 | 2.50 |
| b) Bank specific counter-cyclical buffer requirement (%) | 0.01 | 0.01 |
| c) Systemic significant bank buffer ratio (%) | 1.00 | 1.00 |
| The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%) | 3.55 | 3.80 |
| Amounts below the Excess Limits as per the Deduction Principles | | |
| Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital | - | - |
| Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital | 288,563 | 218,293 |
| Amount arising from mortgage-servicing rights | - | - |
| Amount arising from deferred tax assets based on temporary differences | - | - |
| Limits related to provisions considered in Tier II calculation | | |
| General provisions for standard based receivables (Before ten thousand twenty-five limitation) | 10,030,638 | 5,782,122 |
| Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used | 5,227,864 | 2,783,169 |
| Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation | - | - |
| Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation | - | - |
| Debt instruments subjected to Article 4 (To be implemented between 1 January 2018 and 1 January 2022) | | |
| Upper limit for Additional Tier I Capital subjected to temporary Article 4 | 9,815,715 | 6,813,188 |
| Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4 | - | - |
| Upper limit for Additional Tier II Capital subjected to temporary Article 4 | 7,198,191 | 4,996,338 |

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

I. Explanations on Consolidated Equity (Continued)

Information on debt instruments included in the calculation of equity

| | 1 | 2 | 3 |
|---|---|---|---|
| Issuer | QATAR NATIONAL BANK Q.P.S.C. | QATAR NATIONAL BANK Q.P.S.C. | QATAR NATIONAL BANK Q.P.S.C. |
| Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | - | - | - |
| Governing law(s) of the instrument | BRSA | BRSA | BRSA |
| Regulatory treatment | Additional Capital | Supplementary Capital | Supplementary Capital |
| Since 1.1.2015 10% reduction by being subject to the application | No | No | No |
| Eligible at stand-alone/consolidated | Standalone - Consolidated | Standalone - Consolidated | Standalone - Consolidated |
| Instrument type (types to be specified by each jurisdiction) | Loan | Loan | Loan |
| Amount recognized in regulatory capital (Currency in million, as of most recent reporting date) | 9,826 | 2,396 | 4,905 |
| Par value of instrument (Currency in million) | 9,826 | 2,396 | 4,905 |
| Accounting classification | Liability - Subordinated Loans-amortized cost | Liability - Subordinated Loans-amortized cost | Liability - Subordinated Loans-amortized cost |
| Original date of issuance | 30 June 2019 | 1 April 2019 | 22 May 2017 |
| Perpetual or dated | Perpetual | Dated | Dated |
| Original maturity date | - | 10 years | 8 years |
| Issuer call subject to prior BRSA approval | Yes | Yes | Yes |
| Optional call date, contingent call dates and redemption amount | Every 5 years | 5 years | 3 years |
| Subsequent call dates, if applicable | - | - | - |
| Coupons/dividends | - | - | - |
| Fixed or floating dividend/coupon | Fixed | Floating | Floating |
| Coupon rate and any related index | First 5 years fixed at 9.50%, next 5 years fixed at MS + 7.08 | 6M LIBOR + 5.75% | SOFR + 5.10% |
| Existence of a dividend stopper | Interest will not be processed for the value reduced after the impairment date. | - | - |
| Fully discretionary, partially discretionary or mandatory | Discretionary | - | - |

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

I. Explanations on Consolidated Equity (Continued)

Information on debt instruments included in the calculation of equity(Continued)

| | 1 | 2 | 3 |
|---|--|--|--|
| Existence of step up or other incentive to redeem | - | - | - |
| Noncumulative or cumulative | Noncumulative | Noncumulative | Noncumulative |
| Convertible or non-convertible | None | Yes | Yes |
| If convertible, conversion trigger(s) | - | Article number 7-2-i of "Own fund regulation" | Article number 7-2-i of "Own fund regulation" |
| If convertible, fully or partially | - | All of the remaining capital | All of the remaining capital |
| If convertible, conversion rate | - | (*) | (*) |
| If convertible, mandatory or optional conversion | - | Optional | Optional |
| If convertible, specify instrument type convertible into | - | Equity Share | Equity Share |
| If convertible, specify issuer of instrument it converts into | - | QNB Finansbank A.Ş. | QNB Finansbank A.Ş. |
| Write-down feature | Yes | None | None |
| If write-down, write-down trigger(s) | Non-existence of the core capital ratio is less than 5.125% | - | - |
| If write-down, full or partial | Full and partial | - | - |
| If write-down, permanent or temporary | Temporary | - | - |
| If temporary write-down, description of write-up mechanism | Disappearance of non-existence and higher core capital ratio than 5.125% | - | - |
| Position in subordination hierarchy in liquidation (Specify instrument type immediately senior to instrument) | After borrowing and contribution capital | After borrowing, before additional capital, the same as other contribution capital | After borrowing, before additional capital, the same as other contribution capital |
| Incompliance with article number 7 and 8 of "Own fund regulation" | It fulfills the conditions within the Article number 7 of "Own fund regulation" the Regulation on the Equity of Banks. | It fulfills the conditions within the Article number 8 of "Own fund regulation" the Regulation on the Equity of Banks. | It fulfills the conditions within the Article number 8 of "Own fund regulation" the Regulation on the Equity of Banks. |
| Details of incompliances with article number 7 and 8 of "Own fund regulation" | - | - | - |

(*)The conversion rate/value will be calculated based on the market data available when the right is exercised.

Explanations on the reconciliation of shareholders' equity items and balance sheet amounts

There are differences between amounts in the explanation on equity items and amounts on the balance sheet. In this context; up to 1.25% of the amount of the first and second part of the expected loss provisions is taken into account as contribution capital, losses from cash flow hedges have not been taken into consideration in the information on the equity items and valuation adjustments calculated according to item (i) of the first paragraph of the ninth article of the "Regulation on Equity of Banks" have been taken into consideration in the explanations on equity items.

QNB Finansbank Anonim Şirketi

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management

1. Consolidated credit risk explanations

Credit Risk Explanations Credit risk represents the risk arising due to the counter party's not fulfilling its responsibilities stated in the agreement either partially or totally.

Loan strategies and policies are determined by the Policy Committees. These policies and strategies are constituted in line with the applications of the Parent, and credit risk is managed according to these policies and strategies. The quality of loan portfolio is monitored regularly with the help of metrics which are in line with the Bank's risk appetite, as specified in Risk Management Strategies.

Credit Risk Management takes place in every steps of the Group's credit process from the beginning. Loan applications are evaluated by non-profit oriented independent loan granting departments. Loan Limits are determined on a product basis and in the aggregate for every individual, corporate customer and risk group. Furthermore, concentration on product, industry, region, are monitored within the frame of loan limits in line with the regulation.

The credibility of the debtors is monitored periodically in accordance with the related regulation. The statements presenting the financial position of the borrowers are obtained in accordance with the related regulation.

Loan limits of the loan customers are revised periodically in line with the Group's loan limit revision procedures.

The Group analyses the credibility of the loans within the framework of its loan policies and obtains collaterals for loans.

The Group has control limits over the positions of forward transactions, options and other similar agreements.

The credit risk arising from these instruments are managed together with the risks resulting from market fluctuations.

The Group monitors risks of forward transactions, options and other similar agreements and reduces the risk if necessary.

Indemnified non-cash loans are weighted in the same risk group with the past due but not impaired loans.

The restructured and rescheduled loans are monitored by the Group in line with the Group's credit risk management procedures. The debtor's financial position and commercial activities are continuously analyzed and the principal and interest payments of rescheduled loans are monitored by the related departments.

The restructured and rescheduled loans are evaluated in the Group's current internal rating system besides the follow up method determined in the related regulation.

The risk of banking operation abroad and credit transactions is acceptable and there is no significant credit risk density in international banking market.

The policies implemented by the bank regarding the calculation of expected loss provisions are explained in note VIII of the third part. The bank has taken into consideration the general provision for overdue loans and special provision for impaired loans under the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation).

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Notes to Consolidated Financial Statements

For the year ended 31 December 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

Pursuant to the Decision of the Banking Regulation and Supervision Agency dated 21 December 2022 and Nr. 9996;

In accordance with the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks (Capital Adequacy Regulation) specified in the Board Decision dated 6 September 2021 and No. 9795 and published in the Official Gazette dated 23 October 2015, monetary assets and non-monetary assets, in the calculation of the amount subject to credit risk; The application of using the simple arithmetic average of the Central Bank's foreign exchange buying rates of the last 252 business days before the calculation date, when calculating the amounts valued in accordance with Turkish Accounting Standards and the relevant provision amounts for items other than items in foreign currency measured in cost terms; until a Board Decision to the contrary is taken. To continue as of 1 January 2022, by using the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days as of 31 December 2021, in the aforementioned calculation,

In case the net valuation differences of the securities held by the banks in the portfolio of "Securities at Fair Value Through Other Comprehensive Income" as of the date of this Decision are negative, these differences will be calculated in accordance with the Regulation on the Equity of Banks published in the Official Gazette dated 5 September 2013, and Allowing the opportunity not to be taken into account in the amount of equity to be used for the capital adequacy ratio, continuing to apply the existing provisions of the aforementioned Regulation for "Securities at Fair Value Reflected in Other Comprehensive Income" acquired after the date of this Decision,

Capital Adequacy Regulation;

The limit for the definition of small and medium-sized enterprises (SMEs) in subparagraph (vv) of the first paragraph of Article 3 is determined as TL 220,000,000 for domestic residents in terms of SMEs. It has been reported that it has been decided to set the retail credit limit as TL 10,000,000 in the first sentence of subparagraph (c) of the second paragraph of Article 6, and to use the definition of SME, which is used by the banking authority of the country where the SME is located, in the calculation of capital adequacy for non-resident SMEs.

- The receivables of the Group from its top 100 cash loan customers are 26% in the total cash loans (31 December 2021 - 31%).
- The receivables of the Group from its top 200 cash loan customers are 31% in the total cash loans (31 December 2021 - 36%).
- The receivables of the Group from its top 100 non-cash loan customers are 44% in the total non-cash loans (31 December 2021 - 50%).
- The receivables of the Group from its top 200 non-cash loan customers are 54% in the total non-cash loans (31 December 2021 - 61%).
- The share of cash and non-cash receivables of the Group from its top 100 loan customers in total cash and non-cash loans is 25% (31 December 2021 - 30%).
- The share of cash and non-cash receivables of the Group from its top 200 loan customers in total cash and non-cash loans is 30% (31 December 2021 - 35%).
- The Group general total provision is amounted to TL 9,406,589 (31 December 2021 - TL 5,782,123).
- As of 31 December 2022 Provision for probable risks in the Group's loan portfolio amount is not included (31 December 2021 - None).

QNB Finansbank Anonim Şirketi
Notes to Consolidated Financial Statements
For the year ended 31 December 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

| Exposure Categories | Current Period | | Prior Period | |
|--|----------------------------|-------------------------------------|----------------------------|-------------------------------------|
| | Risk Amount ^(*) | Average Risk Amount ^(**) | Risk Amount ^(*) | Average Risk Amount ^(**) |
| Conditional and unconditional receivables from central governments and Central Banks | 159,367,372 | 139,599,639 | 91,520,203 | 72,790,121 |
| Conditional and unconditional receivables from regional or local governments | 241,765 | 259,768 | 178,915 | 110,503 |
| Conditional and unconditional receivables from administrative bodies and noncommercial enterprises | 895,513 | 1,477,607 | 215,816 | 245,180 |
| Conditional and unconditional receivables from multilateral development banks | - | - | - | - |
| Conditional and unconditional receivables from international organizations | - | - | - | - |
| Conditional and unconditional receivables from banks and brokerage houses | 58,948,371 | 62,795,227 | 51,409,418 | 38,801,593 |
| Conditional and unconditional receivables from corporates | 186,340,459 | 159,471,406 | 105,329,129 | 98,227,618 |
| Conditional and unconditional receivables from retail portfolios | 142,555,639 | 105,881,846 | 84,088,691 | 79,232,618 |
| Conditional and unconditional receivables secured by mortgages | 13,409,160 | 13,109,491 | 13,863,607 | 9,776,526 |
| Past due receivables | 1,566,671 | 1,633,058 | 2,067,694 | 1,807,059 |
| Receivables defined in high risk category by BRSA | 54,526,030 | 33,554,991 | 14,155,145 | 4,680,245 |
| Securities collateralized by mortgages | - | - | - | - |
| Securitization positions | - | - | - | - |
| Short-term receivables from banks, brokerage houses and corporates | - | - | - | - |
| Investments similar to collective investment Funds | - | - | - | - |
| Investment in equities | 3,959,964 | 2,884,637 | 2,444,501 | 2,144,015 |
| Other receivables | 19,265,004 | 15,993,551 | 14,549,400 | 10,500,902 |

^(*)Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

^(**)The average risk amount was calculated by taking the arithmetic average of the values in the monthly reports prepared in balance sheet period in regards to "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the "Regulation").

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Notes to Consolidated Financial Statements

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(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

Profile of significant exposures in major regions

| | Exposure Categories ^(*) | | | | | | |
|--|------------------------------------|----------------|----------------|----------|----------|-------------------|--------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Current Period | | | | | | | |
| 1. Domestic | 159,367,372 | 241,765 | 895,513 | - | - | 8,628,499 | 165,575,050 |
| 2. European Union Countries | - | - | - | - | - | 2,781,602 | 336,131 |
| 3. OECD Countries ^(**) | - | - | - | - | - | 38,621,246 | 18 |
| 4. Offshore Banking Areas | - | - | - | - | - | 3,673,122 | 489,579 |
| 5. USA, Canada | - | - | - | - | - | 1,407,457 | - |
| 6. Other Countries | - | - | - | - | - | 3,836,445 | 19,939,681 |
| 7. Associates, Subsidiaries and Joint -Ventures | - | - | - | - | - | - | - |
| 8. Unallocated Assets/Liabilities ^(***) | - | - | - | - | - | - | - |
| Total | 159,367,372 | 241,765 | 895,513 | - | - | 58,948,371 | 186,340,459 |

| | Exposure Categories ^(*) | | | | | | |
|--|------------------------------------|----------------|----------------|----------|----------|-------------------|--------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Prior Period | | | | | | | |
| 1. Domestic | 91,520,203 | 178,915 | 215,816 | - | - | 3,024,885 | 97,517,927 |
| 2. European Union Countries | - | - | - | - | - | 36,956,155 | 445,689 |
| 3. OECD Countries ^(**) | - | - | - | - | - | 1,472,322 | 13 |
| 4. Offshore Banking Areas | - | - | - | - | - | 3,211,363 | 297,697 |
| 5. USA, Canada | - | - | - | - | - | 4,262,094 | - |
| 6. Other Countries | - | - | - | - | - | 2,482,599 | 7,067,803 |
| 7. Associates, Subsidiaries and Joint -Ventures | - | - | - | - | - | - | - |
| 8. Unallocated Assets/Liabilities ^(***) | - | - | - | - | - | - | - |
| Total | 91,520,203 | 178,915 | 215,816 | - | - | 51,409,418 | 105,329,129 |

^(*)Exposure categories based on "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". Prior to the Credit Risk Reduction, the risk amounts after the credit conversion rate are given.

^(**)Includes OECD countries other than EU countries, USA and Canada.

^(***)Includes assets and liability items that cannot be allocated on a consistent basis.

- 1- Conditional and unconditional receivables from central governments and Central Banks
- 2- Conditional and unconditional receivables from regional or local governments
- 3- Conditional and unconditional receivables from administrative bodies and noncommercial enterprises
- 4- Conditional and unconditional receivables from multilateral development banks
- 5- Conditional and unconditional receivables from international organizations
- 6- Conditional and unconditional receivables from banks and brokerage houses
- 7- Conditional and unconditional receivables from corporates
- 8- Conditional and unconditional receivables from retail portfolios
- 9- Conditional and unconditional receivables secured by mortgages
- 10- Past due receivables
- 11- Receivables defined under high risk category by BRSA
- 12- Securities collateralized by mortgages
- 13- Securitization positions
- 14- Short-term receivables from banks, brokerage houses and corporates
- 15- Investments similar to collective investment Funds
- 16- Investment in equities
- 17- Other receivables



Exposure Categories^(*)

| | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | Total |
|--|--------------------|-------------------|------------------|-------------------|----|----|----|----|------------------|-------------------|--------------------|
| | 79,299,617 | 13,349,211 | 1,360,119 | 51,480,162 | - | - | - | - | - | 19,265,004 | 499,462,312 |
| | 9,864 | 586 | 11 | 126 | - | - | - | - | - | - | 3,128,320 |
| | 9,732 | - | - | - | - | - | - | - | - | - | 38,630,996 |
| | 61,102 | 1,172 | - | - | - | - | - | - | - | - | 4,224,975 |
| | 193 | - | - | - | - | - | - | - | - | - | 1,407,650 |
| | 63,175,131 | 58,191 | 206,541 | 3,045,742 | - | - | - | - | 3,959,964 | - | 94,221,695 |
| | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - |
| | 142,555,639 | 13,409,160 | 1,566,671 | 54,526,030 | - | - | - | - | 3,959,964 | 19,265,004 | 641,075,948 |

Exposure Categories^(*)

| | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | Total |
|--|-------------------|-------------------|------------------|-------------------|----|----|----|----|------------------|-------------------|--------------------|
| | 54,213,389 | 13,858,850 | 1,880,140 | 13,000,131 | - | - | - | - | - | 14,549,400 | 289,959,656 |
| | 1,254 | 29 | 11 | 1,348 | - | - | - | - | - | - | 37,404,486 |
| | - | - | - | - | - | - | - | - | - | - | 1,472,335 |
| | 335 | - | - | - | - | - | - | - | - | - | 3,509,395 |
| | 5,165 | 19 | - | - | - | - | - | - | - | - | 4,267,278 |
| | 29,868,548 | 4,709 | 187,543 | 1,153,666 | - | - | - | - | 2,444,501 | - | 43,209,369 |
| | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - |
| | 84,088,691 | 13,863,607 | 2,067,694 | 14,155,145 | - | - | - | - | 2,444,501 | 14,549,400 | 379,822,519 |

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

Risk profile regarding sectors or counter parties

| Current Period | Exposure Categories ^(*) | | | | | | | | |
|----------------------------------|------------------------------------|---------|---------|---|---|------------|-------------|-------------|------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| Agriculture | - | - | 1,478 | - | - | - | 1,342,250 | 1,561,294 | 71,364 |
| Farming and Raising Livestock | - | - | 1,478 | - | - | - | 698,300 | 1,492,551 | 69,817 |
| Forestry | - | - | - | - | - | - | 54,078 | 23,733 | 731 |
| Fishing | - | - | - | - | - | - | 589,872 | 45,010 | 816 |
| Industrial | - | 144,509 | 1,045 | - | - | - | 68,357,935 | 9,762,988 | 2,691,576 |
| Mining and Quarrying | - | - | - | - | - | - | 497,696 | 208,482 | 72,391 |
| Production | - | - | 1,045 | - | - | - | 59,239,787 | 9,381,361 | 2,582,852 |
| Electricity, Gas, Water | - | 144,509 | - | - | - | - | 8,620,452 | 173,145 | 36,333 |
| Construction | - | - | - | - | - | - | 9,013,390 | 5,497,897 | 1,301,342 |
| Services | 63,704,102 | 54,038 | 20,400 | - | - | 50,775,140 | 78,434,668 | 23,488,299 | 7,806,370 |
| Wholesale and Retail Trade | - | - | 1,134 | - | - | - | 27,317,321 | 17,888,980 | 2,950,225 |
| Hotel, Food and Beverage | - | - | - | - | - | - | 5,870,161 | 376,656 | 749,351 |
| Transportation and Communication | - | 54,005 | - | - | - | - | 23,711,799 | 2,204,355 | 236,282 |
| Financial Institutions | 63,704,102 | 33 | - | - | - | 50,775,140 | 3,683,367 | 204,210 | 5,164 |
| Real Estate and Rent Services | - | - | - | - | - | - | 9,903,473 | 342,991 | 3,535,538 |
| Self-Employment Services | - | - | 17,707 | - | - | - | 1,616,146 | 1,218,256 | 194,821 |
| Educational Services | - | - | - | - | - | - | 182,289 | 336,290 | 17,408 |
| Health and Social Services | - | - | 1,559 | - | - | - | 6,150,112 | 916,561 | 117,581 |
| Other | 95,663,270 | 43,218 | 872,590 | - | - | 8,173,231 | 29,192,216 | 102,245,161 | 1,538,508 |
| Total | 159,367,372 | 241,765 | 895,513 | - | - | 58,948,371 | 186,340,459 | 142,555,639 | 13,409,160 |

^(*)Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

- 1- Conditional and unconditional receivables from central governments and Central Banks
- 2- Conditional and unconditional receivables from regional or local governments
- 3- Conditional and unconditional receivables from administrative bodies and noncommercial enterprises
- 4- Conditional and unconditional receivables from multilateral development banks
- 5- Conditional and unconditional receivables from international organizations
- 6- Conditional and unconditional receivables from banks and brokerage houses
- 7- Conditional and unconditional receivables from corporates
- 8- Conditional and unconditional receivables from retail portfolios
- 9- Conditional and unconditional receivables secured by mortgages
- 10- Past due receivables
- 11- Receivables defined under high risk category by BRSA
- 12- Securities collateralized by mortgages
- 13- Securitization positions
- 14- Short-term receivables from banks, brokerage houses and corporates
- 15- Investments similar to collective investment Funds
- 16- Investment in equities
- 17- Other receivables

Exposure Categories^(*)

| | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | TL | FC | Total |
|--|------------------|-------------------|----|----|----|----|------------------|-------------------|--------------------|--------------------|--------------------|
| | 35,701 | 130,386 | - | - | - | - | - | - | 2,618,385 | 524,088 | 3,142,473 |
| | 35,560 | 130,386 | - | - | - | - | - | - | 2,232,885 | 195,207 | 2,428,092 |
| | 1 | - | - | - | - | - | - | - | 77,670 | 873 | 78,543 |
| | 140 | - | - | - | - | - | - | - | 307,830 | 328,008 | 635,838 |
| | 147,646 | 4,289,605 | - | - | - | - | - | - | 43,932,290 | 41,463,014 | 85,395,304 |
| | 2,480 | 74,338 | - | - | - | - | - | - | 627,925 | 227,462 | 855,387 |
| | 145,064 | 4,143,519 | - | - | - | - | - | - | 41,998,309 | 33,495,319 | 75,493,628 |
| | 102 | 71,748 | - | - | - | - | - | - | 1,306,056 | 7,740,233 | 9,046,289 |
| | 296,352 | 487,463 | - | - | - | - | - | - | 12,986,136 | 3,610,308 | 16,596,444 |
| | 565,912 | 8,009,908 | - | - | - | - | - | - | 98,417,959 | 134,440,878 | 232,858,837 |
| | 212,165 | 6,301,512 | - | - | - | - | - | - | 47,094,826 | 7,576,511 | 54,671,337 |
| | 25,633 | 5,649 | - | - | - | - | - | - | 1,953,013 | 5,074,437 | 7,027,450 |
| | 9,909 | 587,100 | - | - | - | - | - | - | 4,810,808 | 21,992,642 | 26,803,450 |
| | 271 | 30,173 | - | - | - | - | - | - | 36,523,461 | 81,878,999 | 118,402,460 |
| | 297,401 | 467,922 | - | - | - | - | - | - | 2,513,055 | 12,034,270 | 14,547,325 |
| | 11,384 | 51,776 | - | - | - | - | - | - | 2,224,733 | 885,357 | 3,110,090 |
| | 6,054 | 171,938 | - | - | - | - | - | - | 707,502 | 6,477 | 713,979 |
| | 3,095 | 393,838 | - | - | - | - | - | - | 2,590,561 | 4,992,185 | 7,582,746 |
| | 521,060 | 41,608,668 | - | - | - | - | 3,959,964 | 19,265,004 | 249,887,494 | 53,195,396 | 303,082,890 |
| | 1,566,671 | 54,526,030 | - | - | - | - | 3,959,964 | 19,265,004 | 407,842,264 | 233,233,684 | 641,075,948 |

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

Risk profile regarding sectors or counter parties

| Prior Period | Exposure Categories ^(*) | | | | | | | | |
|----------------------------------|------------------------------------|----------------|----------------|----------|----------|-------------------|--------------------|-------------------|-------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| Agriculture | - | - | 2,723 | - | - | - | 711,895 | 1,608,169 | 34,664 |
| Farming and Raising Livestock | - | - | 2,723 | - | - | - | 366,971 | 1,554,423 | 30,295 |
| Forestry | - | - | - | - | - | - | 94 | 16,616 | 169 |
| Fishing | - | - | - | - | - | - | 344,830 | 37,130 | 4,200 |
| Industrial | - | 116,496 | 94 | - | - | - | 43,181,146 | 7,478,925 | 1,720,921 |
| Mining and Quarrying | - | - | - | - | - | - | 486,256 | 170,257 | 3,532 |
| Production | - | - | 94 | - | - | - | 35,584,160 | 7,163,433 | 1,713,814 |
| Electricity, Gas, Water | - | 116,496 | - | - | - | - | 7,110,730 | 145,235 | 3,575 |
| Construction | - | - | - | - | - | - | 6,185,284 | 3,561,464 | 660,865 |
| Services | 50,098,746 | 33 | 3,530 | - | - | 46,439,591 | 47,509,479 | 15,605,962 | 9,338,943 |
| Wholesale and Retail Trade | - | - | 2,276 | - | - | - | 14,192,645 | 12,193,986 | 1,249,005 |
| Hotel, Food and Beverage | - | - | - | - | - | - | 2,633,611 | 331,832 | 2,210,924 |
| Transportation and Communication | - | - | - | - | - | - | 17,615,731 | 1,147,303 | 464,727 |
| Financial Institutions | 50,098,746 | 33 | - | - | - | 46,439,591 | 2,811,383 | 134,488 | 23,443 |
| Real Estate and Rent Services | - | - | - | - | - | - | 4,439,707 | 264,010 | 4,944,735 |
| Self-Employment Services | - | - | 697 | - | - | - | 1,213,872 | 727,457 | 61,407 |
| Educational Services | - | - | 3 | - | - | - | 106,101 | 223,735 | 18,868 |
| Health and Social Services | - | - | 554 | - | - | - | 4,496,429 | 583,151 | 365,834 |
| Other | 41,421,457 | 62,386 | 209,469 | - | - | 4,969,827 | 7,741,325 | 55,834,171 | 2,108,214 |
| Total | 91,520,203 | 178,915 | 215,816 | - | - | 51,409,418 | 105,329,129 | 84,088,691 | 13,863,607 |

^(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

- 1- Conditional and unconditional receivables from central governments and Central Banks
- 2- Conditional and unconditional receivables from regional or local governments
- 3- Conditional and unconditional receivables from administrative bodies and noncommercial enterprises
- 4- Conditional and unconditional receivables from multilateral development banks
- 5- Conditional and unconditional receivables from international organizations
- 6- Conditional and unconditional receivables from banks and brokerage houses
- 7- Conditional and unconditional receivables from corporates
- 8- Conditional and unconditional receivables from retail portfolios
- 9- Conditional and unconditional receivables secured by mortgages
- 10- Past due receivables
- 11- Receivables defined under high risk category by BRSA
- 12- Securities collateralized by mortgages
- 13- Securitization positions
- 14- Short-term receivables from banks, brokerage houses and corporates
- 15- Investments similar to collective investment Funds
- 16- Investment in equities
- 17- Other receivables

Exposure Categories^(*)

| 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | TL | FC | Total |
|------------------|-------------------|----|----|----|----|------------------|-------------------|--------------------|--------------------|--------------------|
| 83,852 | 50,624 | - | - | - | - | - | - | 2,100,668 | 391,259 | 2,491,927 |
| 83,679 | 50,624 | - | - | - | - | - | - | 1,962,678 | 126,037 | 2,088,715 |
| 31 | - | - | - | - | - | - | - | 16,910 | - | 16,910 |
| 142 | - | - | - | - | - | - | - | 121,080 | 265,222 | 386,302 |
| 223,451 | 43,937 | - | - | - | - | - | - | 22,237,061 | 30,527,909 | 52,764,970 |
| 12,032 | 44 | - | - | - | - | - | - | 397,950 | 274,171 | 672,121 |
| 211,376 | 43,893 | - | - | - | - | - | - | 21,010,315 | 23,706,455 | 44,716,770 |
| 43 | - | - | - | - | - | - | - | 828,796 | 6,547,283 | 7,376,079 |
| 451,326 | 44,185 | - | - | - | - | - | - | 7,907,673 | 2,995,451 | 10,903,124 |
| 836,566 | 117,072 | - | - | - | - | - | - | 54,396,490 | 115,553,432 | 169,949,922 |
| 364,274 | 77,931 | - | - | - | - | - | - | 22,000,335 | 6,079,782 | 28,080,117 |
| 41,872 | 10,900 | - | - | - | - | - | - | 773,255 | 4,455,884 | 5,229,139 |
| 19,231 | 2,794 | - | - | - | - | - | - | 1,959,087 | 17,290,699 | 19,249,786 |
| 1,087 | - | - | - | - | - | - | - | 25,598,825 | 73,909,946 | 99,508,771 |
| 373,898 | 1,067 | - | - | - | - | - | - | 1,247,865 | 8,775,552 | 10,023,417 |
| 20,962 | 3,046 | - | - | - | - | - | - | 1,315,236 | 712,205 | 2,027,441 |
| 7,605 | 20,801 | - | - | - | - | - | - | 361,383 | 15,730 | 377,113 |
| 7,637 | 533 | - | - | - | - | - | - | 1,140,504 | 4,313,634 | 5,454,138 |
| 472,499 | 13,899,327 | - | - | - | - | 2,444,501 | 14,549,400 | 117,557,381 | 26,155,195 | 143,712,576 |
| 2,067,694 | 14,155,145 | - | - | - | - | 2,444,501 | 14,549,400 | 204,199,273 | 175,623,246 | 379,822,519 |

QNB Finansbank Anonim Şirketi
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For the year ended 31 December 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

Analysis of maturity-bearing exposures according to remaining maturities^(*)

| Current Period Exposure Categories | Term To Maturity | | | | |
|--|--------------------------|----------------------|-----------------------|------------------------|------------------------|
| | Up to 1 month | 1-3 month | 3-6 months | 6-12 months | Over 1 year |
| Conditional and unconditional receivables from central governments and Central Banks | 785,676 | 422,833 | 3,491,006 | 4,689,779 | 85,267,977 |
| Conditional and unconditional receivables from regional or local governments | - | 2,307 | 7,612 | 6,113 | 222,855 |
| Conditional and unconditional receivables from administrative bodies and noncommercial enterprises | 164,987 | 314,964 | 90,348 | 10,140 | 288,595 |
| Conditional and unconditional receivables from multilateral development banks | - | - | - | - | - |
| Conditional and unconditional receivables from international organizations | - | - | - | - | - |
| Conditional and unconditional receivables from banks and brokerage houses | 17,621,354 | 5,984,127 | 4,124,416 | 4,860,106 | 6,796,423 |
| Conditional and unconditional receivables from corporates | 17,114,528 | 19,398,381 | 20,661,730 | 22,967,590 | 76,638,128 |
| Conditional and unconditional receivables from retail portfolios | 11,166,774 | 15,685,571 | 12,049,891 | 28,307,427 | 90,695,830 |
| Conditional and unconditional receivables secured by mortgages | 306,281 | 748,503 | 1,177,719 | 1,644,559 | 9,225,468 |
| Past due receivables | - | - | - | - | - |
| Receivables defined in high risk category by BRSA | 1,384,749 | 3,590,529 | 4,858,923 | 1,521,542 | 40,072,042 |
| Securities collateralized by mortgages | - | - | - | - | - |
| Securitization positions | - | - | - | - | - |
| Short-term receivables from banks, brokerage houses and corporates | - | - | - | - | - |
| Investments similar to collective investment Funds | - | - | - | - | - |
| Investment in equities | 7,674 | - | - | - | - |
| Other receivables | - | - | - | - | - |
| General Total | 48,552,023 | 46,147,214 | 46,461,646 | 64,007,255 | 309,207,318 |

^(*)Risk amounts prior to Loan Reduction, After the Loan conversion rates are given.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

| Prior Period Risk Classification | Term To Maturity | | | | |
|--|-------------------|-------------------|-------------------|-------------------|--------------------|
| | Up to 1 month | 1-3 month | 3-6 months | 6-12 months | Over 1 year |
| Conditional and unconditional receivables from central governments and Central Banks | 2,559,232 | 2,252,336 | 322,789 | 1,807,675 | 38,301,974 |
| Conditional and unconditional receivables from regional or local governments | - | - | 3,656 | - | 175,226 |
| Conditional and unconditional receivables from administrative bodies and noncommercial enterprises | 601 | 753 | 9,746 | 6 | 195,413 |
| Conditional and unconditional receivables from multilateral development banks | - | - | - | - | - |
| Conditional and unconditional receivables from international organizations | - | - | - | - | - |
| Conditional and unconditional receivables from banks and brokerage houses | 8,992,416 | 9,209,816 | 782,541 | 6,024,921 | 4,959,909 |
| Conditional and unconditional receivables from corporates | 8,119,331 | 10,569,045 | 11,324,719 | 15,120,906 | 53,181,052 |
| Conditional and unconditional receivables from retail portfolios | 4,876,286 | 7,753,065 | 7,522,719 | 11,769,701 | 28,611,822 |
| Conditional and unconditional receivables secured by mortgages | 118,023 | 292,342 | 727,457 | 1,126,423 | 11,430,203 |
| Past due receivables | - | - | - | - | - |
| Receivables defined in high risk category by BRSA | - | - | - | - | 12,719,133 |
| Securities collateralized by mortgages | - | - | - | - | - |
| Securitization positions | - | - | - | - | - |
| Short-term receivables from banks, brokerage houses and corporates | - | - | - | - | - |
| Investments similar to collective investment Funds | - | - | - | - | - |
| Investment in equities | 7,674 | - | - | - | - |
| Other receivables | - | - | - | - | - |
| General Total | 24,673,563 | 30,077,357 | 20,693,627 | 35,849,632 | 149,574,732 |

^(*)Risk amounts prior to Loan Reduction, After the Loan conversion rates are given.

QNB Finansbank Anonim Şirketi

Notes to Consolidated Financial Statements

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(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

Exposures by risk weights

Current Period

| Risk Weight | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | 200% | 250% | 2% | Deductions from Equity |
|--|-------------|-----|------------|-----------|------------|-------------|-------------|------------|------------|------|---------|------------------------|
| 1. Exposures Before Credit Risk Mitigation | 168,514,959 | - | 22,724,748 | - | 33,940,632 | 119,097,189 | 242,251,866 | 41,628,959 | 12,700,634 | - | 196,437 | 20,523 |
| 2. Exposures After Credit Risk Mitigation | 169,852,592 | - | 16,560,567 | 1,814,699 | 31,572,888 | 106,571,583 | 227,359,607 | 41,090,648 | 12,700,634 | - | 196,437 | 20,523 |

Prior Period

| Risk Eight | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | 200% | 250% | 2% | Deductions from Equity |
|--|------------|-----|------------|-----------|------------|------------|-------------|------------|------|------|--------|------------------------|
| 1. Exposures Before Credit Risk Mitigation | 96,792,187 | - | 13,795,968 | - | 35,922,633 | 80,409,985 | 138,720,007 | 14,155,145 | - | - | 26,594 | 995,430 |
| 2. Exposures After Credit Risk Mitigation | 96,450,222 | - | 8,254,658 | 2,110,492 | 24,595,077 | 73,240,114 | 130,861,186 | 13,702,564 | - | - | 26,594 | 995,430 |

Information by major sectors and type of counterparties

Information about impaired credits and past due credits and value adjustments and provisioning methods are described in Section IV Part 2.

Current Period

| Major Sectors/Counterparties | Loans ^(*) | | | Provisions | |
|---------------------------------------|---|-------------------|--|--|---------------------------|
| | Impaired Loans (TFRS 9) | | | Expected Credit Loss Provisions (TFRS 9) | (Regulation of Provision) |
| | Significant Increase of Credit Risk (Stage 2) | Default (Stage 3) | Non-Performing (Regulation of Provision) | | |
| 1. Agriculture | 142,855 | 249,702 | - | 213,655 | - |
| 1.1. Farming and Livestock | 133,225 | 247,302 | - | 210,600 | - |
| 1.2. Forestation | 4,236 | 104 | - | 559 | - |
| 1.3. Fishing | 5,394 | 2,296 | - | 2,496 | - |
| 2. Industrial | 2,835,561 | 1,775,197 | - | 1,884,035 | - |
| 2.1. Mining and Quarrying | 36,000 | 75,109 | - | 62,178 | - |
| 2.2. Manufacturing Industry | 2,780,315 | 1,390,390 | - | 1,482,880 | - |
| 2.3. Electricity, Gas, Water | 19,246 | 309,698 | - | 338,977 | - |
| 3. Construction | 1,113,394 | 1,056,060 | - | 866,551 | - |
| 4. Services | 19,344,003 | 3,166,763 | - | 6,148,952 | - |
| 4.1. Wholesale and Retail Commerce | 4,698,583 | 1,748,378 | - | 1,957,589 | - |
| 4.2. Hotel and Restaurant Services | 1,447,733 | 260,681 | - | 520,392 | - |
| 4.3. Transportation and Communication | 441,084 | 136,948 | - | 176,137 | - |
| 4.4. Financial Corporations | 11,131,296 | 808,138 | - | 2,822,164 | - |
| 4.5. Real Estate and Loan Services | 89,659 | 27,373 | - | 89,309 | - |
| 4.6. Independent Business Services | 846,616 | 101,121 | - | 302,366 | - |
| 4.7. Education Services | 59,133 | 37,760 | - | 35,693 | - |
| 4.8. Health and Social Services | 629,899 | 46,364 | - | 245,302 | - |
| 5. Other | 12,915,605 | 3,246,798 | - | 4,517,552 | - |
| 6. Total | 36,351,418 | 9,494,520 | - | 13,630,745 | - |

^(*) Represents the distribution of cash loans.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

Information by major sectors and type of counterparties (Continued)

| Prior Period | Loans ^(*) | | Provisions | | |
|---------------------------------------|---|-------------------|--|--|---------------------------|
| | Impaired Loans (TFRS 9) | | Non-Performing (Regulation of Provision) | Expected Credit Loss Provisions (TFRS 9) | (Regulation of Provision) |
| | Significant Increase of Credit Risk (Stage 2) | Default (Stage 3) | | | |
| Major Sectors/Counterparties | | | | | |
| 1. Agriculture | 251,454 | 451,157 | - | 289,430 | - |
| 1.1. Farming and Livestock | 248,085 | 370,225 | - | 255,233 | - |
| 1.2. Forestation | 1,819 | 78,577 | - | 31,853 | - |
| 1.3. Fishing | 1,550 | 2,355 | - | 2,344 | - |
| 2. Industrial | 1,944,161 | 1,572,015 | - | 1,717,924 | - |
| 2.1. Mining and Quarrying | 23,286 | 111,473 | - | 63,464 | - |
| 2.2. Manufacturing Industry | 1,902,286 | 1,136,513 | - | 1,301,989 | - |
| 2.3. Electricity, Gas, Water | 18,589 | 324,029 | - | 352,471 | - |
| 3. Construction | 1,013,482 | 1,329,720 | - | 1,034,844 | - |
| 4. Services | 11,926,149 | 3,552,235 | - | 4,812,317 | - |
| 4.1. Wholesale and Retail Commerce | 1,602,091 | 1,928,118 | - | 1,805,898 | - |
| 4.2. Hotel and Restaurant Services | 966,052 | 392,321 | - | 383,648 | - |
| 4.3. Transportation and Communication | 276,018 | 140,079 | - | 151,353 | - |
| 4.4. Financial Corporations | 7,916,880 | 825,439 | - | 1,967,628 | - |
| 4.5. Real Estate and Loan Services | 94,351 | 27,810 | - | 43,251 | - |
| 4.6. Independent Business Services | 598,745 | 122,167 | - | 284,680 | - |
| 4.7. Education Services | 38,197 | 67,775 | - | 42,250 | - |
| 4.8. Health and Social Services | 433,815 | 48,526 | - | 133,609 | - |
| 5. Other | 4,057,337 | 2,611,020 | - | 2,694,362 | - |
| 6. Total | 19,192,583 | 9,516,147 | - | 10,548,877 | - |

^(*) Represents the distribution of cash loans.

Movements in value adjustments and provisions

| Current Period | Opening Balance | Provision for Period | Provision Reversals | Other Adjustments ^(*) | Closing Balance |
|---------------------------------------|-----------------|----------------------|---------------------|----------------------------------|-----------------|
| 1. Stage 3 Provisions ^(**) | 7,132,156 | 1,768,481 | (677,441) | (394,163) | 7,829,033 |
| 2. Stage 1 and 2 Provisions | 5,553,774 | 4,991,919 | (1,139,103) | - | 9,406,590 |

^(*) Represents the provision of loans written-off or sold.

^(**) Demonstrates provision movement of Stage 3 cash loans.

| Prior Period | Opening Balance | Provision for Period | Provision Reversals | Other Adjustments ^(*) | Closing Balance |
|---------------------------------------|-----------------|----------------------|---------------------|----------------------------------|-----------------|
| 1. Stage 3 Provisions ^(**) | 7,133,071 | 2,197,301 | (973,373) | (1,224,843) | 7,132,156 |
| 2. Stage 1 and 2 Provisions | 4,019,817 | 2,351,094 | (817,137) | - | 5,553,774 |

^(*) Represents the provision of loans written-off or sold.

^(**) Demonstrates provision movement of Stage 3 cash loans.

Exposures subject to countercyclical capital buffer

The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué "Regulation on Capital Conservation and Countercyclical Capital Buffers of Banks" published in the Official Gazette Nr. 28812 dated 5 November 2013 is presented below:

QNB Finansbank Anonim Şirketi

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

1. Consolidated credit risk explanations (Continued)

Information on private sector receivables

| Current Period Country | RWAs of Banking Book for Private Sector Lending | RWAs of Trading Book | Total |
|---------------------------|--|-------------------------|--------------------|
| Türkiye | 488,140,145 | - | 488,140,145 |
| Malta | 442,373 | - | 442,373 |
| Other | 731,150 | - | 731,150 |
| Total | 489,313,668 | - | 489,313,668 |

| Prior Period Country | RWAs of Banking Book for Private Sector Lending | RWAs of Trading Book | Total |
|-------------------------|--|-------------------------|--------------------|
| Türkiye | 238,366,466 | - | 238,366,466 |
| Malta | 621,516 | - | 621,516 |
| Other | 1,243,149 | - | 1,243,149 |
| Total | 240,231,131 | - | 240,231,131 |

2. Risk Management and General Disclosures regarding Risk Weighted Amounts

2.1. GBA - Risk management approach of the group

a) The way risk profile of the Group is determined by business model and the interaction between (e.g. key risks related to business model and in which way those risks are reflected to disclosures) and in which way the risk profile of the Group is related to risk appetite approved by board of directors

Group acknowledges that business and strategy risks are material since the Group's growth oriented business plan is sensitive to changes in market conditions. From this point of view, Group classifies business and strategy risk as an important risk. Group reviews its 5 year long term business plans once a year periodically. If the economic developments and market conditions require, then business plans are reviewed and revised more often.

b) Risk management structure: Allocation of responsibilities in the Group (e.g. supervision and delegation of authorization; separation of responsibilities with respect to their risk type, business unit etc.; relations between structures included in risk management processes [e.g. board of directors, senior management, separate risk committee, risk management unit, legal compliance, internal audit function])

Group's risk measurement, monitoring, and control functions have clearly defined responsibilities that are sufficiently independent from position/risk taking functions. Risk exposures are directly reported to Senior Management and the Board of Directors/Board Risk Committee. Group's internal control systems are designed to provide adequate segregation of duties, in order to prevent conflicts of interest with respect to the distinct functions of undertaking, approving, monitoring and controlling risks. In particular the functions that undertake transactions (front line) are administratively and operationally separate from the functions of, confirmation, accounting and settlement of transactions, as well as the safekeeping of the assets of the Group or its customers.

Risk management governance at the Group starts with the Board of Directors. The Board Risk Committee ("BRC"), Audit Committee (the "AC"), Assets and Liabilities Committee (the "ALCO"), Corporate and Retail Credit Policy Committee ("CPC"), Operational Risk Management Committee ("ORC"), Reputation Risk Management Committee and Risk Management Department are the important bodies of the risk management structure. The Board of Directors determines the general risk policy and the risk appetite of the Group.

The AC is responsible for supervising whether the Group complies with the provisions of applicable risk management legislation, and the internal risk management policies and procedures approved by the BoD. The AC reviewing whether the Group has the methods, instruments and procedures required for identifying, measuring, monitoring and controlling the risk exposures of the Group,

The ALCO, meeting monthly, is responsible for monitoring and managing the structural asset-liability mismatches of the Group, as well as monitoring and controlling liquidity risk and foreign currency exchange risk.

The CPC meets monthly and is responsible for monitoring and evaluating the Group's lending portfolio and determining principles and policies regarding the credit risk management processes such as loan approval, limit setting, rating, monitoring and problem management. The ORMC meets every three months and is responsible for reviewing operational risk issues of the Group and defining the necessary actions to be taken to minimize these risks. The Reputation Risk Management Committee is established to identify, evaluate and monitor the reputational risks that the Group is exposed to and to take necessary actions to prevent risks and meets quarterly.

QNB Finansbank Anonim Şirketi

Notes to Consolidated Financial Statements

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

2. Risk Management and General Disclosures regarding Risk Weighted Amounts (Continued)

2.1. GBA - Risk management approach of the group (Continued)

b) Risk management structure: Allocation of responsibilities in the Group (e.g. supervision and delegation of authorization; separation of responsibilities with respect to their risk type, business unit etc.; relations between structures included in risk management processes [e.g. board of directors, senior management, separate risk committee, risk management unit, legal compliance, internal audit function]) (Continued)

The Risk Management Department, working independently from the executive functions and reporting to the Board of Directors, is organized under three main section as market risk, credit risk, operational risk and model validation, each having responsibility for identifying, measuring, monitoring, controlling and managing the relevant risks as well as for model validation, assessing the predictive ability of risk estimates and the use of ratings in credit processes.

The Compliance function is ensuring, through proper procedures, that the requirements and deadlines provided for by the regulatory framework in force are observed. In doing so, the compliance function informs all Group employees on the relevant changes to the regulatory framework and provides guidance on the required changes to internal rules and processes. Moreover, the Compliance function cooperates as appropriate with the Risk Management unit, as compliance risk is considered a subcategory of operational risk.

Internal audit function acts as one of the three lines of defense of Group risk Management model and provides the independent review function. Risk assessments at internal audit are carried out by internal audit department by paying attention to exposures that Group has and controls relevant to them during audit works.

c) Channels which are used to extend and apply risk culture in the Group (e.g. behavior rules, manuals including operation limits or procedures which shall be applied when the risk limits are exceeded, procedures regarding sharing of risk matters between business units and risk units)

The Risk Appetite Statement stands out as the basic risk management policy document in which the Group defines its risks and determines its risk appetite and management principles. It also defines current and targeted risk profile and appetite, risk management organization, and core risk management capabilities.

Corporate and Retail Loan Policies and application directions also determines the Group's credit risk management workflow and procedures.

TFRS 9 Impairment Policy is to define TFRS 9 Impairment and related activities to be performed in accordance with the requirements of TFRS 9 Implementation Guide. The policy is to determine the roles and responsibilities of the Group units within the framework of TFRS 9, to determine the changes specific to TFRS 9 apart from the existing credit policy guidelines, to establish guidelines for TFRS 9 risk monitoring, control and reporting activities, and to establish the TFRS 9 Impairment framework applied within the Group. aims to provide.

Corporate Rating Governance Policy regulates the internal governance framework for corporate and commercial segment risk rating system operations.

Capital Management Policy sets a framework for managing capital requirements and adequacy assessment, capital planning, capital measurement and monitoring, capital allocation, risk-adjusted aims to establish performance measurement and pricing principles.

Counterparty Credit Risk Policy, the risk strategy determined by the Bank with risk policies and local legislation in comply with effective and sufficient counterparty credit risk management with caution, constant to establish based on the principles of applicability.

Country Risk Policy is to set a consistent framework for the identification, management and reporting of country risk that QNB Finansbank is exposed to through its counterparties in different countries.

The Market Risk Management Policy determines the key principles underlying the operations of the Group in money and capital markets including limit structure.

Banking Account Interest Rate Risk (BHFOR) Policy sets the basic principles for the management of interest rate risk related to banking activities other than trading accounts.

The liquidity policy outlines the Group's view and identifies the guidelines for incurring, retaining and managing liquidity risk.

The Fair Value Policy aims to define the main principles, roles and responsibilities for measuring the fair value of financial instruments in accordance with accounting provisions and regulatory principles.

QNB Finansbank Anonim Şirketi

Notes to Consolidated Financial Statements

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

2. Risk Management and General Disclosures regarding Risk Weighted Amounts (Continued)

2.1. GBA - Risk management approach of the group (Continued)

c) Channels which are used to extend and apply risk culture in the Group (e.g. behavior rules, manuals including operation limits or procedures which shall be applied when the risk limits are exceeded, procedures regarding sharing of risk matters between business units and risk units) (Continued)

Investment Portfolio Risk Policy ensures that the activities related to the management of the Group's investment portfolio are carried out in accordance with generally accepted practices. This policy explains the objectives and targets of the investment portfolio, whose management is given to the Treasury Trading and Asset-Liability Management units by the Asset-Liability Committee (ALCO). It also defines the management and risk control framework for managing and maintaining the investment portfolio.

The Operational Risk Management Policy ensures that all the Group's stakeholders manage operational risk within a formalized framework aligned to business objectives.

Reputation Risk Policy, identifies the rules and frame of managing the reputation risk.

The Environmental and Social Risk Policy (Policy) sets forth QNB Finansbank's approach to environmental and social issues in line with the sustainability policy, strategy and ESG (Environmental, Social, Governance) commitments of QNB Group and QNB Finansbank.

d) Key elements and scope of risk measurement systems

Consistent across the Group internal risk rating systems appropriate to the nature, size and complexity of each activity and fully integrated in credit processes. The internal risk rating system employs appropriate credit risk rating models the scope and coverage of which are adequate to accommodate the Group's strategic aspirations and regulatory requirements. In particular, the Group's internal rating systems form the basis of capital assessment and allocation and constitute a key element of risk adjusted performance measurement, pricing and profitability measurement.

Information systems and analytical techniques that enable measurement of credit risk inherent in all relevant activities, providing adequate information on the composition of the credit portfolio of the Group, including identification of any concentrations of risk.

The Market Risk Management Policy determines the key principles underlying the operations of the Group in money and capital markets. Key principles of Market Risk Management Framework are:

The Board Risk Committee is responsible for ensuring that market risk strategy and policy are consistently implemented. This includes

- Implementation of the market risk management policy;
- Designation of risk limits;
- Definition of responsibilities for every unit involved in market risk management;
- Ongoing market risk monitoring and control, ensuring that risk appetite remains within the approved limits;
- Setting up appropriate IT systems for evaluating and monitoring the risks taken;
- Setting up standard models for market risk positions valuation and performance evaluation;
- Setting up comprehensive reporting and internal control systems;
- Providing for the maintenance of an adequate level of regulatory capital against the market risk undertaken; and
- Providing for the disclosure of information regarding the type and level of the market risk assumed and for the implementation of policies for the management thereof.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

2. Risk Management and General Disclosures regarding Risk Weighted Amounts (Continued)

2.1. GBA - Risk management approach of the group (Continued)

e) Disclosures regarding risk reporting processes provided to Board of Directors and senior management (especially on the scope and main content of reporting)

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operation Risk.

Credit Risk section of the report consists of three main sub sections such as general Outlook, business Loans and retail Loans, and include

- Basic risk appetite parameters in the Group Risk Management Strategy;
- Exposures by segments, monthly and annual changes, portfolio growth;
- Sector concentration and risk metrics;
- Delinquency amounts, product types and delinquencies by segments, new NPLs and recoveries from NPLs;
- Detailed watch list analyses for business segments;
- Rating distributions, PD distributions, expected loss trend, collateral structure;
- New NPLs, vintage analyses, recoveries by segments and products;
- Restructured credits by segments;
- Derivative products exposures by segments, stress testing; and
- Credit risk information regarding subsidiaries.

The Risk Management Division is required to inform Senior Management and Board Member who is responsible from Internal Systems on Market Risk of Trading Book and AFS portfolio.

Reports are prepared daily and indicatively include the following:

- Estimation of the VaR on aggregate basis and by type of risk (interest rate, FX, equity)
- Estimation of Stress VaR on aggregate basis and by type of risk (interest rate, FX, equity)
- Sensitivity of the Trading Book and AFS portfolio
- Nominal values of bond portfolios
- A breakdown of the portfolio and the relevant limits utilization
- Utilization of limits on option Greeks
- Sensitivity of credit derivatives to credit spread changes

In addition, Board of Directors Risk Committee Report is prepared monthly in a way covering abovementioned market risk metrics and stress tests in order to be presented to Board of Directors and Risk Committee.

Operational Risk segment reporting broadly covers the following:

- Operational risk loss events experienced in the group;
- Key risk indicators and risk metrics; and
- Action tracking.

f) Disclosures regarding stress test (e.g. assets included in stress test, adapted scenarios and used methodologies and use of stress test in risk management)

Stress tests constitute the center of capital planning within the scope of the Group's APICA (Assessment Process of Internal Capital Adequacy). The Bank's general principles on the stress testing framework can be summarized as follows:

- Comprehensive stress testing, aggregated per risk category, is conducted at least annually on year end data and business plan
- Stress testing is integrated to the ICAAP document which is subject to Board of Directors approval
- A historical scenario is selected as an anchor scenario to be used on the construct of base adverse scenario for the stress test use. However, final scenario is applied by enriching with hypothetical components as independent from anchor scenario
- Bank's stress testing framework encompasses sensitivity tests.
- The impact of the stress testing on the Group's financial strength and capital position are analyzed through some key ratios and key items including but not limited to the following: Non-performing Loan Ratio, Return of Equity, Return on Asset, Leverage Ratio, Core Tier I Ratio, Capital Adequacy Ratio, Loan Balances, Balance Sheet Items, Statement of Profit or Loss Items
- Stress testing framework encompasses reverse stress testing

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

2. Risk Management and General Disclosures regarding Risk Weighted Amounts (Continued)

2.1. GBA - Risk management approach of the group (Continued)

e) Disclosures regarding risk reporting processes provided to Board of Directors and senior management (especially on the scope and main content of reporting) (Continued)

In scenarios using stress testing, as a result of increase in non-performing loans due to significant deterioration in asset quality and a decrease in capital adequacy, The Group's ability to meet capital-strengthening actions and cash outflows that may occur in case of a possible liquidity crisis were tested. In this context, when the potential risks created and to be created by Covid are evaluated, it is thought that the Bank has the power to be able to act at an adequate level.

Market Risk Management defines the stress test approaches as below:

- To move the risk factors parallel in one direction.
- To move the risk factors non parallel.
- To perform tests to the existing portfolio based on past extreme situations.

Trading book consists of Financial Assets at Fair Value Through Profit or Loss securities, Financial Assets at Fair Value Through Profit or Loss derivatives and open currency positions which are clearly defined in Market Risk Management Policy.

Within the scope of liquidity stress test to identify possible sources of liquidity weaknesses, scenarios that are specific to the bank, related to the market in general and taking both situations into account have been defined. Thus, the Group's ability to meet its obligations during a funding crisis is tested. The Group has had four different stress tests measuring how much it can meet its promises, without providing any new funds from the market or at very low levels of funds, cumulative cash outflows. During the coronavirus epidemic, the scenarios were reviewed by observing the financial movements and the minimum life expectancy of the Bank and it has been observed that it is resistant to stress over 30 days.

g) Risk management, protection and mitigation strategies and process of the Group sourcing from its business model and Monitoring processes of continuing effects of protection and mitigation

Forecasts related to effectiveness of credit risk mitigation methods and collection ability of the Group associated with miscellaneous collateral types are stated with consideration ratios on the basis of collaterals. The aforementioned ratios are determined based on long term historical observations of the Group and judgement of expert business units and most importantly with precautionary principle.

Likewise, conservatism is also embedded in regulatory rules through respective haircuts, collateral eligibility requirements and so forth. Furthermore, the collaterals used as a risk mitigant in the Bank's capital adequacy calculations are predominantly cash or equivalent collaterals. The treatment of cash collaterals is straight forward, issues about recovery, and valuation are not relevant.

Regarding the exposure secured with mortgages, the new capital adequacy regime with Basel II increased the operational requirements for the recognition.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

2. Risk Management and General Disclosures regarding Risk Weighted Amounts (Continued)

2.1. GBA - Risk management approach of the group (Continued)

GB1 - Overview of risk weighted assets

| | Risk Weighted Assets | | Minimum Capital Requirements | |
|---|----------------------|--------------------|------------------------------|-------------------|
| | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| 1. Credit risk (excluding counterparty credit risk) | 399,456,740 | 212,756,907 | 31,956,540 | 17,020,553 |
| 2. Standardised approach | 399,456,740 | 212,756,907 | 31,956,540 | 17,020,553 |
| 3. Internal rating-based approach | - | - | - | - |
| 4. Counterparty credit risk | 18,772,414 | 9,896,598 | 1,501,793 | 791,728 |
| 5. Standardised approach for counterparty credit risk | 18,772,414 | 9,896,598 | 1,501,793 | 791,728 |
| 6. Internal model method | - | - | - | - |
| 7. Basic risk weight approach to internal models equity position in the banking account | - | - | - | - |
| 8. Investments made in collective investment companies - look-through approach | - | - | - | - |
| 9. Investments made in collective investment companies - mandate-based approach | - | - | - | - |
| 10. Investments made in collective investment companies - 1250% weighted risk approach | - | - | - | - |
| 11. Settlement risk | - | - | - | - |
| 12. Securitisation exposures in banking accounts | - | - | - | - |
| 13. IRB ratings-based approach | - | - | - | - |
| 14. IRB Supervisory Formula Approach | - | - | - | - |
| 15. SA/simplified supervisory formula approach | - | - | - | - |
| 16. Market risk | 10,050,275 | 5,888,475 | 804,022 | 471,078 |
| 17. Standardised approach | 10,050,275 | 5,888,475 | 804,022 | 471,078 |
| 18. Internal model approaches | - | - | - | - |
| 19. Operational risk | 20,444,093 | 17,771,434 | 1,635,527 | 1,421,714 |
| 20. Basic Indicator Approach | 20,444,093 | 17,771,434 | 1,635,527 | 1,421,714 |
| 21. Standardised Approach | - | - | - | - |
| 22. Advanced Measurement Approach | - | - | - | - |
| 23. The amount of the discount threshold under the equity (subject to a 250% risk weight) | - | - | - | - |
| 24. Floor adjustment | - | - | - | - |
| 25. TOTAL(1+4+7+8+9+10+11+12+16+19+23+24) | 448,723,522 | 246,313,414 | 35,897,882 | 19,705,073 |

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

3. Linkages between financial statements and risk amounts

3.1. B1- Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts

| Current Period Assets | Carrying values in financial statements prepared as per TAS | Carrying values in accordance legal consolidation prepared as per TAS | Carrying values of items in accordance with TAS | | | |
|---|---|---|---|-------------------------------------|------------------------|--|
| | | | Subject to credit risk | Subject to counterparty credit risk | Subject to market risk | Not subject to capital requirements or subject to deduction from capital |
| Cash and Balances with the Central Bank | 94,533,049 | 94,527,176 | 94,532,103 | - | - | - |
| Trading Financial Assets ^(*) | 8,090,348 | 8,090,348 | - | 7,691,497 | - | 3,792,070 |
| Financial Assets at Fair Value Through Profit or Loss | 1,619,014 | 1,619,015 | - | - | - | 1,211,871 |
| Banks | 11,358,595 | 11,137,685 | 11,149,252 | - | - | - |
| Money Market Placements | 8,462,898 | 8,462,898 | 4,422,294 | 4,040,604 | - | - |
| Financial Assets Available-for-Sale (Net) | 40,302,956 | 40,257,481 | 40,128,060 | 10,288,785 | - | - |
| Loans and Receivables | 339,661,284 | 338,904,231 | 348,269,977 | - | - | - |
| Factoring Receivables | 9,468,733 | 9,593,485 | 9,593,485 | - | - | - |
| Held-to-Maturity Investments (Net) | 61,943,267 | 61,943,267 | 61,948,362 | 19,879,566 | - | - |
| Investment in Associates (Net) | - | 45,477 | 45,477 | - | - | - |
| Investment in Subsidiaries (Net) | - | 128,046 | 128,046 | - | - | - |
| Investment in Joint ventures (Net) | 343,575 | 288,563 | 288,563 | - | - | - |
| Lease Receivables | 15,284,714 | 14,607,221 | 14,607,221 | - | - | - |
| Derivative Financial Assets Held for Hedging ^(*) | 14,521,606 | 14,521,606 | - | 14,521,606 | - | - |
| Property and Equipment (Net) | 4,857,485 | 4,901,332 | 4,790,947 | - | - | - |
| Intangible Assets (Net) | 982,157 | 944,149 | - | - | - | - |
| Investment Property (Net) | - | - | - | - | - | - |
| Tax Asset | 570,548 | 665,697 | 665,697 | - | - | - |
| Assets Held for Resale and Related to Discontinued Operations (Net) | - | - | - | - | - | - |
| Other Assets | 7,559,384 | 10,506,137 | 10,519,352 | - | - | - |
| Total Assets | 619,559,613 | 621,143,814 | 601,088,836 | 56,422,058 | - | 5,003,941 |
| Liabilities | | | | | | |
| Deposits | 407,494,763 | 392,763,122 | - | - | - | - |
| Derivative Financial Liabilities Held for Trading ^(**) | 5,591,399 | 5,591,399 | - | - | - | 3,515,675 |
| Funds Borrowed | 54,946,924 | 55,217,357 | - | - | - | - |
| Money Markets | 23,053,503 | 23,078,637 | - | 23,078,637 | - | - |
| Marketable Securities Issued | 32,001,173 | 32,016,909 | - | - | - | - |
| Funds | - | - | - | - | - | - |
| Miscellaneous Payables ^(***) | 14,784,702 | 29,702,644 | - | - | - | - |
| Other Liabilities ^(***) | 10,997,460 | 7,564,175 | - | - | - | - |
| Factoring Payables | - | - | - | - | - | - |
| Lease Payables | 741,622 | 741,622 | - | - | - | - |
| Derivative Financial Liabilities Held for Hedging ^(**) | 1,123,589 | 1,123,589 | - | - | - | - |
| Provisions | 4,583,106 | 9,097,021 | - | - | - | - |
| Tax Liability | 2,843,483 | 2,843,483 | - | - | - | - |
| Liabilities for Property and Equipment Held for Sale and Related to Discontinued Operations (Net) | - | - | - | - | - | - |
| Subordinated Loans | 17,127,724 | 17,127,724 | - | - | - | - |
| Shareholders' Equity | 44,270,165 | 44,276,132 | - | - | - | - |
| Total Liabilities | 619,559,613 | 621,143,814 | - | 23,078,637 | - | 3,515,675 |

^(*) Financial assets held for trading and derivative financial assets for hedging purposes are included in the "Derivative Financial Assets" item in the financial statements.

^(**) Financial liabilities held for trading and derivative financial liabilities for hedging purposes are included in the "Derivative Financial Liabilities" item in the financial statements.

^(***) Miscellaneous payables and other liabilities are presented under "Other Liabilities" items in the financial statements.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

3. Linkages between financial statements and risk amounts (Continued)

3.1. B1- Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts

| Prior period Assets | Carrying values in financial statements prepared as per TAS | Carrying values in accordance legal consolidation prepared as per TAS | Carrying values of items in accordance with TAS | | | |
|---|---|---|---|-------------------------------------|------------------------|--|
| | | | Subject to credit risk | Subject to counterparty credit risk | Subject to market risk | Not subject to capital requirements or subject to deduction from capital |
| Cash and Balances with the Central Bank | 70,290,905 | 70,287,488 | 70,294,571 | - | - | - |
| Trading Financial Assets ^(*) | 9,842,852 | 9,842,852 | - | 9,839,432 | - | 5,227,730 |
| Financial Assets at Fair Value Through Profit or Loss | 562,736 | 774,458 | 537,617 | - | - | 339,126 |
| Banks | 17,684,194 | 15,816,302 | 15,819,972 | - | - | - |
| Money Market Placements | 159,508 | 159,508 | - | 159,508 | - | - |
| Financial Assets Available-for-Sale (Net) | 19,691,782 | 19,677,747 | 19,677,747 | 8,052,567 | - | - |
| Loans and Receivables | 198,376,037 | 197,854,995 | 203,085,571 | - | - | - |
| Factoring Receivables | 3,727,952 | 3,810,518 | 3,810,518 | - | - | - |
| Held-to-Maturity Investments (Net) | 29,847,182 | 29,847,183 | 29,856,976 | 14,938,096 | - | - |
| Investment in Associates (Net) | - | 14,027 | 14,027 | - | - | - |
| Investment in Subsidiaries (Net) | - | 38,046 | 38,046 | - | - | - |
| Investment in Joint ventures (Net) | 210,971 | 218,294 | 218,294 | - | - | - |
| Lease Receivables | 11,401,832 | 10,689,748 | 10,689,748 | - | - | - |
| Derivative Financial Assets Held for Hedging ^(*) | 11,963,432 | 11,963,432 | - | 11,963,432 | - | - |
| Property and Equipment (Net) | 3,731,530 | 3,773,645 | 3,694,515 | - | - | - |
| Intangible Assets (Net) | 669,817 | 569,455 | - | - | - | - |
| Investment Property (Net) | - | - | - | - | - | - |
| Tax Asset | 346,969 | 343,730 | 343,730 | - | - | - |
| Assets Held for Resale and Related to Discontinued Operations (Net) | - | - | - | - | - | - |
| Other Assets | 4,602,348 | 8,167,584 | 8,176,087 | - | - | - |
| Total Assets | 383,110,047 | 383,849,012 | 366,257,419 | 44,953,035 | - | 5,566,856 |
| Liabilities | | | | | | |
| Deposits | 236,219,701 | 225,876,579 | - | - | - | - |
| Derivative Financial Liabilities Held for Trading ^(**) | 10,784,969 | 10,784,969 | - | - | - | - |
| Funds Borrowed | 37,171,251 | 37,252,267 | - | - | - | - |
| Money Markets | 18,123,446 | 18,190,614 | - | 18,190,614 | - | - |
| Marketable Securities Issued | 29,800,057 | 29,802,816 | - | - | - | - |
| Funds | - | - | - | - | - | - |
| Miscellaneous Payables ^(***) | 8,499,110 | 18,846,635 | - | - | - | - |
| Other Liabilities ^(***) | 4,170,744 | 4,788,052 | - | - | - | - |
| Factoring Payables | - | - | - | - | - | - |
| Lease Payables | 487,262 | 487,262 | - | - | - | - |
| Derivative Financial Liabilities Held for Hedging ^(**) | 1,998,921 | 1,998,921 | - | - | - | - |
| Provisions | 1,651,362 | 1,648,401 | - | - | - | - |
| Tax Liability | 167,723 | 167,723 | - | - | - | - |
| Liabilities for Property and Equipment Held for Sale and Related to Discontinued Operations (Net) | - | - | - | - | - | - |
| Subordinated Loans | 11,852,564 | 11,852,564 | - | - | - | - |
| Shareholders' Equity | 22,182,937 | 22,152,209 | - | - | - | - |
| Total Liabilities | 383,110,047 | 383,849,012 | - | 18,190,614 | - | - |

^(*) Financial assets held for trading and derivative financial assets for hedging purposes are included in the "Derivative Financial Assets" item in the financial statements.

^(**) Financial liabilities held for trading and derivative financial liabilities for hedging purposes are included in the "Derivative Financial Liabilities" item in the financial statements.

^(***) Miscellaneous payables and other liabilities are presented under "Other Liabilities" items in the financial statements.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

3. Linkages between financial statements and risk amounts (Continued)

3.2. B2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

| Current period | Total | Subject to Credit Risk | Subject to the Securitization | Subject to Counterparty Credit Risk | Subject to Market Risk |
|--|--------------|------------------------|-------------------------------|-------------------------------------|------------------------|
| 1. Asset carrying value amount under scope of regulatory consolidation (as in template B1) | 662,514,835 | 601,088,836 | - | 56,422,058 | 5,003,941 |
| 2. Liabilities carrying value amount under regulatory scope of consolidation (as in template B1) | 26,594,312 | - | - | 23,078,637 | 3,515,675 |
| 3. Total net amount under regulatory scope of consolidation | 635,920,523 | 601,088,836 | - | 33,343,421 | 1,488,266 |
| 4. Off-Balance Sheet Amount | 342,491,942 | 58,108,375 | - | - | - |
| 5. Differences due to different netting rules (except 2) | 8,562,009 | - | - | - | 8,562,009 |
| 6. Repo transactions | 2,471,321 | - | - | 2,471,321 | - |
| 7. Decrease in counterparty credit risk as a result of netting | - | - | - | - | - |
| 8. Potential credit risk amount calculated for the counterparty | 9,114,794 | - | - | 9,114,794 | - |
| 9. Differences due to credit risk reduction | (25,665,149) | (11,730,439) | - | (13,934,710) | - |
| 10. Average exchange rate effect ^(*) | (70,721,420) | (70,721,420) | - | - | - |
| Risk amounts | | 576,745,352 | - | 30,994,826 | 10,050,275 |

^(*) It shows the average exchange rate effect used in credit risk calculation within the scope of the BRSA's Resolution dated 28 April 2022.

| Prior Period | Total | Subject to Credit Risk | Subject to the Securitization | Subject to Counterparty Credit Risk | Subject to Market Risk |
|--|--------------|------------------------|-------------------------------|-------------------------------------|------------------------|
| 1. Asset carrying value amount under scope of regulatory consolidation (as in template B1) | 416,777,310 | 366,257,419 | - | 44,953,035 | 5,566,856 |
| 2. Liabilities carrying value amount under regulatory scope of consolidation (as in template B1) | 18,190,614 | - | - | 18,190,614 | - |
| 3. Total net amount under regulatory scope of consolidation | 398,586,696 | 366,257,419 | - | 26,762,421 | 5,566,856 |
| 4. Off-Balance Sheet Amount | 205,902,080 | 37,004,161 | - | - | - |
| 5. Differences due to different netting rules (except 2) | 321,619 | - | - | - | 321,619 |
| 6. Repo transactions | 1,470,527 | - | - | 1,470,527 | - |
| 7. Decrease in counterparty credit risk as a result of netting | 2,310,393 | - | - | 2,310,393 | - |
| 8. Potential credit risk amount calculated for the counterparty | (19,636,270) | (6,594,164) | - | (13,042,106) | - |
| 9. Differences due to credit risk reduction | (64,927,744) | (64,927,744) | - | - | - |
| 10. Average exchange rate effect ^(*) | 588,955,045 | 331,739,672 | - | 17,501,235 | 5,888,475 |
| Risk amounts | | 366,257,419 | - | 44,953,035 | 5,566,856 |

^(*) It shows the average exchange rate effect used in credit risk calculation within the scope of the BRSA's Resolution dated December 21, 2021.

3.3. BA - Disclosures regarding differences between amounts valued according to TAS and risk exposures

a) None.

b) There is no significant difference between amounts valued in accordance with TAS included in B2 and risk exposures except for "Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)". There is a significant difference between amounts valued according to TAS and risk exposures, since the securities which are subject to repurchase that include in Money Market Payables account item are subject to counter party risk.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

3. Linkages between financial statements and risk amounts (Continued)

3.3. BA - Disclosures regarding differences between amounts valued according to TAS and risk exposures (Continued)

c) Valuation methodologies regarding the disclosure related to use of Market Value and Model Value

In general terms, market risk is the possibility of making loss as a result of changes occurring in the current market values of financial assets and positions in the Group's trading accounts. In this framework, the following elements of the Group, which must be reflected on balance sheet over their current market values (market to market), are included in market risk:

- Equity shares included in trading, investment fund participation documents, securities such as bonds and bills,
- Open foreign exchange position with respect to each foreign currency,
- Derivative contracts (forwards) sensitive to interest changes and concluded for trading, future transactions, simple or complex options, swaps, credit derivatives are subject to market risk. Classification of Trading Accounts are made in accordance with Appedix-3 of Regulation on Measurement and Evaluation of Bank's Capital Adequacy.

The Parent Bank calculates its value at market risk with standard method in the framework of "Regulation on Measurement and Evaluation of Bank's Capital Adequacy". Accordingly, capital requirement is reached through multiplying of total of general market risk, commodity risk, settlement risk, option risk to 12.5.

The Group's market risk basis value is reached by determining the amounts related to market risk. The details of the analysis are as follows:

- Commodity risk analysis: Simplified approach (Standard method)
- Interest rate risk analysis: General Market Risk Calculation (Standard method - maturity approach) - Specific risk calculation (Standard method)
- Equity share risk analysis: Position risk in equity share investments (Standard method)
- Exchange rate exposure analysis (Standard method)
- Option risk analysis: Weighting method with delta factor (Standard method)

Securities such as equity share, bond and bills, whose market prices are monitored directly, and derivative products such as futures, which are traded in stock exchange, are reviewed over their transaction prices as of reporting date. If a security included in Financial Assets at Fair Value through Profit/Loss portfolio cannot be treated as of reporting date, it is evaluated over the price determined in scope of precautionary principles.

Market value of products, which are traded at over the counter markets such as forward foreign exchange, foreign exchange swaps and interest swaps, are calculated in line with discounting of cash flows over market interest rates. Market value of option transactions is performed based on softwares which are internationally accepted valuation methodologies.

Definition of independent price approval processes

There are four main price parameters which shall have an impact on current market value of financial assets and positions held by the Banks:

- Market interest rates (bond, bill and derivative prices);
- Share prices;
- Exchange rates; and
- Gold, other precious metals and commodity prices.

Total risk of loss sourcing from price movements (interest, equity share, exchange and commodity risk) related to financial assets and positions are called as "general market risk".

Independency of price process is ensured through the recording and management of prices to Group systems by back office. In addition, the pricing and valuation systems in question are also reviewed and validated by Validation Unit. Details belonging to aforementioned valuation and accounting are strictly documented and monitored by Treasury Control Unit.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

3. Linkages between financial statements and risk amounts (Continued)

3.3. BA - Disclosures regarding differences between amounts valued according to TAS and risk exposures (Continued)

Processes for valuation adjustments or differences (It includes definition of process and methodology definition for the valuation of trading positions according to type of financial instrument)

TL borrowing instruments included in securities portfolio of Financial Assets at Fair Value through Profit/Loss account consist of government securities. The aforementioned securities are evaluated based on weighted average price traded in BIST. Market price is calculated based on CBRT prices for TL securities not traded in BIST. Average of quotation of purchase and sell in the market are accepted as market price for Foreign Currency securities included in the same portfolio

4. Credit Risk Disclosures

4.1. General Information on Credit Risk

4.1.1. CRD - general qualitative information on credit risk

a) Conversion of The Parent Bank's business model to components of credit risk profile

The Parent Bank has forward-looking measurement and forecast instruments which are sensitive to risk and including appropriate information technology applications and management information systems in order to take expected or unexpected losses into account in all types of risk under both normal and also negative market conditions. The conversion of business model to components in risk profile is digitized through aforementioned instruments.

b) Criteria and approach used during the determination of credit risk policy and credit risk limits

Group credit policies have been established to form effective and satisfactory loan allocation processes based on prudence and applicability principles in a way that it is in line with the risk boundaries set by the Group, Group Credit Policies and legal authorities. Pillars of credit risk management policy in Group are

- Rules and Regulations of BRSA (Banking Regulation and Supervision Agency);
- Decisions of institutions auditing QNB Group;
- Credit policies and procedures at Group level;
- Credit policies and procedures at Bank level;
- Risk Appetite Statement Document;
- Corporate, commercial and SME banking credit policies and corporate grading management documents; and
- Individual credit and credit cards policies.

Risk Management Strategy is the main risk management policy document in which the risks of the Group are identified, and its risk appetite and managements principles are determined. Credit risk limits are annually reviewed in line with risk strategy.

c) Structure and organization of credit risk management and control function

All of the process related to direct or indirect credit allocation, extension, monitoring and operation of the Group in favour of individuals or legal entities are reviewed in scope of credit risk management. Activities related to capital management includes calculation of legal and economic capital requirement of annual and long term business plans of the Bank.

Activities related to Credit Risk and Capital Management are carried out by Credit Risk Analytic, Strategy and Capital Management unit. Group's Credit Risk organization, duties and responsibilities, related units and responsibilities of those units are identified in detail in the own Credit Policy documents of the Group, Risk Management Strategy Document and Risk Management Department operation instruction and also main principles, applications, limits and reporting processes, which are going to be adopted in Credit Risk Management, are included

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

4. Credit Risk Disclosures (Continued)

4.1. General Information on Credit Risk (Continued)

4.1.1. CRD - general qualitative information on credit risk (Continued)

c) Structure and organization of credit risk management and control function (Continued)

Main responsibilities of Credit Risk Management Department are as follows:

- To establish risk management policies and strategies related to risks exposed by the Group and to submit those policies and strategies for the approval of Board of Directors Risk Committee,
- To ensure fulfilment of risk identification, measurement, analysis, monitoring, control and mitigation activities in accordance with risk management policies and processes approved by Board of Directors and to report all significant in balance and off balance risks which are undertaken at group level to senior management,
- To make internal capital adequacy review covering all risks and to make forecasts related to course of capital adequacy ratio in the framework of long term business plans of the Group,
- To make periodic stress tests and scenario analysis and establish early warning systems,
- To support decision-making processes of the Group through providing reviews and risk point of view with respect to risk management,
- To develop of forecasting models/approaches and the measurement monitoring of portfolio credit risk through Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD).
- Implementation of risk based Credit Classification and Expected Credit Loss calculations under TFRS 9, determination of credit risk measurement framework, development and implementation of relevant models/approaches.

d) Relationship between credit risk management, risk control, legal compliance and internal audit functions

Risk governance model includes three lines of defense consisting of:

- The risk taking units (lines of business) at the first level, responsible for assessing and minimizing risks for a given level of return.
- Risk Management Unit, at the second level, identifies, monitors, controls, quantifies risk, provides appropriate tools and methodologies, provides coordination and assistance; measures risk adjusted performance across the business lines; reports to appropriate levels and proposes mitigation measures, being supported by business lines, where the risk is actually created, and specialized units.
- Internal Audit - provides the independent review function.

The Compliance function is ensuring, through proper procedures, that the requirements and deadlines provided for by the regulatory framework in force are observed. In doing so, the compliance function informs all Group employees on the relevant changes to the regulatory framework and provides guidance on the required changes to internal rules and processes. Moreover, the Compliance function cooperates as appropriate with the Risk Management unit, as compliance risk is considered a subcategory of operational risk.

Internal audit function acts as one of the three lines of defense of Group risk Management model and provides the independent review function. Risk assessments at internal audit are carried out by internal audit department by paying attention to exposures that Group has and controls relevant to them during audit works.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

4. Credit Risk Disclosures (Continued)

4.1. General Information on Credit Risk (Continued)

4.1.1. CRD - general qualitative information on credit risk (Continued)

e) Scope and main content of reporting to senior management and board members regarding the credit risk management function and exposure to credit risk

A Board of Directors Risk Committee Report is prepared monthly to be submitted to the Board of Directors Risk Committee, and the report mainly consists of information on capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operational Risk. The main content and scope of the report contains development in risk parameters, change in risk profile, concentration and risk metrics, stress tests and results, delay amounts and rates on the basis of segments, third stage, second stage, rating and default probability distributions, aging analysis collateral structure, collection amounts by segment and product, and non-performing loan restructurings. In addition to this monthly report, a quarterly comparison analysis with peer banks based on capital adequacy and credit risk metrics is reported to senior management and the board of directors.

4.2. CR1 Credit Quality of Assets

| Current Period | Gross carrying values of as per TAS | | | Net value |
|--------------------------------|--|-------------------------|----------------------------|--------------------|
| | Defaulted exposures | Non-defaulted exposures | Allowances/ impairments | |
| 1. Loans | 9,494,520 | 347,114,928 | 7,829,034 | 348,780,414 |
| 2. Debt Securities | - | 102,094,281 | - | 102,094,281 |
| 3. Off-balance sheet exposures | 52,021 | 245,588,683 | 55,641 | 245,585,063 |
| 4. Total | 9,546,541 | 694,797,892 | 7,884,675 | 696,459,758 |

| Prior Period | Gross carrying values of as per TAS | | | Net value |
|--------------------------------|--|-------------------------|----------------------------|--------------------|
| | Defaulted exposures | Non-defaulted exposures | Allowances/ impairments | |
| 1. Loans ^(*) | 9,516,147 | 201,781,415 | 7,132,156 | 204,165,406 |
| 2. Debt Securities | - | 49,490,388 | - | 49,490,388 |
| 3. Off-balance sheet exposures | 410,472 | 130,802,870 | 54,581 | 131,158,761 |
| 4. Total | 9,926,619 | 382,074,673 | 7,186,737 | 384,814,555 |

^(*) Includes financial assets at fair value through profit or loss in line with TFRS 9 amounting to TL 209,670.

4.3. CR2 Changes in stock of defaulted loans and debt securities

| | Current Period | Prior Period |
|--|------------------|------------------|
| 1. Defaulted loans and debt securities at end of the previous reporting period | 9,516,147 | 9,523,366 |
| 2. Loans and debt securities that have defaulted since the last reporting period | 2,777,814 | 3,131,039 |
| 3. Returned to non-defaulted status | - | - |
| 4. Amounts written-off ^(**) | 394,163 | 1,224,842 |
| 5. Other changes ^(***) | 2,405,279 | 1,913,416 |
| 6. Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5) | 9,494,519 | 9,516,147 |

^(*) Includes sales of non-performing loan receivables amounting to TL 32,223 in the current period (31 December 2021 - TL 1,098,841).

^(**) Includes collections from credits in default.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

4. Credit Risk Disclosures (Continued)

4.4. CRB - Additional disclosures related to credit quality of assets

- The criteria taken into consideration by the Parent Bank in determining the impairment are explained in footnote VIII of the third section.
- There is no part of past due receivables which is not reviewed as “loans subject to provisioning”.
- The Group’s specific provision calculation is explained in footnote VIII of the third section.
- In receivables of the customers having difficulties in payment of receivables to the Bank or expected to have possible difficulties in payments then receivables in aforementioned scope are identified as “restructured receivables”.
- Exposures provisioned against by major regions, major sectors and remaining maturity

Exposures provisioned against by major regions

| Country | Current Period | Prior Period |
|-------------------------------|--------------------|--------------------|
| Domestic | 345,259,369 | 199,914,126 |
| European Union (EU) Countries | 454,198 | 632,806 |
| USA and Canada | 746 | 7,388 |
| OECD Countries | 1,158 | 1,532 |
| Off-Shore Banking | 727,673 | 591,399 |
| Other Countries | 671,786 | 634,165 |
| Total^(*) | 347,114,930 | 201,781,416 |

^(*)Includes Financial Assets at Fair Value Through Profit and Loss amounting to TL 209,670 in accordance with TFRS 9 in the prior period.

Exposures provisioned against by major sectors

| | Current Period | Prior Period |
|---|--------------------|--------------------|
| 1. Agricultural | 2,986,225 | 2,179,822 |
| 1.1. Farming and raising livestock | 2,240,146 | 1,868,450 |
| 1.2. Forestry | 42,472 | 11,919 |
| 1.3. Fishing | 703,607 | 299,453 |
| 2. Manufacturing | 76,599,281 | 45,082,115 |
| 2.1. Mining and Quarrying | 659,976 | 525,255 |
| 2.2. Production | 65,591,520 | 35,897,055 |
| 2.3. Electricity, Gas, Water | 10,347,785 | 8,659,805 |
| 3. Construction | 11,221,790 | 6,882,725 |
| 4. Services | 134,895,954 | 84,683,520 |
| 4.1. Wholesale and retail trade | 54,134,919 | 27,027,715 |
| 4.2. Hotel, food and beverage services | 10,198,976 | 7,605,536 |
| 4.3. Transportation and telecommunication | 33,428,456 | 24,608,341 |
| 4.4. Financial institutions | 23,562,180 | 16,125,432 |
| 4.5. Real estate and leasing services | 770,012 | 431,966 |
| 4.6. Self-employment services | 3,133,492 | 2,149,942 |
| 4.7. Education services | 789,278 | 384,891 |
| 4.8. Health and social services | 8,878,641 | 6,349,697 |
| 5. Other | 121,411,680 | 62,953,234 |
| 6. Total^(*) | 347,114,930 | 201,781,416 |

^(*)Includes Financial Assets at Fair Value Through Profit and Loss amounting to TL 209,670 in accordance with TFRS 9 in the prior period.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

4. Credit Risk Disclosures (Continued)

4.4. CRB - Additional disclosures related to credit quality of assets (Continued)

e) Exposures provisioned against by major regions, major sectors and remaining maturity (Continued)

Breakdown of Exposures according to remaining maturity

| Current Period | Demand | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | 5 years and over | Total |
|--------------------------------------|---------------|--------------------------|-----------------------|------------------------|----------------------|-----------------------------|--------------|
| Loans and Receivables ^(*) | - | 77,550,568 | 52,229,600 | 121,086,605 | 87,641,420 | 22,931,257 | 361,439,450 |

^(*)The related provisions have been deducted from current period balances.

| Prior Period | Demand | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | 5 years and over | Total |
|--------------------------------------|---------------|--------------------------|-----------------------|------------------------|----------------------|-----------------------------|--------------|
| Loans and Receivables ^(*) | - | 36,365,387 | 23,074,462 | 65,726,182 | 66,055,120 | 18,750,119 | 209,971,270 |

^(*)The related provisions have been deducted from current period balances.

f) Exposures provisioned against by major regions and sectors and loans written off during the period an uncollectible

Exposures provisioned against by major regions and loans written off during the period an uncollectible

| Current Period | Loans subject to provision | Provision | Written-off from Assets |
|-------------------------------|---------------------------------------|------------------|------------------------------------|
| Türkiye | 9,478,145 | 7,812,737 | 394,163 |
| EU Countries | 26 | 15 | - |
| USD and Canada | - | - | - |
| OECD Countries ^(*) | - | - | - |
| Off-shore Banking Regions | 16,263 | 16,246 | - |
| Other Countries | 86 | 38 | - |
| Total | 9,494,520 | 7,829,036 | 394,163 |

^(*)Includes OECD countries other than EU countries, USA and Canada.

| Prior Period | Loans subject to provision | Provision | Written-off from Assets |
|-------------------------------|---------------------------------------|------------------|------------------------------------|
| Türkiye | 9,498,907 | 7,115,777 | 1,224,842 |
| EU Countries | 1,015 | 154 | - |
| USD, Canada | - | - | - |
| OECD Countries ^(*) | - | - | - |
| Off-shore Banking Regions | 16,225 | 16,225 | - |
| Other Countries | - | - | - |
| Total | 9,516,147 | 7,132,156 | 1,224,842 |

^(*)Includes OECD countries other than EU countries, USA and Canada.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

4. Credit Risk Disclosures (Continued)

4.4. CRB - Additional disclosures related to credit quality of assets (Continued)

f) Exposures provisioned against by major regions and sectors and loans written off during the period an uncollectible (Continued)

Exposures provisioned against by major sectors and loans written off

| | Current Period | | | Prior Period | | |
|--|----------------------------|------------------|-------------------------|----------------------------|------------------|-------------------------|
| | Loans subject to provision | Provision | Written-off from Assets | Loans subject to provision | Provision | Written-off from Assets |
| 1. Agriculture | 249,702 | 201,668 | 580 | 451,157 | 290,968 | 22,542 |
| 1.1. Farming and Raising Livestock | 247,302 | 199,421 | 215 | 370,225 | 228,669 | 21,618 |
| 1.2. Forestry | 104 | 102 | 365 | 78,577 | 31,559 | 788 |
| 1.3. Fishing | 2,296 | 2,145 | - | 2,355 | 30,740 | 136 |
| 2. Industrial | 1,775,197 | 1,549,603 | 23,208 | 1,572,015 | 1,246,256 | 68,613 |
| 2.1. Mining and Quarrying | 75,109 | 55,073 | - | 111,473 | 35,665 | 2,052 |
| 2.2. Production | 1,390,390 | 1,184,947 | 3,647 | 1,136,513 | 890,828 | 66,359 |
| 2.3. Electricity, Gas, Water | 309,698 | 309,583 | 19,561 | 324,029 | 319,763 | 202 |
| 3. Construction | 1,056,060 | 733,609 | 1,099 | 1,329,720 | 753,557 | 39,176 |
| 4. Services | 3,166,763 | 2,551,914 | 327,998 | 3,552,235 | 2,573,063 | 215,011 |
| 4.1. Wholesale and Retail Trade | 1,748,378 | 1,529,582 | 52 | 1,928,118 | 1,523,771 | 162,886 |
| 4.2. Hotel, Food and Beverage Services | 260,681 | 198,455 | - | 392,321 | 254,098 | 22,955 |
| 4.3. Transportation and Communication | 136,948 | 123,681 | 327,946 | 140,079 | 112,224 | 15,257 |
| 4.4. Financial Institutions | 808,138 | 510,967 | - | 825,439 | 466,007 | 2,548 |
| 4.5. Real Estate and Renting Services | 27,373 | 26,468 | - | 27,810 | 26,228 | 1,505 |
| 4.6. Self-Employment Services | 101,121 | 88,490 | - | 122,167 | 96,859 | 5,754 |
| 4.7. Educational Services | 37,760 | 31,373 | - | 67,775 | 52,353 | 1,192 |
| 4.8. Health and Social Services | 46,364 | 42,898 | - | 48,526 | 41,523 | 2,914 |
| 5. Other | 3,246,798 | 2,792,242 | 41,278 | 2,611,020 | 2,268,312 | 879,500 |
| 6. Total | 9,494,520 | 7,829,036 | 394,163 | 9,516,147 | 7,132,156 | 1,224,842 |

g) Aging analysis

| Overdue days | Current Period | Prior Period |
|--------------|--------------------|--------------------|
| 0-30 | 364,955,258 | 212,448,268 |
| 31-60 | 1,157,522 | 1,226,744 |
| 61-90 | 568,805 | 563,834 |
| 90+ | 9,494,520 | 9,516,147 |
| Total | 376,176,105 | 223,754,993 |

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

5. Credit risk mitigation

5.1. CRM - Qualitative disclosure on credit risk mitigation techniques

Collateralization is used as main risk mitigation method. Tangible and intangible assets which can be accepted as collateral and their consideration rates are defined in detail in instructions. The Parent Bank follows a conservative approach in collateral valuation. The value of the collateral is determined both with independent valuation and also internal valuation.

Legality and operational applicability is the precondition for the validity of collaterals. Legal teams should have performed sufficient legal examinations and confirmed all legal regulations related to collateral and validity of collateral before the receipt of the collateral. In addition, all contracts and other related documents should be obtained.

Collateral value should not have a positive correlation with the credit worthiness of the debtor.

Monitoring of collateral values is important to maintain credit quality. Market value of the collateral is periodically reviewed in line with determined frequency in directives and necessary precautions are taken when there is a significant deterioration indication in market value of the collateral.

Insurance policies of the collaterals should be obtained.

Collateral value meets Debt-Collateral ratio determined for credit type or specific sectors legally or in internal application of The Parent Bank.

The Parent Bank takes netting agreements concluded with counterparties into account in the framework of rules mentioned in scope of Appendix-2 of Regulation on Measurement and Evaluation of Bank's Capital Adequacy during the counterparty risk measurement.

5.2. CR3 - Credit risk mitigation techniques - Overview

| Current Period | Exposures unsecured: carrying amount as per TAS | Exposures secured by collateral | Collateralized amount of exposures secured by collateral | Exposures secured by financial guarantees | Collateralized amount of exposures secured by financial guarantees | Exposures secured by credit derivatives | Collateralized amount of exposures secured by credit derivatives |
|-----------------------|---|---------------------------------|--|---|--|---|--|
| 1. Loans | 334,526,954 | 14,253,460 | 9,470,250 | - | - | - | - |
| 2. Debt securities | 102,094,281 | - | - | - | - | - | - |
| 3. Total | 436,621,235 | 14,253,460 | 9,470,250 | - | - | - | - |
| 4. Of which defaulted | 1,644,593 | 17,273 | 314 | - | - | - | - |

| 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 | 196,398,968 | 7,766,438 | 4,754,458 | - | - | - | - |
| 2. Debt securities | 49,490,388 | - | - | - | - | - | - |
| 3. Total | 245,889,356 | 7,766,438 | 4,754,458 | - | - | - | - |
| 4. Of which defaulted | 2,661,342 | 78,540 | 475 | - | - | - | - |

6. Credit risk when standard approach is used

6.1. CRA - Qualitative disclosures which shall be made related to grading marks used by the Banks while calculating credit risk with standard approach

- Marks of Fitch credit rating institution are used in credit risk standard approach calculations
- Centralized administrations and Banks take CRA marks into account for risk classes.
- Mark assigned to a debtor is taken into account for all assets of the debtor.
- CRA, which is not included in twinning table of the institution, is not used.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

6. Credit risk when standard approach is used (Continued)

6.2. CR4 - Standardised approach - Credit risk exposure and credit risk mitigation (CRM) effects

| Current Period | Exposures before CCF and CRM | | Exposures post-CCF and CRM | | RWA and RWA density | |
|---|------------------------------|--------------------------|----------------------------|--------------------------|---------------------|-------------|
| | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density |
| Exposure Categories | | | | | | |
| 1. Exposures to central governments or central banks | 158,594,968 | - | 159,932,601 | - | - | - |
| 2. Exposures to regional governments or local authorities | 241,732 | 115 | 241,732 | - | 120,866 | 50% |
| 3. Exposures to public sector entities | 788,967 | 160,548 | 787,710 | 35,695 | 823,404 | 100% |
| 4. Exposures to multilateral development banks | - | - | - | - | - | - |
| 5. Exposures to international organizations | - | - | - | - | - | - |
| 6. Exposures to institutions | 13,775,238 | 3,648,585 | 13,770,672 | 2,089,021 | 4,949,804 | 31% |
| 7. Exposures to corporates | 142,242,834 | 103,403,298 | 135,956,690 | 39,716,961 | 175,673,650 | 100% |
| 8. Retail exposures | 129,352,594 | 217,461,119 | 125,375,302 | 6,650,760 | 105,828,690 | 80% |
| 9. Exposures secured by residential property | 1,760,178 | 173,017 | 1,760,178 | 54,521 | 635,145 | 35% |
| 10. Exposures secured by commercial real estate | 10,819,746 | 1,562,221 | 10,819,746 | 774,714 | 8,314,408 | 72% |
| 11. Past-due loans | 1,566,671 | - | 1,566,362 | - | 1,034,419 | 66% |
| 12. Higher-risk categories by the Agency Board | 54,495,857 | 30,173 | 53,957,546 | 30,173 | 88,019,427 | 163% |
| 13. Exposures in the form of covered bonds | - | - | - | - | - | - |
| 14. Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - |
| 15. Exposures in the form of units or shares in collective investment undertakings (CIUs) | - | - | - | - | - | - |
| 16. Other assets | 19,265,004 | 56,194 | 19,265,004 | - | 10,096,920 | 52% |
| 17. Investments in equities | 3,959,964 | - | 3,959,964 | - | 3,959,964 | 100% |
| 18. Total | 536,863,753 | 326,495,270 | 527,393,507 | 49,351,845 | 399,456,697 | 69% |

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

6. Credit risk when standard approach is used (Continued)

6.2. CR4 - Standardised approach - Credit risk exposure and credit risk mitigation (CRM) effects (Continued)

| Prior Period | Exposure Categories | Exposures before CCF and CRM | | Exposures post-CCF and CRM | | RWA and RWA density | |
|--------------|---|------------------------------|--------------------------|----------------------------|--------------------------|---------------------|-------------|
| | | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density |
| 1. | Exposures to central governments or central banks | 87,342,881 | - | 88,539,233 | - | - | - |
| 2. | Exposures to regional governments or local authorities | 178,882 | 135 | 178,882 | - | 89,441 | 50% |
| 3. | Exposures to public sector entities | 203,918 | 36,358 | 201,226 | 11,056 | 212,283 | 100% |
| 4. | Exposures to multilateral development banks | - | - | - | - | - | - |
| 5. | Exposures to international organizations | - | - | - | - | - | - |
| 6. | Exposures to institutions | 11,972,528 | 5,071,025 | 11,963,246 | 3,253,098 | 5,947,305 | 39% |
| 7. | Exposures to corporates | 82,637,216 | 55,679,361 | 80,182,645 | 20,067,871 | 100,250,515 | 100% |
| 8. | Retail exposures | 79,027,320 | 130,820,178 | 75,996,109 | 4,719,014 | 62,414,348 | 77% |
| 9. | Exposures secured by residential property | 2,098,315 | 239,441 | 2,098,315 | 12,178 | 738,673 | 35% |
| 10. | Exposures secured by commercial real estate | 10,670,907 | 1,657,490 | 10,670,907 | 1,082,208 | 9,391,174 | 80% |
| 11. | Past-due loans | 2,067,694 | - | 2,067,219 | - | 1,464,000 | 71% |
| 12. | Higher-risk categories by the Agency Board | 14,155,145 | - | 13,702,564 | - | 20,553,847 | 150% |
| 13. | Exposures in the form of covered bonds | - | - | - | - | - | - |
| 14. | Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - |
| 15. | Exposures in the form of units or shares in collective investment undertakings (CIUs) | - | - | - | - | - | - |
| 16. | Other assets | 14,549,400 | 202,872 | 14,549,400 | - | 9,250,820 | 64% |
| 17. | Investments in equities | 2,444,501 | - | 2,444,501 | - | 2,444,501 | 100% |
| 18. | Total | 307,348,707 | 193,706,860 | 302,594,247 | 29,145,425 | 212,756,907 | 64% |

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

6. Credit risk when standard approach is used (Continued)

6.3. CR5 - Standard approach - exposures by asset classes and risk

Current Period

| Exposure Categories/ Risk Weight | | | | | | | | | | | Total Credit Risk Exposure Amount |
|---|--------------------|----------|-------------------|------------------|-------------------|--------------------|--------------------|-------------------|-------------------|----------|-----------------------------------|
| | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | Others | | |
| 1. Exposures to central governments or central banks | 159,932,601 | - | - | - | - | - | - | - | - | - | 159,932,601 |
| 2. Exposures to regional governments or local authorities | - | - | - | - | 241,732 | - | - | - | - | - | 241,732 |
| 3. Exposures to public sector entities | - | - | - | - | - | - | 823,405 | - | - | - | 823,405 |
| 4. Exposures to multilateral development banks | - | - | - | - | - | - | - | - | - | - | - |
| 5. Exposures to international organizations | - | - | - | - | - | - | - | - | - | - | - |
| 6. Exposures to institutions | - | - | 10,096,273 | - | 5,665,736 | - | 97,684 | - | - | - | 15,859,693 |
| 7. Exposures to corporates | - | - | - | - | - | - | 175,673,651 | - | - | - | 175,673,651 |
| 8. Retail exposures | - | - | - | - | - | 104,789,489 | 27,236,573 | - | - | - | 132,026,062 |
| 9. Exposures secured by residential property | - | - | - | 1,814,699 | - | - | - | - | - | - | 1,814,699 |
| 10. Exposures secured by commercial real estate | - | - | - | - | 6,560,107 | - | 5,034,353 | - | - | - | 11,594,460 |
| 11. Past-due loans | - | - | - | - | 1,063,835 | - | 502,527 | - | - | - | 1,566,362 |
| 12. Higher-risk categories by the Agency Board | - | - | - | - | - | - | - | 41,090,648 | 12,897,071 | - | 53,987,719 |
| 13. Exposures in the form of covered bonds | - | - | - | - | - | - | - | - | - | - | - |
| 14. Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - | - | - |
| 15. Exposures in the form of units or shares in collective investment undertakings (CIUs) | - | - | - | - | - | - | - | - | - | - | - |
| 16. Investments in equities | - | - | - | - | - | - | 3,959,964 | - | - | - | 3,959,964 |
| 17. Other Assetd | 9,168,110 | - | - | - | - | - | 10,096,894 | - | - | - | 19,265,004 |
| 18. Total | 169,100,711 | - | 10,096,273 | 1,814,699 | 13,531,410 | 104,789,489 | 223,425,051 | 41,090,648 | 12,897,071 | - | 576,745,352 |

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

6. Credit risk when standard approach is used (Continued)

6.3. CR5 - Standard approach - exposures by asset classes and risk (Continued)

| Prior Period | | | | | | | | | | | Total Credit Risk Exposure Amount |
|---|-------------------|----------|------------------|------------------|-------------------|-------------------|--------------------|-------------------|----------|----------|-----------------------------------|
| Exposure Categories/ Risk Weight | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | Others | | |
| 1. Exposures to central governments or central banks | 88,539,233 | - | - | - | - | - | - | - | - | - | 88,539,233 |
| 2. Exposures to regional governments or local authorities | - | - | - | - | 178,882 | - | - | - | - | - | 178,882 |
| 3. Exposures to public sector entities | - | - | - | - | - | - | 212,282 | - | - | - | 212,282 |
| 4. Exposures to multilateral development banks | - | - | - | - | - | - | - | - | - | - | - |
| 5. Exposures to international organizations | - | - | - | - | - | - | - | - | - | - | - |
| 6. Exposures to institutions | - | - | 6,085,616 | - | 8,801,092 | - | 329,636 | - | - | - | 15,216,344 |
| 7. Exposures to corporates | - | - | - | - | - | - | 100,250,516 | - | - | - | 100,250,516 |
| 8. Retail exposures | - | - | - | - | - | 73,203,098 | 7,512,025 | - | - | - | 80,715,123 |
| 9. Exposures secured by residential property | - | - | - | 2,110,493 | - | - | - | - | - | - | 2,110,493 |
| 10. Exposures secured by commercial real estate | - | - | - | - | 4,723,881 | - | 7,029,234 | - | - | - | 11,753,115 |
| 11. Past-due loans | - | - | - | - | 1,206,437 | - | 860,782 | - | - | - | 2,067,219 |
| 12. Higher-risk categories by the Agency Board | - | - | - | - | - | - | - | 13,702,564 | - | - | 13,702,564 |
| 13. Exposures in the form of covered bonds | - | - | - | - | - | - | - | - | - | - | - |
| 14. Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - | - | - |
| 15. Exposures in the form of units or shares in collective investment undertakings (CIUs) | - | - | - | - | - | - | - | - | - | - | - |
| 16. Investments in equities | - | - | - | - | - | - | 2,444,501 | - | - | - | 2,444,501 |
| 17. Other Assetd | 5,298,578 | - | 3 | - | - | - | 9,250,819 | - | - | - | 14,549,400 |
| 18. Total | 93,837,811 | - | 6,085,619 | 2,110,493 | 14,910,292 | 73,203,098 | 127,889,795 | 13,702,564 | - | - | 331,739,672 |

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

7. Disclosures Regarding Counterparty Credit Risk

7.1. Qualitative disclosures regarding DCCR - CCR table

a) Counterparty credit risk (CCR) states default risk of counterparty, which is a party to a transaction imposing an obligation to both parties, going into default before the final payment included in cash flow of the transaction in question. CCR causes credit risk for banks carrying out money and capital market transactions. Derivative financial instruments, repo and reverse repo transactions, securities and commodities lending transactions, transactions having long clearing process and margin trading transactions are considered in the aforementioned scope.

The most significant part of CCR in the Parent Bank is sourced from derivative financial instruments. Derivative transactions are made with financial institutions, individual and commercial customers for the purposes of trading, management of interest risk of banking accounts and meeting customer demands.

CCR is managed within the framework of the Counterparty Credit Policy approved by the Board of Directors. In this policy, the scope of the CCR, the risk calculation method, and the distribution of responsibility distribution were determined. The general lines determined in the CCR policy are detailed with the Derivative Products Application Instructions.

The Parent Bank make a distinction between banks, non-bank financial institutions and individual customers with respect to counterparty credit risk. Transactions made with non-bank financial institutions are reviewed in the framework of corporate-commercial credit risk while banks are considered in the framework of financial institutions.

Derivative risk amount which can be carried by the customer is limited within the credit policies framework. Related risk and limit amounts are monitored on a daily basis and when a collateral shortfall exists, shortfall collateral amount is completed in line with given standards in Derivative Products Application Instruction.

b) A clear definition of risk appetite and its approval by Board of Directors is the precondition to establish a consistent risk limit system. The Bank has determined the following limit structure in order to limit the risk carried over derivative transactions. Those limits are determined in Market Risk Policy and approved by Board of Directors.

- Limits on option sensitivity indexes basis: Maximum risk which can be taken in delta, gamma and vega positions is limited.
- Option nominal position limit: Maximum nominal position which can be taken on option type basis is limited.
- Interest sensitivity limit of forward exchanges included in trading accounts: Interest risk which can be carried by swap and forward exchanges made for the purposes of trading.

Derivative limit on the basis of customer has been prepared in addition to abovementioned limit structure. The Bank has established required control mechanism in order to stay in the framework of determined limits.

c) CCR is being tried to be reduced with various techniques. The Parent Bank uses daily exchange limits in addition to credit support and global repo agreements in order to reduce exchange risk. Limits, defined for financial institutions, are allocated according to creditability of counterparty and monitored as real time and online. Parties, having over the counter transactions with the Bank, are financial institutions which are well known and having a long term of business relationship.

d) Countertrend risk states that probability of default of counterparty has a positive correlation with general market risk factors. Parent Bank monitors impacts of market risk factors such as interest and exchange on customer credit risk. Especially, in periods having sharp financial movements, required actions are taken in line with analysis performed.

e) If there is a decline in credit rating grade, there is no additional collateral amount which must be provided by the Bank.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

7. Disclosures Regarding Counterparty Credit Risk (Continued)

7.2. CCR1 - Analysis of counterparty credit risk (CCR) exposure by approach

| Current Period | Revaluation Cost | Potential credit risk exposure | EEPE | Alpha | Exposure after credit risk mitigation | Risk Weighted Amounts |
|---|-------------------------|---------------------------------------|-------------|--------------|--|------------------------------|
| 1. Standard approach - CCR (for derivatives) | 6,254,657 | 9,114,794 | - | 1.4 | 21,278,169 | 9,959,668 |
| 2. Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions) | - | - | - | - | - | - |
| 3. The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions, | - | - | - | - | - | - |
| 4. Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions) | - | - | - | - | 9,716,657 | 5,625,466 |
| 5. Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions | - | - | - | - | - | - |
| 6. Total | - | - | - | - | - | 15,585,134 |

| Prior Period | Revaluation Cost | Potential credit risk exposure | EEPE | Alpha | Exposure after credit risk mitigation | Risk Weighted Amounts |
|---|-------------------------|---------------------------------------|-------------|--------------|--|------------------------------|
| 1. Standard approach - CCR (for derivatives) | 16,452,623 | 2,310,393 | - | 1.4 | 10,900,526 | 5,186,233 |
| 2. Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions) | - | - | - | - | - | - |
| 3. The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions, | - | - | - | - | - | - |
| 4. Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions) | - | - | - | - | 6,600,709 | 3,089,652 |
| 5. Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions | - | - | - | - | - | - |
| 6. Total | - | - | - | - | - | 8,275,885 |

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

7. Disclosures Regarding Counterparty Credit Risk (Continued)

7.3. CCR2 - Credit valuation adjustment (CVA) capital charge

| | Exposure (After credit risk mitigation methods) | | Risk Weighted Amounts | |
|--|---|-------------------|-----------------------|------------------|
| | Current Period | Prior Period | Current Period | Prior Period |
| Total portfolio value with comprehensive approach CVA capital adequacy | | | | |
| 1. (i) Value at risk component (3*multiplier included) | - | - | - | - |
| 2. (ii) Stressed Value at Risk (3*multiplier included) | - | - | - | - |
| 3. Total portfolio value with simplified approach CVA capital adequacy | 21,278,169 | 10,900,526 | 3,187,279 | 1,620,713 |
| 4. Total amount of CVA capital adequacy | 21,278,169 | 10,900,526 | 3,187,279 | 1,620,713 |

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

7. Disclosures Regarding Counterparty Credit Risk (Continued)

7.4. CCR3 - Standardised approach - CCR exposures by regulatory portfolio and risk weights

Current Period

| Exposure Categories/ Risk Weight | 0% | 10% | 20% | 50% | 75% | 100% | 150% | Other | Total Credit Risk |
|---|----------------|------------|------------------|-------------------|------------------|------------------|-------------|---------------|----------------------------------|
| 1. Exposures from central governments or central banks | 751,881 | - | - | - | - | - | - | 20,523 | 772,404 |
| 2. Exposures from regional or local governments | - | - | - | - | - | - | - | - | - |
| 3. Exposures from administrative units and non-commercial enterprises | - | - | - | - | - | 502 | - | - | 502 |
| 4. Exposures from multilateral development banks | - | - | - | - | - | - | - | - | - |
| 5. Exposures from international organizations | - | - | - | - | - | - | - | - | - |
| 6. Exposures from banks and brokerage houses | - | - | 6,464,294 | 18,041,478 | - | 900,503 | - | - | 25,406,275 |
| 7. Exposures from corporates | - | - | - | - | - | 3,033,551 | - | - | 3,033,551 |
| 8. Retail receivables | - | - | - | - | 1,782,094 | - | - | - | 1,782,094 |
| 9. Mortgage receivables | - | - | - | - | - | - | - | - | - |
| 10. Non performing receivables | - | - | - | - | - | - | - | - | - |
| 11. High risk defined receivables | - | - | - | - | - | - | - | - | - |
| 12. Mortgage backed securities | - | - | - | - | - | - | - | - | - |
| 13. Securitization Positions | - | - | - | - | - | - | - | - | - |
| 14. Short term credit rated banks and Intermediary Institutions receivables | - | - | - | - | - | - | - | - | - |
| 15. Collective investment undertaking investments | - | - | - | - | - | - | - | - | - |
| 16. Equity Investments | - | - | - | - | - | - | - | - | - |
| 17. Other Receivables | - | - | - | - | - | - | - | - | - |
| 18. Other Assets | - | - | - | - | - | - | - | - | - |
| 19. Total | 751,881 | - | 6,464,294 | 18,041,478 | 1,782,094 | 3,934,556 | - | 20,523 | 30,994,826 |

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

7. Disclosures Regarding Counterparty Credit Risk (Continued)

7.4. CCR3 - Standardised approach - CCR exposures by regulatory portfolio and risk weights (Continued)

Prior Period

| Exposure Categories/ Risk Weight | | | | | | | | | | Total Credit Risk |
|---|------------------|----------|------------------|------------------|---------------|------------------|----------|---------------|----------|-------------------------|
| | 0% | 10% | 20% | 50% | 75% | 100% | 150% | Other | | |
| 1. Exposures from central governments or central banks | 2,612,411 | - | - | - | - | - | - | 26,594 | - | 2,639,005 |
| 2. Exposures from regional or local governments | - | - | - | - | - | - | - | - | - | - |
| 3. Exposures from administrative units and non-commercial enterprises | - | - | - | - | - | 74 | - | - | - | 74 |
| 4. Exposures from multilateral development banks | - | - | - | - | - | - | - | - | - | - |
| 5. Exposures from international organizations | - | - | - | - | - | - | - | - | - | - |
| 6. Exposures from banks and brokerage houses | - | - | 2,169,039 | 9,684,785 | - | 698,616 | - | - | - | 12,552,440 |
| 7. Exposures from corporates | - | - | - | - | - | 2,272,700 | - | - | - | 2,272,700 |
| 8. Retail receivables | - | - | - | - | 37,016 | - | - | - | - | 37,016 |
| 9. Mortgage receivables | - | - | - | - | - | - | - | - | - | - |
| 10. Non performing receivables | - | - | - | - | - | - | - | - | - | - |
| 11. High risk defined receivables | - | - | - | - | - | - | - | - | - | - |
| 12. Mortgage backed securities | - | - | - | - | - | - | - | - | - | - |
| 13. Securitization Positions | - | - | - | - | - | - | - | - | - | - |
| 14. Short term credit rated banks and Intermediary Institutions receivables | - | - | - | - | - | - | - | - | - | - |
| 15. Collective investment undertaking investments | - | - | - | - | - | - | - | - | - | - |
| 16. Equity Investments | - | - | - | - | - | - | - | - | - | - |
| 17. Other Receivables | - | - | - | - | - | - | - | - | - | - |
| 18. Other Assets | - | - | - | - | - | - | - | - | - | - |
| 19. Total | 2,612,411 | - | 2,169,039 | 9,684,785 | 37,016 | 2,971,390 | - | 26,594 | - | 17,501,235 |

7.5. CCR4 - Risk class and counterparty credit risk on the basis of possibility of default

Related table is not presented due to standard method is used for calculation of capital adequacy (31 December 2021 - None).

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

7. Disclosures Regarding Counterparty Credit Risk (Continued)

7.6. CCR5 - Composition of collateral for CCR exposure

| | Collaterals for Derivatives | | | | Collaterals or Other Transactions | |
|--------------------------|-----------------------------|-------------------|-------------------|------------------|-----------------------------------|--------------------------------|
| | Collaterals Taken | | Collaterals Given | | Collaterals Taken Segregated | Collaterals Given Unsegregated |
| | Segregated | Unsegregated | Segregated | Unsegregated | Segregated | Unsegregated |
| Current Period | | | | | | |
| Cash - Local Currency | - | - | - | - | 5,155,375 | - |
| Cash - Foreign Currency | - | 14,917,942 | - | 4,741,482 | 18,076,585 | - |
| Government bond-domestic | - | - | - | - | - | - |
| Government bond-other | - | - | - | - | - | - |
| Public institution bonds | - | - | - | - | - | - |
| Corporate bond | - | - | - | - | - | - |
| Equity share | - | - | - | - | - | - |
| Other collaterals | - | - | - | - | - | - |
| Total | - | 14,917,942 | - | 4,741,482 | 23,231,960 | - |

| | Collaterals for Derivatives | | | | Collaterals or Other Transactions | |
|--------------------------|-----------------------------|-------------------|-------------------|------------------|-----------------------------------|-------------------|
| | Collaterals Taken | | Collaterals Given | | Collaterals Taken | Collaterals Given |
| | Segregated | Unsegregated | Segregated | Unsegregated | Segregated | Unsegregated |
| Prior Peiod | | | | | | |
| Cash - Local Currency | - | - | - | - | 1,871,554 | - |
| Cash - Foreign Currency | - | 10,347,525 | - | 9,348,632 | 15,514,952 | - |
| Government bond-domestic | - | - | - | - | - | - |
| Government bond-other | - | - | - | - | - | - |
| Public institution bonds | - | - | - | - | - | - |
| Corporate bond | - | - | - | - | - | - |
| Equity share | - | - | - | - | - | - |
| Other collaterals | - | - | - | - | - | - |
| Total | - | 10,347,525 | - | 9,348,632 | 17,386,506 | - |

7.7. CCR6 - Credit derivatives

Related table is not presented due to the Parent Bank has no risk arrived from derivative credit received or sold (31 December 2021 - None).

7.8. CCR7 - RWA changes on CCR within the internal model method

Related table is not presented due to standard method is used for calculation of capital adequacy (31 December 2021 - None).

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

7. Disclosures Regarding Counterparty Credit Risk (Continued)

7.9. CCR8 - Exposures to central counterparties

| | Current Period | | Prior Period | |
|---|--------------------------------|------------|--------------------------------|------------|
| | Exposure at default (Post-CRM) | RWA | Exposure at default (Post-CRM) | RWA |
| 1. Exposure to Qualified Central Counterparties (QCCPs)(total) | 20,523 | 410 | 26,594 | 532 |
| 2. Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which | - | - | - | - |
| 3. (i) OTC Derivatives | - | - | - | - |
| 4. (ii) Other derivative financial instruments | 20,523 | 410 | 26,594 | 532 |
| 5. (iii) Repo-reverse repo transactions, overdraft transactions, and lending or borrowing of securities or commodities | - | - | - | - |
| 6. (iv) Netting sets where cross-product netting has been approved Segregated initial margin | - | - | - | - |
| 7. Segregated initial margin | - | - | - | - |
| 8. Non-segregated initial margin | - | - | - | - |
| 9. Pre-funded default fund contributions | - | - | - | - |
| 10. Unfunded default fund contributions | - | - | - | - |
| 11. Exposures ton on-QCCPs (Total) | - | - | - | - |
| 12. Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which | - | - | - | - |
| 13. (i) OTC Derivatives | - | - | - | - |
| 14. (ii) Other derivative financial instruments | - | - | - | - |
| 15. (iii) Repo-reverse repo transactions, overdraft transactions, and lending or borrowing of securities or commodities | - | - | - | - |
| 16. (iv) Netting sets where cross-product netting has been approved Segregated initial margin | - | - | - | - |
| 17. Segregated initial margin | - | - | - | - |
| 18. Non-segregated initial margin | - | - | - | - |
| 19. Pre-funded default fund contributions | - | - | - | - |
| 20. Unfunded default fund contributions | - | - | - | - |

8. Securitization exposures

The Parent Bank has no securitization transactions (31 December 2021 - None).

9. Disclosures regarding Market Risk

9.1. MRD - Qualitative information which shall be disclosed to public related to market risk

a) Market risk states the risk sourcing from change in market prices on positions held in order to make profit in trading accounts in line with short term expectations in market prices or interest rates. Financial Assets at Fair Value through Profit/Loss accounts covers all derivative products except for Financial Assets at Fair Value through Profit/Loss, open exchange position and having hedging purposes.

The Parent Bank has established a structure to effectively define, monitor and manage the risk sourcing from changes in market prices including interest rates, stocks, bond prices, exchange rates and uncertainty of aforementioned prices in their volatility levels. The aforementioned structure is determined in Market Risk Policy of the Bank which is approved by the Board of Directors. This policy determines principles, measurement methods, processes and limits covering all transactions of the Bank sourcing from market risk.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

9. Disclosures regarding Market Risk (Continued)

9.1. MRD - Qualitative information which shall be disclosed to public related to market risk (Continued)

Market risk is calculated and reported on a monthly basis with standard method for capital adequacy calculation in line with regulation on Measurement and Evaluation of Bank's Capital Adequacy published by BRSA.

Market risk also includes value at risk limits in line with internal policies based on internal model. Limits include value at risk limits, positions, limits on options sensitivity and loss cessation limits for each of the market risk types.

b) Risk Committee of the Parent Bank is responsible to ensure implementation of market risk strategy and policies in a consistent manner. Market risk unit operates totally independent from risk carrying units and directly subject to Risk Committee of the Bank in given authorization and responsibilities framework.

Internal Control Department is responsible for the evaluation of internal control system related to market risk through periodical independent audits. Required system evaluation reports are shared with Board of Directors and other related authorities. Risk Committee of Board of Directors provides holding of sufficient capital against market risk carried by the Parent Bank.

c) The Parent Bank makes its capital calculation for market risk in accordance with standard method approach defined in Basel II first pillar. Capital calculation method for each risk category is made by BRSA in line with Basel standards as of month-ends as solo and consolidated.

The Group calculates market risk with value at risk approach for the purpose of monitoring and management of risk at the Bank except for standard method. The aforementioned calculation is made both for the risk of trading portfolio and the risk of positions of the trading desk. Value at risk calculation is made daily with historical simulation at 99% confidence interval through 252 working days observation period and exponential weighted moving average volatility assumption. Dynamic structure of the volatility is reached through giving weight to recent observations in exponential weighted moving average. In addition to the VaR calculation, risk amounts are calculated by stress VaR and stress tests, taking into account the risk that may occur during stress periods.

9.2. MR1 - Market risk under standardised approach

| | RWA ^(**) | |
|--|---------------------|------------------|
| | Current Period | Prior Period |
| Outright products ^(*) | 9,120,888 | 5,804,800 |
| 1. Interest rate risk (general and specific) | 3,931,938 | 2,370,687 |
| 2. Equity risk (general and specific) | 1,057,475 | 248,863 |
| 3. Foreign exchange risk | 3,810,275 | 2,905,000 |
| 4. Commodity risk | 321,200 | 280,250 |
| Options | 929,388 | 83,675 |
| 5. Simplified approach | - | - |
| 6. Delta-plus method | 929,388 | 83,675 |
| 7. Scenario approach | - | - |
| 8. Securitization | - | - |
| 9. Total | 10,050,276 | 5,888,475 |

^(*) Outright products refer to position in products that are not optional.

^(**) The market Risk represents the capital requirement multiplied by 12.5 times Risk Weighted Amount.

10. Explanations on Consolidated Operational Risk

The Parent Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2021, 2020 and 2019, year-end gross income balances of the Bank, in accordance with Section 3 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio", published in the Official Gazette No. 28337 dated 28 June 2012, namely "The Calculation of the Amount Subject to Operational Risk. As of 31 December 2022, the total amount subject to operational risk is TL 20,444,088 (31 December 2021 - TL 17,771,438)

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. Explanations on Consolidated Risk Management (Continued)

10. Explanations on Consolidated Operational Risk (Continued)

| Current Period Basic Indicator Method | 2 Prior Period Value | 1 Prior Period Value | Current Period value | Total/Total number of years for which gross income is positive | Rate (%) | Total |
|--|-------------------------|-------------------------|-------------------------|---|----------|-------------------|
| Gross Income ^(*) | 9,332,624 | 10,141,119 | 13,236,805 | 10,903,516 | 15 | 1,635,527 |
| Amount subject to operational risk (Total*12.5) | | | | | | 20.444.088 |

| Prior Period Basic Indicator Method | 2 Prior Period Value | 1 Prior Period Value | Current Period value | Total/Total number of years for which gross income is positive | Rate (%) | Total |
|--|-------------------------|-------------------------|-------------------------|---|----------|-------------------|
| Gross Income ^(*) | 8,960,553 | 9,332,623 | 10,141,119 | 9,478,099 | 15 | 1,421,715 |
| Amount subject to operational risk (Total*12.5) | | | | | | 17,771,438 |

Annual gross income is calculated by deducting the profit/loss arising from the sale of securities followed up in the securities available for sale and held-to-maturity accounts, the extraordinary incomes and the amounts indemnified from insurance, from the sum of the net amounts of interest income and non-interest income.

III. Explanations on Consolidated Foreign Exchange Risk

1. Whether the Group is exposed to foreign exchange risk, whether the effects of this situation are estimated, and whether the Board of Directors of the Parent Bank sets limits for positions that are monitored daily

The difference between the Parent Bank's foreign currency denominated and foreign currency indexed assets and liabilities is defined as the "Net Foreign Currency Position" and is the basis of currency risk. Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposure ("cross currency risk").

Board of Directors has determined the limits considering the consistency with the "Foreign Currency Net General Position." Positions are being followed daily and limits are reviewed at least once a year depending on economic conditions and The Parent Bank strategy and updated as deemed necessary.

In measuring the exchange rate exposure of The Parent Bank, the "standard method" used in the legal reports and the internal method. The measurements made within the scope of the standard method are carried out monthly and the measurements made within the scope of VaR calculations are carried out on a daily basis. In addition, the maximum foreign currency position that can be taken is determined on the basis of currency types and table, and daily limit compliance control is carried out by Risk Management.

2. The magnitude of hedging foreign currency debt instruments and net foreign currency investments by using derivatives

The Group hedges foreign currency borrowings with derivative instruments. The Group does not hedge net foreign currency investments with derivative instruments. The extent of the hedging of foreign currency debt instruments and net foreign currency investments by hedging derivative instruments is explained in Note III of Section Five.

3. The spot foreign exchange bid rates of the Parent Bank as of the balance sheet date and for each of the five days prior to that date

| | |
|--|------------|
| US Dollars purchase rate on the balance sheet date | TL 18.6966 |
| Euro purchase rate on the balance sheet date | TL 19.8816 |

| Date | US Dollar | Euro |
|------------------|-----------|---------|
| 30 December 2022 | 18.6966 | 19.8816 |
| 29 December 2022 | 18.6964 | 19.8946 |
| 28 December 2022 | 18.6813 | 19.9087 |
| 27 December 2022 | 18.6649 | 19.8324 |
| 26 December 2022 | 18.6592 | 19.8044 |

4. The basic arithmetical average of the Parent Bank's foreign exchange bid rate for the last thirty days

The arithmetical average of the Parent Bank's US Dollar and Euro purchase rates for December 2022 are TL 18.6396 and TL 19.7124 respectively.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

III. Explanations on Consolidated Foreign Exchange Risk (Continued)

5. Information on the consolidated foreign exchange risk

| Current Period | EUR | USD | Other | Total |
|---|---------------------|---------------------|---------------------|---------------------|
| Assets | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank ⁽¹⁾ | 41,253,863 | 37,765,771 | 5,798,300 | 84,817,934 |
| Due From Banks ⁽⁵⁾ | 3,735,906 | 3,637,247 | 636,411 | 8,009,564 |
| Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) ⁽³⁾ | 1,328,691 | 1,878,677 | 5,501 | 3,212,869 |
| Money Market Placements | - | 427,044 | - | 427,044 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) | 1,186,098 | 9,395,854 | 3,375 | 10,585,327 |
| Loans ⁽⁴⁾ | 69,602,228 | 45,029,147 | 403,228 | 115,034,603 |
| Investments in Assoc., Subsidiaries and Entities under Common Control | - | - | - | - |
| Investment Assets Measured at Amortized Cost | 1,548,238 | 18,816,096 | - | 20,364,334 |
| Derivative Financial Assets Hedging Purposes | 118,759 | 2,162,310 | - | 2,281,069 |
| Tangible Assets | - | - | 94 | 94 |
| Intangible Assets | - | - | - | - |
| Other Assets ⁽⁵⁾ | 478,815 | 296,364 | 4,183 | 779,362 |
| Total Assets | 119,252,598 | 119,408,510 | 6,851,092 | 245,512,200 |
| Liabilities | | | | |
| Bank Deposits | 2,887,288 | 6,396,074 | 501,036 | 9,784,398 |
| Foreign Currency Deposits ⁽⁶⁾ | 34,180,947 | 88,273,745 | 25,540,433 | 147,995,125 |
| Money Market Borrowings | 1,661,053 | 18,784,150 | 1,288,601 | 21,733,804 |
| Funds Provided from Other Financial Institutions | 23,167,988 | 42,963,293 | 17,546 | 66,148,827 |
| Securities Issued | 1,274,281 | 16,854,884 | 5,155,157 | 23,284,322 |
| Sundry Creditors | 8,991,825 | 7,093,387 | 87,608 | 16,172,820 |
| Derivative Fin. Liabilities Hedging Purposes | 5,272 | 1,118,317 | - | 1,123,589 |
| Other Liabilities ⁽⁷⁾ | 1,578,617 | 2,380,154 | 41,346 | 4,000,117 |
| Total Liabilities | 73,747,271 | 183,864,004 | 32,631,727 | 290,243,002 |
| Net Balance Sheet Position | 45,505,327 | (64,455,494) | (25,780,635) | (44,730,802) |
| Net Off-Balance Sheet Position | (45,107,396) | 66,570,093 | 26,048,445 | 47,511,142 |
| Financial Derivative Assets | 32,202,013 | 225,595,182 | 28,403,576 | 286,200,771 |
| Financial Derivative Liabilities | 77,309,409 | 159,025,089 | 2,355,131 | 238,689,629 |
| Non-Cash Loans ⁽⁸⁾ | 18,043,662 | 17,030,918 | 463,539 | 35,538,119 |
| Prior Period | | | | |
| Total Assets | 94,224,027 | 98,444,556 | 5,406,494 | 198,075,077 |
| Total Liabilities | 57,498,646 | 162,073,737 | 28,166,159 | 247,738,542 |
| Net Balance Sheet Position | 36,725,381 | (63,629,181) | (22,759,665) | (49,663,465) |
| Net Off-Balance Sheet Position | (36,545,349) | 60,908,043 | 22,811,068 | 47,173,762 |
| Financial Derivative Assets | 31,112,576 | 164,392,409 | 23,228,937 | 218,733,922 |
| Financial Derivative Liabilities | 67,657,925 | 103,484,366 | 417,869 | 171,560,160 |
| Non-Cash Loans | 18,384,626 | 15,231,819 | 715,572 | 34,332,017 |

⁽¹⁾ Cash and Balances with TR Central; Other FC include TL 5,494,682 (31 December 2021 - TL 1,587,037) precious metal deposit account.

⁽²⁾ Includes foreign bank guarantees amounting to TL 4,516,091 (31 December 2021 - TL 7,481,729).

⁽³⁾ Foreign exchange accruals of TL 369,444 (31 December 2021 - TL 327,092) for derivative financial instruments are not included.

⁽⁴⁾ Includes foreign currency indexed loans amounting to TL 232,939 (31 December 2021 - TL 379,005) followed as TL in the balance sheet. There are no repealed leasing receivables followed as FC in the balance sheet (31 December 2021 - TL 1,301). There are no foreign currency indexed factoring receivables that are followed as TL in the balance sheet (31 December 2021 - None).

⁽⁵⁾ Does not include FC prepaid expenses amounting to TL 224,639 (31 December 2021 - TL 67,969) as per BRSA's Communique published in Official Gazette no 26085 on 19 February 2006.

⁽⁶⁾ Foreign currency deposits include TL 22,159,406 (31 December 2021 - TL 21,599,519) of precious metal deposit account.

⁽⁷⁾ Other Liabilities do not include the Foreign Currency Index Factoring payables amounting to TL 3,260 (31 December 2021 - TL 3,885)⁽⁷⁾ Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 151,702 (31 December 2021 - TL 193,977)

⁽⁸⁾ Does not have an effect on Net Off-Balance Sheet Position.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

III. Explanations on Consolidated Foreign Exchange Risk (Continued)

6. Sensitivity to foreign exchange risk

The Group is exposed to currency risk in Euro and US Dollars.

The Bank is subject to exchange rate risk mainly from Euro and USD. The table below shows the Bank's sensitivity to a 10% change in Euro and USD currencies. It is assumed that all other variables are constant.

| | % change in the Foreign currency | Effect on Gain/Loss (After Tax) | Net Effect on Shareholders Equity ^(*) | Effect on Gain/Loss (After Tax) | Net Effect on Shareholders Equity ^(*) |
|------|----------------------------------|---------------------------------|--|---------------------------------|--|
| | | Current Period | Current Period | Prior Period | Prior Period |
| USD | 10% increase | (22,613) | (85,182) | (24,502) | (231,759) |
| | 10% decrease | 22,613 | 85,182 | 24,502 | 231,759 |
| EURO | 10% increase | 8,957 | 17,770 | (4,941) | (9,011) |
| | 10% decrease | (8,957) | (17,770) | 4,941 | 9,011 |

^(*)Effect on Shareholders Equity include the effect of the change of exchange rates on the statement of profit or loss and other comprehensive income.

IV. Explanations on Consolidated Interest Rate Risk

Interest rate risk that would arise from the changes in interest rates depending on the Parent Bank's position is managed by the Asset/Liability Committee of the Parent Bank.

Interest rate sensitivity of assets, liabilities and off balance sheet items is analyzed by top management in the Asset/Liability Committee meetings held monthly by taking the market developments into consideration. The management of the Parent Bank follows the interest rates in the market on a daily basis and revises interest rates of the Parent Bank when necessary

Besides customer deposits, the Parent Bank funds its long term fixed interest rate TL loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Parent Bank changes the foreign currency liquidity obtained from the international markets to TL liquidity with long term swap transactions (fixed TL interest rate and floating FC interest rate). Therefore, the Parent Bank not only funds its long term fixed interest rate loans with TL but also hedges itself from interest rate and maturity risk.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

IV. Explanations on Consolidated Interest Rate Risk (Continued)

Interest Rate Sensitivity of Assets, Liabilities and Off-Balance Sheet Items

(Based on repricing dates)

| | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | 5 years and over | Non- Interest Bearing ⁽¹⁾ | Total |
|---|---------------------|---------------------|--------------------|-------------------|---------------------|--|--------------------|
| End of Current Period | | | | | | | |
| Assets | | | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank ⁽²⁾ | 36,498,079 | - | - | - | - | 58,029,097 | 94,527,176 |
| Due from Banks ⁽³⁾ | 2,941,212 | - | - | - | - | 8,196,473 | 11,137,685 |
| Financial Assets at Fair Value Through Profit/Loss ⁽⁴⁾ | 302,530 | 104,379 | 118,529 | 191,795 | 34,143 | 16,610,867 | 17,362,243 |
| Money Market Placements | 4,427,376 | 4,040,604 | - | - | - | (5,082) | 8,462,898 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI) ⁽⁵⁾ | 7,070,186 | 5,959,770 | 3,354,114 | 9,825,209 | 9,624,704 | 11,292,224 | 47,126,207 |
| Loans and Receivables | 82,955,431 | 70,375,199 | 135,559,924 | 64,146,706 | 8,464,963 | 1,602,714 | 363,104,937 |
| Financial Assets Measured at Amortized Cost ⁽⁶⁾ | 28,418,409 | 647,443 | 2,276,143 | 15,932,112 | 7,588,431 | 7,080,729 | 61,943,267 |
| Other Assets | - | - | - | - | - | 17,479,401 | 17,479,401 |
| Total Assets | 162,613,223 | 81,127,395 | 141,308,710 | 90,095,822 | 25,712,241 | 120,286,423 | 621,143,814 |
| Liabilities | | | | | | | |
| Bank Deposits | 3,762,400 | 3,283,443 | 2,487,067 | - | - | 692,867 | 10,225,777 |
| Other Deposits | 148,288,212 | 95,663,898 | 12,667,551 | 589,295 | 504 | 125,327,885 | 382,537,345 |
| Money Market Borrowings | 12,075,878 | 7,644,329 | 3,209,343 | - | - | 149,087 | 23,078,637 |
| Miscellaneous Payables | 15,775,865 | - | - | - | - | 13,926,779 | 29,702,644 |
| Securities Issued | 6,179,495 | 9,842,834 | 3,680,636 | 12,135,273 | - | 178,671 | 32,016,909 |
| Funds Borrowed | 9,627,502 | 17,463,759 | 30,434,536 | 3,873,655 | 10,162,444 | 783,185 | 72,345,081 |
| Other Liabilities ⁽⁷⁾ | 397 | 1,161 | 21,331 | 726,580 | - | 70,487,952 | 71,237,421 |
| Total Liabilities | 195,709,749 | 133,899,424 | 52,500,464 | 17,324,803 | 10,162,948 | 211,546,426 | 621,143,814 |
| On Balance Sheet Long Position | - | - | 88,808,246 | 72,771,019 | 15,549,293 | - | 177,128,558 |
| On Balance Sheet Short Position | (33,096,526) | (52,772,029) | - | - | - | (91,260,003) | (177,128,558) |
| Off-Balance Sheet Long Position | 14,883,737 | 27,602,409 | - | - | - | - | 42,486,146 |
| Off-Balance Sheet Short Position | - | - | (3,548,564) | (8,375,774) | (16,493,564) | - | (28,417,902) |
| Total Position | (18,212,789) | (25,169,620) | 85,259,682 | 64,395,245 | (944,271) | (91,260,003) | 14,068,244 |

⁽¹⁾ Non-Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.

⁽²⁾ Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL 10,615 expected loss provisions.

⁽³⁾ Banks include balance of expected loss provisions amounting to TL 6,018.

⁽⁴⁾ Financial Assets at Fair Value Through Profit/Loss includes Derivative Financial Assets at Fair Value Through Profit or Loss amounting to TL 15,743,228.

⁽⁵⁾ Financial Assets Measured at Fair Value Through Other Comprehensive Income includes Derivative Financial Assets Through Other Comprehensive Income amounting to TL 6,868,726.

⁽⁶⁾ Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 20,038

⁽⁷⁾ Other Liabilities includes Derivative Financial Liabilities amounting to TL 6,714,988.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

IV. Explanations on Consolidated Interest Rate Risk (Continued)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (Continued)

(Based on repricing dates)

| | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | Non- Interest Bearing ⁽¹⁾ | Total |
|---|---------------------|--------------------|-------------------|-------------------|---------------------|--|--------------------|
| End of Prior Period | | | | | | | |
| Assets | | | | | | | |
| Cash (Cash in Vault, Foreign Currency, Cash in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank ⁽²⁾ | 27,490,702 | - | - | - | - | 42,796,785 | 70,287,487 |
| Due from Banks ⁽³⁾ | 1,540,786 | - | - | - | - | 14,275,517 | 15,816,303 |
| Financial Assets at Fair Value Through Profit/Loss ⁽⁴⁾ | 106,385 | 227,137 | 26,675 | 53,814 | 10,637 | 18,796,631 | 19,221,279 |
| Money Market Placements | 159,508 | - | - | - | - | - | 159,508 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI) ⁽⁵⁾ | 2,980,735 | 2,240,521 | 3,515,720 | 4,197,504 | 7,402,284 | 2,700,446 | 23,037,210 |
| Loans and Receivables | 41,506,389 | 35,119,569 | 78,605,137 | 52,159,933 | 4,842,739 | 121,494 | 212,355,261 |
| Financial Assets Measured at Amortized Cost ⁽⁶⁾ | 11,955,226 | 349,159 | 1,781,837 | 8,429,624 | 6,240,942 | 1,090,395 | 29,847,183 |
| Other Assets | - | - | - | - | - | 13,124,781 | 13,124,781 |
| Total Assets | 85,739,731 | 37,936,386 | 83,929,369 | 64,840,875 | 18,496,602 | 92,906,049 | 383,849,012 |
| Liabilities | | | | | | | |
| Bank Deposits | 11,644,754 | 688,474 | 74,420 | - | - | 569,447 | 12,977,095 |
| Other Deposits | 84,255,631 | 26,809,133 | 6,145,882 | 412,329 | 326 | 95,276,183 | 212,899,484 |
| Money Market Borrowings | 5,124,908 | 9,714,670 | 3,348,627 | - | - | 2,409 | 18,190,614 |
| Miscellaneous Payables | 10,917,333 | - | - | - | - | 7,929,302 | 18,846,635 |
| Securities Issued | 6,345,858 | 2,079,005 | 12,490,639 | 8,428,348 | - | 458,966 | 29,802,816 |
| Funds Borrowed | 4,554,611 | 24,558,690 | 9,772,048 | 4,922,028 | 4,917,521 | 379,933 | 49,104,831 |
| Other Liabilities ⁽⁷⁾ | 438 | 1,287 | 10,716 | 465,111 | 821 | 41,549,164 | 42,027,537 |
| Total Liabilities | 122,843,533 | 63,851,259 | 31,842,332 | 14,227,816 | 4,918,668 | 146,165,404 | 383,849,012 |
| On Balance Sheet Long Position | - | - | 52,087,037 | 50,613,059 | 13,577,934 | - | 116,278,030 |
| On Balance Sheet Short Position | (37,103,802) | (25,914,873) | - | - | - | (53,259,355) | (116,278,030) |
| Off-Balance Sheet Long Position | 8,089,258 | 18,467,702 | - | 435,415 | - | - | 26,992,375 |
| Off-Balance Sheet Short Position | - | - | (2,473,904) | (855,891) | (13,500,760) | - | (16,830,555) |
| Total Position | (29,014,544) | (7,447,171) | 49,613,133 | 50,192,583 | 77,174 | (53,259,355) | 10,161,820 |

⁽¹⁾ Non-Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.

⁽²⁾ Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL 7,084 expected loss provisions.

⁽³⁾ Banks include balance of expected loss provisions amounting to TL 3,825.

⁽⁴⁾ Financial Assets at Fair Value Through Profit/Loss includes Derivative Financial Assets at Fair Value Through Profit or Loss amounting to TL 18,446,821.

⁽⁵⁾ Financial Assets Measured at Fair Value Through Other Comprehensive Income includes Derivative Financial Assets Through Other Comprehensive Income amounting to TL 3,359,463.

⁽⁶⁾ Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 9,793.

⁽⁷⁾ Other Liabilities includes Derivative Financial Liabilities amounting to TL 12,783,890.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

IV. Explanations on Consolidated Interest Rate Risk (Continued)

Average interest rates applied to monetary financial instruments

| | EUR (%) | USD (%) | JPY (%) | TL (%) |
|---|---------|---------|---------|--------|
| End of Current Period | | | | |
| Assets | | | | |
| Cash (Cash in Vault, Foreign Currency Cash in Transit, Cheques Purchased) and Balances with the T,R, Central Bank | - | - | - | - |
| Due from Banks | - | 0.08 | - | 9.73 |
| Financial Assets Measured at Fair Value through Profit/Loss | 5.32 | 7.22 | - | 24.01 |
| Money Market Placements | - | 2.92 | - | - |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | 2.87 | 5.42 | - | 31.34 |
| Loans and Receivables | 5.56 | 6.88 | 4.92 | 23.39 |
| Financial Assets Measured at Amortized Cost | 4.60 | 5.65 | - | 72.82 |
| Liabilities | | | | |
| Bank Deposits | 3.79 | 5.65 | - | 25.86 |
| Other Deposits | 1.00 | 3.04 | 0.17 | 17.98 |
| Money Market Borrowings | 1.69 | 4.38 | - | 13.00 |
| Miscellaneous Payables | 1.15 | - | - | - |
| Securities Issued | 4.97 | 6.91 | - | 22.56 |
| Funds Borrowed | 4.00 | 7.36 | - | 17.60 |
| | EUR (%) | USD (%) | JPY (%) | TL (%) |
| End of Prior Period | | | | |
| Assets | | | | |
| Cash (Cash in Vault, Foreign Currency Cash in Transit, Cheques Purchased) and Balances with the T,R, Central Bank | - | - | - | 8.50 |
| Due from Banks | 0.63 | 6.89 | - | 21.21 |
| Financial Assets Measured at Fair Value through Profit/Loss | 4.97 | 4.58 | - | 21.35 |
| Money Market Placements | - | 0.05 | - | - |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | 2.87 | 5.32 | - | 18.41 |
| Loans and Receivables | 3.61 | 4.52 | 1.49 | 18.03 |
| Financial Assets Measured at Amortized Cost | 4.60 | 5.61 | - | 22.41 |
| Liabilities | | | | |
| Bank Deposits | 0.03 | 0.61 | - | 13.96 |
| Other Deposits | 0.22 | 0.81 | 0.27 | 18.22 |
| Money Market Borrowings | (0.71) | 1.17 | - | 13.43 |
| Miscellaneous Payables | (0.39) | - | - | - |
| Securities Issued | - | 5.51 | - | 12.82 |
| Funds Borrowed | 1.43 | 4.31 | - | 14.25 |

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

IV. Explanations on Consolidated Interest Rate Risk (Continued)

Interest rate risk on banking book

The interest rate risk resulting from banking book comprises of maturity mismatch risk, yield-curve risk, base risk and option risk. Within the scope of the interest rate risk, the Group analyzes all these risks periodically and manages all aspects of interest rate risk on banking book effectively in accordance with the bank strategy by considering market conditions. To ensure these, risks are measured, monitored and limited on a regular basis within the scope of “Asset Liability Management Policy”.

In the calculation of the interest rate risk on banking book, income approach and the economic value approach are applied. The analysis of economic value, duration and gap analysis are calculated twice a month, analysis of the standard economic value approach is supported by different scenarios. In addition, the sensitivity of net interest income is monitored and early repayment rates of loans are taken into account in interest rate risk management.

In customer deposits, core deposits analyses are performed regularly on profit center base and the rate of core deposits in demand deposits are considered in economic value, gap and duration analyses. The interest rate risk of uncertain due credits is determined considering the nature of the credit and added to calculations.

All these analyses are reported to Asset and Liability Committee and Risk Committee. By considering market conditions and the bank’s strategy, the interest rate risk on banking book is managed within specified limits parallel to the Bank’s appetite of risk.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) included in banking book are monitored daily. In this context, the risk level of this portfolio is managed considering the sensitivity of nominal interest rate and limits.

The interest rate risk on banking book is measured legally as per the “Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method” published in the Official Gazette No. 28034 dated 23 August 2011, and the legal limit as per this measurement is monitored and reported monthly to the Assets and Liability Committee, the Risk Committee and the Board of Directors.

| Currency | Shocks Applied (+/- x basis points) | Gains/Losses | Gains/Equity- Losses/Equity |
|-----------------------------------|--|--------------------|--------------------------------|
| 1. TL | +500 | (3,714,569) | (5.73)% |
| | -400 | 3,346,266 | 5.16% |
| 2. EURO | +200 | 607,537 | 0.94% |
| | -200 | (464,159) | (0.72)% |
| 3. USD | +200 | (242,588) | (0.37)% |
| | -200 | 369,388 | 0.56% |
| Total (of negative shocks) | | 3,251,495 | 5.00% |
| Total (of positive shocks) | | (3,349,620) | (5.16)% |

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

V. Explanations on Consolidated Position Risk of Equity Securities in Banking Book

| Equity Securities (shares) | Comparison | | |
|--|----------------|------------|----------------|
| | Carrying Value | Fair Value | Carrying Value |
| 1. Equity Investments Group A | 242,194 | - | 242,194 |
| Quoted Securities | 242,194 | - | 242,194 |
| 2. Equity Investments Group B | - | - | - |
| Quoted Securities | - | - | - |
| 3. Equity Investments Group C | - | - | - |
| Quoted Securities | - | - | - |
| 4. Equity Investments Group Other^(*) | 462,086 | - | - |

^(*)Includes associates, subsidiaries and entities under common control not quoted to BIST and not classified as investment in shares by Capital Market Board.

| Portfolio | Gains/Losses in Current Period | Revaluation Surpluses | | Unrealized Gains and Losses | | |
|-------------------------------|--------------------------------|-----------------------|------------------------------------|-----------------------------|---------------------------|------------------------------------|
| | | Total | Amount under Supplementary Capital | Total | Amount under Core Capital | Amount under Supplementary Capital |
| 1. Private Equity Investments | - | - | - | - | - | - |
| 2. Quoted Shares | 92,649 | - | - | 8,217 | - | 8,217 |
| 3. Other Shares | - | - | - | - | - | - |
| 4. Total | 92,649 | - | - | 8,217 | - | 8,217 |

VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio

Liquidity Risk of the Parent Bank is monitored and managed in accordance with Liquidity Risk Management Policy. According to this policy, Board of Directors is responsible to review and approve risk profile and appetite of the Parent Bank periodically. Senior Management takes necessary measures to monitor aforementioned risk and controls liquidity risk in line with accepted strategies and policies.

Treasury Department is responsible to carry out liquidity strategy determined and approved by Board of Directors. Risk Management Department is responsible to define, measure, monitor and control liquidity risk besides developing internal and external methods and procedures which are in line with context and structure of applicable activities in The Parent Bank in order to monitor related limits. Senior management of The Parent Bank is informed periodically regarding current liquidity risk amount exposed in order to ensure being under the approved limits of the Parent Bank's liquidity risk profile. Assets and Liabilities Committee (ALCO) meetings, which ensure the necessary monitoring for liquidity risk, are held monthly. Risk Committee reviews the liquidity risk of the Parent Bank monthly in addition to aforementioned meetings and informs Board of Directors. The Parent Bank reviews its liquidity position daily. Internal and legal reports related to liquidity positions are examined in ALCO meetings monthly with the participation of senior management. Several decisions are taken related to management of short- and long-term liquidity in this scope. Internal metrics such as reserve liquidity and deposit concentration are monitored daily besides liquidity coverage rate related to measurement of liquidity coverage. Internal limit and warning level are periodically monitored and reported to related parties by the Board of Directors.

The liquidity management of the Parent Bank is decentralized; each partnership controlled by the Parent Bank is carried out independently from the Parent Bank by the authorities in charge of liquidity management. Each subsidiary subject to consolidation manages its own liquidity position separately from the Parent Bank. The amount of funds to be used by the subsidiaries from the Parent Bank is determined within the framework of the limits.

It is essential for the Parent Bank to monitor its liquidity position and funding strategy consistently. Funding management of the Parent Bank is carried out in line with limits and internal warning systems within the framework of ALCO decisions. Funding and placement strategies are developed through evaluating the liquidity of the Parent Bank. While developing this strategy, it is aimed to provide funding from long-term and stable sources as much as possible.

A large part of the Parent Bank's liabilities consists of TL, USD and EUR. Gap reports issued based on the aforementioned three currencies are presented in ALCO meetings. Maturity mismatches based on currencies are managed through FX swap and FX forward.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio (Continued)

The Parent Bank diversifies its funding sources as customer deposits, foreign loans and bond issuance in order to reduce its liquidity risk. Measures are taken through making investments to assets having higher capacity to generate cash against liquidity crisis. The Parent Bank watches over reducing customer deposit concentration and controls concentration level daily in line with warning level approved by the Board of Directors

Liquidity life cycle approach is determined as the liquidity risk stress test methodology. This approach is a stress test to measure the period in which the Parent Bank can meet its cumulative cash outflows without providing a fund from the market. Liquidity life cycle is calculated according to various scenarios and simulated in line with possible scenarios in crisis situation and the results are reported to Risk Committee and Board of Directors.

Emergency Funding Plan (EMP) of the Parent Bank regulates funding activities to be used in liquidity crisis periods specific to the Parent Bank or in liquidity crisis at financial markets. EMP defines components triggering the crisis and early warning indicators which help to evaluate and manage the liquidity crisis and determine primary funding structure. EMP also defines actions of the Parent Bank against cash and guarantee need. In addition to aforementioned issues, EMP determines duties and responsibilities in performing actions in a liquidity crisis included in risk management and emergency funding plan.

Due to the financial uncertainty caused by the coronavirus epidemic, conservative liquidity management has been one of the top priorities of the Parent Bank. The Parent Bank manages LCR over the limit by keeping its high quality liquid assets at a sufficient level. The Parent Bank has created four different stress test scenarios that measure how long it can meet its cumulative cash outflows without providing any new funds from the market or by providing funds at very low levels. A new scenario was created by observing the financial movements during the coronavirus epidemic and it was observed that in all scenarios, the Parent Bank withstands stress over the minimum life expectancy of 30 days.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio (Continued)

Liquidity Coverage Ratio

| Current Period - 31 December 2022 | Unweighted Amounts ^(*) | | Weighted Amounts ^(*) | |
|--|-----------------------------------|-------------------|-----------------------------------|-------------------|
| | TL +FC | FC | TL +FC | FC |
| HIGH QUALITY LIQUID ASSETS | | | 134,724,292 | 71,736,563 |
| 1. High Quality Liquid Assets | | | 134,724,292 | 71,736,563 |
| CASH OUTFLOWS | | | | |
| 2. Retail and Small Business Customers Deposits | 260,608,133 | 127,826,867 | 24,129,643 | 12,782,687 |
| 3. Stable deposits | 38,623,407 | - | 1,931,170 | - |
| 4. Less stable deposits | 221,984,726 | 127,826,867 | 22,198,473 | 12,782,687 |
| 5. Unsecured Funding other than Retail and Small Business Customers Deposits | 110,799,404 | 61,806,911 | 64,350,982 | 35,594,369 |
| 6. Operational deposits | 3,585,378 | 907,137 | 896,345 | 226,784 |
| 7. Non-Operational Deposits | 85,680,017 | 52,454,345 | 46,686,595 | 27,637,566 |
| 8. Other Unsecured Funding | 21,534,009 | 8,445,429 | 16,768,042 | 7,730,019 |
| 9. Secured funding | - | - | - | - |
| 10. Other Cash Outflows | 90,836,397 | 20,535,216 | 90,836,397 | 20,535,216 |
| 11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions | 90,836,397 | 20,535,216 | 90,836,397 | 20,535,216 |
| 12. Debts related to the structured financial products | - | - | - | - |
| 13. Commitment related to debts to financial markets and other off balance sheet liabilities | - | - | - | - |
| 14. Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments | 117,777,721 | 40,423,002 | 5,888,886 | 2,021,150 |
| 15. Other irrevocable or conditionally revocable commitments | 224,072,756 | 45,451,099 | 16,172,035 | 4,491,184 |
| 16. TOTAL CASH OUTFLOWS | - | - | 201,377,943 | 75,424,606 |
| CASH INFLOWS | | | | |
| 17. Secured Lending Transactions | 1,408,853 | 420,035 | - | - |
| 18. Unsecured Lending Transactions | 41,167,505 | 18,563,682 | 29,070,600 | 16,275,342 |
| 19. Other contractual cash inflows | 87,994,177 | 74,450,173 | 87,994,177 | 74,450,173 |
| 20. TOTAL CASH INFLOWS | 130,570,535 | 93,433,890 | 117,064,777 | 90,725,515 |
| | | | Upper Limit Applied Values | |
| 21. TOTAL HIGH QUALITY LIQUID ASSETS | | | 134,724,292 | 71,736,563 |
| 22. TOTAL NET CASH OUTFLOWS | | | 84,313,166 | 18,856,152 |
| 23. LIQUIDITY COVERAGE RATIO (%) | | | 159.79 | 380.44 |

^(*) Simple arithmetic average calculated for the last three month of values calculated by taking the weekly simple arithmetic average.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio (Continued)

| Prior Period - 31 December 2021 | Unweighted Amounts ^(*) | | Weighted Amounts ^(*) | |
|--|-----------------------------------|-------------------|-----------------------------------|-------------------|
| | TL+FC | FC | TL+FC | FC |
| HIGH QUALITY LIQUID ASSETS | | | 60,105,592 | 41,728,573 |
| 1. High Quality Liquid Assets | | | 60,105,592 | 41,728,573 |
| CASH OUTFLOWS | | | | |
| 2. Retail and Small Business Customers Deposits | 141,515,493 | 84,898,033 | 13,012,189 | 8,489,803 |
| 3. Stable deposits | 22,787,215 | - | 1,139,361 | - |
| 4. Less stable deposits | 118,728,278 | 84,898,033 | 11,872,828 | 8,489,803 |
| 5. Unsecured Funding other than Retail and Small Business Customers Deposits | 54,879,746 | 33,633,717 | 29,811,372 | 17,993,501 |
| 6. Operational deposits | 1,822,934 | 722,890 | 455,733 | 180,722 |
| 7. Non-Operational Deposits | 42,113,548 | 28,893,102 | 20,722,509 | 14,249,724 |
| 8. Other Unsecured Funding | 10,943,264 | 4,017,725 | 8,633,130 | 3,563,055 |
| 9. Secured funding | - | - | - | - |
| 10. Other Cash Outflows | 22,265,401 | 5,501,550 | 22,265,401 | 5,501,550 |
| 11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions | 22,265,401 | 5,501,550 | 22,265,401 | 5,501,550 |
| 12. Debts related to the structured financial products | - | - | - | - |
| 13. Commitment related to debts to financial markets and other off balance sheet liabilities | - | - | - | - |
| 14. Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments | 66,317,841 | 3,640,360 | 3,315,892 | 182,018 |
| 15. Other irrevocable or conditionally revocable commitments | 123,065,092 | 32,994,068 | 9,098,334 | 3,198,915 |
| 16. TOTAL CASH OUTFLOWS | - | - | 77,503,188 | 35,365,787 |
| CASH INFLOWS | | | | |
| 17. Secured Lending Transactions | 161,211 | 135,512 | - | - |
| 18. Unsecured Lending Transactions | 18,740,027 | 10,456,304 | 13,483,740 | 9,177,360 |
| 19. Other contractual cash inflows | 22,294,557 | 19,746,944 | 22,294,557 | 19,746,944 |
| 20. TOTAL CASH INFLOWS | 41,195,795 | 30,338,760 | 35,778,297 | 28,924,304 |
| | | | Upper Limit Applied Values | |
| 21. TOTAL HIGH QUALITY LIQUID ASSETS | | | 60,105,592 | 41,728,573 |
| 22. TOTAL NET CASH OUTFLOWS | | | 41,724,891 | 10,059,529 |
| 23. LIQUIDITY COVERAGE RATIO (%) | | | 144.05 | 414.82 |

^(*) Simple arithmetic average calculated for the last three month of values calculated by taking the weekly simple arithmetic average.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio (Continued)

Consolidated liquidity coverage ratios related to last three months of 2022 are calculated weekly and explained in the table below according to “Regulation on Liquidity Coverage Ratio Calculation” published in the Official Gazette No. 28948, dated 21 March 2014.

| | Maximum | Date | Minimum | Date | Average |
|--------------|---------|------------|---------|------------|---------|
| TL+FC | 182.79 | 4/10/2022 | 135.18 | 28/11/2022 | 160.52 |
| FC | 505.16 | 31/12/2022 | 318.81 | 28/11/2022 | 382.44 |

Liquidity coverage ratio is regulated by the BRSA to make sure that the banks sustain high quality liquid asset stock to cover probable cash outflows in the short term.

All of the Parent Bank’s high quality liquid assets are comprised of first quality liquid assets, most of which are CBRT accounts and securities that are issued by the Turkish Treasury that have not been collateralized. Optional use of reserve levels and fluctuations in repo amount lead up to periodical variations in liquidity coverage ratio. Additionally syndication loans and large amount funds such as foreign bond issuances that have less than 1 month to maturity, lead up to short term fall in liquidity coverage ratios.

Funding sources of the Parent Bank mainly consist of deposits which constitute 63% of total liabilities of the Group (31 December 2021 - 59%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Parent Bank effectively uses derivative transactions to manage interest and liquidity risk. Impact of derivative cash flows in terms of liquidity coverage ratio is limited. However, FX swaps used in short term foreign currency liquidity management cause liquidity coverage ratio to fluctuate due to changes in volume and one month maturity. In addition, possible cash outflow caused by margin call requirements of derivative transactions is taken into consideration in accordance with the respective regulations.

At The Parent Bank, Secured funding consists of repo and secured loan transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Türkiye and transactions are carried out both in CBRT market and interbank market.

The Parent Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework.

All cash inflow and outflow items related to liquidity profile of the Parent Bank are included in liquidity coverage ratio tables above.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio (Continued)

Presentation of assets and liabilities according to their remaining maturities

| Current Period | Demand | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | 5 years and over | Unallocated ⁽¹⁾ | Total |
|---|---------------------|---------------------|---------------------|--------------------|--------------------|-------------------|----------------------------|--------------------|
| Assets | | | | | | | | |
| Cash (Cash in Vault, Foreign Currency, Cash in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank ⁽²⁾ | 54,063,392 | 40,474,399 | - | - | - | - | (10,615) | 94,527,176 |
| Due from Banks ⁽³⁾ | 3,686,354 | 7,457,349 | - | - | - | - | (6,018) | 11,137,685 |
| Financial Assets at Fair Value Through Profit/Loss ⁽⁴⁾ | 942,470 | 1,713,885 | 5,608,356 | 4,340,589 | 1,884,833 | 2,829,439 | 42,671 | 17,362,243 |
| Money Market Placements | - | 4,427,376 | 4,040,604 | - | - | - | (5,082) | 8,462,898 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income ⁽⁵⁾ | 128,920 | 783,014 | 565,092 | 5,222,179 | 24,491,293 | 15,935,465 | 244 | 47,126,207 |
| Loans and Receivables ⁽⁶⁾ | - | 77,550,568 | 52,229,600 | 121,086,605 | 87,641,420 | 22,931,257 | 1,665,487 | 363,104,937 |
| Financial Assets Measured at Amortized Cost ⁽⁷⁾ | - | - | 401,790 | 6,903,067 | 32,103,048 | 22,555,400 | (20,038) | 61,943,267 |
| Other Assets | 149 | 6,607,389 | 35,027 | 170,530 | 851,822 | 741 | 9,813,743 | 17,479,401 |
| Total Assets | 58,821,285 | 139,013,980 | 62,880,469 | 137,722,970 | 146,972,416 | 64,252,302 | 11,480,392 | 621,143,814 |
| Liabilities | | | | | | | | |
| Bank Deposits | 692,867 | 3,762,400 | 3,283,443 | 2,487,067 | - | - | - | 10,225,777 |
| Other Deposits | 125,327,885 | 146,572,007 | 96,999,607 | 13,024,560 | 612,778 | 508 | - | 382,537,345 |
| Funds Borrowed | - | 5,147,422 | 8,335,022 | 30,517,966 | 20,739,901 | 7,604,770 | - | 72,345,081 |
| Money Market Borrowings | - | 12,149,215 | 3,073,384 | 3,498,932 | 3,797,042 | 560,064 | - | 23,078,637 |
| Securities Issued | - | 6,221,834 | 8,949,306 | 3,743,688 | 13,102,081 | - | - | 32,016,909 |
| Miscellaneous Payables | - | 29,487,873 | - | - | - | - | 214,771 | 29,702,644 |
| Other Liabilities ⁽⁸⁾ | - | 7,131,515 | 874,833 | 1,982,158 | 2,146,189 | 1,768,376 | 57,334,350 | 71,237,421 |
| Total Liabilities | 126,020,752 | 210,472,266 | 121,515,595 | 55,254,371 | 40,397,991 | 9,933,718 | 57,549,121 | 621,143,814 |
| Liquidity Excess/Gap | (67,199,467) | (71,458,286) | (58,635,126) | 82,468,599 | 106,574,425 | 54,318,584 | (46,068,729) | - |
| Net Off-Balance Sheet Position⁽⁹⁾ | - | 1,465,745 | 5,992,273 | 4,187,211 | 2,600,912 | 38 | - | 14,246,179 |
| Receivables from financial derivative instruments | - | 138,984,434 | 75,431,503 | 40,346,479 | 62,732,529 | 58,800,731 | - | 376,295,676 |
| Liabilities from derivative financial instruments | - | 137,518,689 | 69,439,230 | 36,159,268 | 60,131,617 | 58,800,693 | - | 362,049,497 |
| Non Cash Loans⁽¹⁰⁾ | - | 3,167,529 | 7,830,151 | 27,428,783 | 9,713,322 | 922,518 | 16,131,397 | 65,193,700 |
| Prior period | | | | | | | | |
| Total Assets | 39,613,823 | 90,382,468 | 27,629,618 | 74,091,079 | 105,208,043 | 37,781,195 | 9,142,786 | 383,849,012 |
| Total Liabilities | 96,034,015 | 134,141,832 | 38,549,633 | 46,923,306 | 23,269,884 | 13,627,067 | 31,303,275 | 383,849,012 |
| Liquidity Excess/Gap | (56,420,192) | (43,759,364) | (10,920,015) | 27,167,773 | 81,938,159 | 24,154,128 | (22,160,489) | - |
| Net Off-Balance Sheet Position⁽¹⁰⁾ | - | (1,902,436) | 1,686,561 | 3,004,161 | 5,354,445 | 37 | - | 8,142,768 |
| Receivables from financial derivative instruments | - | 72,196,159 | 33,952,450 | 41,342,421 | 46,772,646 | 49,170,248 | - | 243,433,924 |
| Liabilities from derivative financial instruments | - | 74,098,595 | 32,265,889 | 38,338,260 | 41,418,201 | 49,170,211 | - | 235,291,156 |
| Non Cash Loans⁽¹¹⁾ | - | 1,534,846 | 5,201,610 | 10,797,060 | 3,857,735 | 337,993 | 25,738,863 | 47,468,107 |

⁽¹⁾ The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified under "Unallocated" column. Unallocated other liabilities include equities amounting to TL 44,276,132, unallocated provisions amounting to TL 9,097,021 and deferred tax liabilities amounting to TL 2,843,483.

⁽²⁾ Cash (Cash in Vault, Foreign Currency Cash, Cash in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include expected loss provisions amounting to TL 10,615.

⁽³⁾ Banks include balance of expected loss provisions amounting to TL 6,018.

⁽⁴⁾ Financial assets at fair value through profit/loss include derivative financial assets through profit loss amounting to TL 15,743,228 (31 December 2021 - TL 18,446,821)

⁽⁵⁾ Financial assets at fair value through other comprehensive income include derivative financial assets through other comprehensive income amounting to TL 6,868,726 (31 December 2021 - TL 3,359,463)

⁽⁶⁾ Loans and receivables include leasing and factoring receivables.

⁽⁷⁾ Financial assets measured at amortized cost include TL 20,038 of expected loss provisions.

⁽⁸⁾ Other Liabilities also includes the portion of derivative financial liabilities at fair value through other comprehensive income amounting to TL 6,714,988.

⁽⁹⁾ Liquidity excess/(deficit) related to Derivative Financial Instruments constituting Net Off-Balance positions are included in Liquidity Excess/(deficit) through valuations of related transactions to balance sheet.

⁽¹⁰⁾ Amounts related to letter of guarantees represent contractual maturities and amounts included in aforementioned maturities and they have on demand and optionally withdrawable nature.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio (Continued)

Financial Liabilities according to the remaining maturities on the contract

The table below shows the maturity breakdown of the Bank's financial liabilities that are not classified as derivatives. These tables were prepared by taking the closest dates that the Bank will recognize its future cash flows. The interest payable through the said assets and liabilities are included in the tables below.

| Current Period | Demand | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | 5 years and longer | Total | Balance Sheet Value |
|---|-------------|---------------|------------|-------------|------------|--------------------|-------------|---------------------|
| Bank Deposits | 692,867 | 4,280,270 | 2,804,405 | 2,592,936 | - | - | 10,370,478 | 10,225,777 |
| Other Deposits | 125,327,885 | 146,829,287 | 97,166,846 | 13,067,989 | 615,929 | 819 | 383,008,755 | 382,537,345 |
| Payables to Money Market | - | 19,778,772 | 3,292,865 | 3,967,204 | 4,223,210 | 583,569 | 31,845,620 | 23,078,637 |
| Funds from other Financial Institutions | - | 5,150,622 | 8,349,871 | 30,965,612 | 20,761,415 | 7,604,857 | 72,832,377 | 72,345,081 |
| Securities Issued | - | 6,247,478 | 10,022,581 | 4,333,534 | 13,925,187 | - | 34,528,780 | 32,016,909 |
| Noncash Loans ^(*) | 16,131,397 | 3,167,529 | 7,830,151 | 27,428,783 | 9,713,322 | 922,518 | 65,193,700 | 65,193,700 |

| Prior Period | Demand | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | 5 years and longer | Total | Balance Sheet Value |
|---|------------|---------------|------------|-------------|------------|--------------------|-------------|---------------------|
| Bank Deposits | 569,447 | 11,665,338 | 689,192 | 74,678 | - | - | 12,998,655 | 12,977,095 |
| Other Deposits | 95,276,184 | 84,444,331 | 26,951,157 | 6,183,110 | 415,350 | 532 | 213,271,664 | 212,899,484 |
| Payables to Money Market | - | 5,153,520 | 5,458,091 | 4,496,346 | 2,444,984 | 840,625 | 18,393,566 | 18,190,614 |
| Funds from other Financial Institutions | - | 3,873,911 | 2,613,665 | 19,406,734 | 6,612,442 | 16,981,665 | 49,488,417 | 49,104,831 |
| Securities Issued | - | 2,825,984 | 1,727,417 | 15,526,763 | 11,561,025 | - | 31,641,189 | 29,802,816 |
| Noncash Loans ^(*) | 25,738,862 | 1,534,846 | 5,201,610 | 10,797,060 | 3,857,735 | 337,994 | 47,468,107 | 47,468,107 |

^(*) Amounts related to letters of guarantee represent maturities based on contract and amounts per these maturities and the amounts have the nature to be withdrawn on demand optionally

The table below shows the remaining maturity breakdown of the Bank's derivative assets and liabilities.

| Current Period | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | 5 years and longer | Total |
|---|----------------|------------------|------------------|------------------|--------------------|-------------------|
| Forward contracts buying ^(**) | 9,936,299 | 5,574,106 | 6,532,312 | 287,757 | - | 22,330,474 |
| Forward contracts selling ^(**) | (10,930,615) | (5,645,193) | (6,015,957) | (289,825) | - | (22,881,590) |
| Swap contracts buying ^(*) | 121,552,725 | 29,000,683 | 27,569,084 | 62,333,433 | 57,454,331 | 297,910,256 |
| Swap contracts selling ^(*) | (119,715,603) | (23,961,846) | (22,809,604) | (59,231,743) | (57,642,380) | (283,361,176) |
| Futures buying | - | 2,577,934 | - | - | - | 2,577,934 |
| Futures selling | - | (2,610,296) | - | - | - | (2,610,296) |
| Options buying | 13,589,634 | 38,879,754 | 6,696,442 | 67,348 | - | 59,233,178 |
| Options selling | (13,526,882) | (38,153,086) | (6,461,515) | (67,348) | - | (58,208,831) |
| Other | - | - | 1,308,762 | 747,864 | - | 2,056,626 |
| Total | 905,558 | 5,662,056 | 6,819,524 | 3,847,486 | (188,049) | 17,046,575 |

^(*) Derivative financial assets held for hedges are included

^(**) Includes the Dated, Asset Value Buying and Selling obligations that are in obligations.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio (Continued)

| Prior Period | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | 5 years and longer | Total |
|--|--------------------|------------------|------------------|------------------|-----------------------|-------------------|
| Forward contracts buying ^(*) | 5,019,304 | 3,602,030 | 3,968,966 | 662,874 | - | 13,253,174 |
| Forward contracts selling ^(*) | (5,237,730) | (3,795,385) | (4,477,040) | (632,360) | - | (14,142,515) |
| Swap contracts buying ^(*) | 68,750,440 | 30,290,853 | 36,925,332 | 47,708,043 | 46,222,873 | 229,897,541 |
| Swap contracts selling ^(*) | (70,393,221) | (28,105,947) | (33,460,598) | (40,876,290) | (46,578,452) | (219,414,508) |
| Futures buying | - | 361,004 | 18,906 | - | - | 379,910 |
| Futures selling | - | (368,665) | (15,436) | - | - | (384,101) |
| Options buying | 527,020 | 418,336 | 993,552 | 14,708 | - | 1,953,616 |
| Options selling | (595,686) | (426,748) | (888,633) | (14,708) | - | (1,925,775) |
| Other | - | - | - | 1,427,525 | - | 1,427,525 |
| Total | (1,929,873) | 1,975,478 | 3,065,049 | 8,289,792 | (355,579) | 11,044,867 |

^(*) Derivative financial assets held for hedges are included.

^(**) Includes the Dated, Asset Value Buying and Selling obligations that are in Obligations.

VII. Explanations on Consolidated Leverage Ratio

a) Information in regards to the differences between current period and prior period leverage ratio

The Group's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 5.88% (31 December 2021 - 5.80%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

b) Summary comparative table for total asset and total risk amount in consolidated financial statements prepared in accordance with TFRS

| | Current Period ^(**) | Prior Period ^(**) |
|---|--------------------------------|------------------------------|
| 1. Total asset amount in consolidated financial statements prepared in accordance with TFRS ^(*) | 599,134,667 | 349,460,469 |
| 2. Difference between total asset amount in consolidated financial statements prepared in accordance with TFRS and total asset amount in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements | 1,382,506 | 685,946 |
| 3. Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements of derivative financial instruments and credit derivatives | 8,369,267 | 2,119,562 |
| 4. Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements of investment securities or financial transaction that are commodity collateralized | 899,050 | 454,669 |
| 5. Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements of off balance transactions | 268,206,049 | 135,914,487 |
| 6. Other differences between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements | (1,926,409) | (1,420,516) |
| 7. Total Risk Amount | 876,065,130 | 487,214,617 |

^(*) Consolidated financial statements prepared in accordance with the 5th clause and 6th subclause of Communiqué on the Preparation of Consolidated Financial Statements.

^(**) Amounts presented above represent the arithmetic average of the last three months.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

VII. Explanations on Consolidated Leverage Ratio (Continued)

c) Leverage ratio public disclosure template

The table related to leverage ratio calculated in accordance with the “Regulation on Measurement and Evaluation of Bank’s Leverage Levels” published in Official Gazette No. 28812 and dated 5 November 2013 is below:

| | Book Value | |
|--|-------------------------------|-----------------------------|
| | Current Period ^(*) | Prior Period ^(*) |
| Assets on Balance sheet | | |
| Assets on Balance sheet (except for derivative financial instruments and credit derivatives, including guarantees) | 577,289,514 | 330,397,308 |
| (Assets deducted from capital stock) | 1,926,409 | 1,420,516 |
| Total risk amount related to Assets on Balance sheet | 575,363,105 | 328,976,792 |
| Derivative financial instruments and credit derivatives | | |
| Replacement cost of derivative financial instruments and credit derivatives | 23,227,659 | 19,749,107 |
| Potential credit risk amount of derivative financial instruments and credit derivatives | 8,369,267 | 2,119,562 |
| Total risk amount related to derivative financial instruments and credit derivatives | 31,596,926 | 21,868,669 |
| Financial transactions having security or commodity collateral | | |
| Risk amount of financial transactions having security or commodity collateral | 49,485 | 2,665 |
| Risk amount sourcing from transactions mediated | 849,565 | 452,004 |
| Total risk amount related to financial transactions having security or commodity collateral | 899,050 | 454,669 |
| Off-Balance sheet Transaction | | |
| Gross nominal amount of off-balance sheet transactions | 365,192,728 | 196,081,218 |
| (Adjustment amount sourcing from multiplying to credit conversion rates) | 96,986,679 | 60,166,731 |
| Total risk amount related to off-balance sheet transactions | 268,206,049 | 135,914,487 |
| Capital and Total Risk | | |
| Core Capital | 51,554,037 | 28,238,011 |
| Amount of total risk | 876,065,130 | 487,214,617 |
| Financial leverage ratio | | |
| Financial leverage ratio | 5.88% | 5.80% |

^(*) Amounts stated in table shows the last 3 months’ averages of the related period.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

VIII. Explanations Related to Presentation of Consolidated Financial Assets and Liabilities at Their Fair Value

The fair value of the fixed rate loans is determined based on discounted cash flows using the current market interest rates. Book value of floating rate loans represent their fair value.

The fair value of financial assets measured at amortized cost; market prices or, where such price cannot be determined, interest is determined on the basis of quoted market prices for other securities subject to the same qualified amortization in terms of maturity and other similar conditions.

The estimated fair value of the demand deposit represents the amount payable at the time of demand. The fair value of floating rate placements and overnight deposits represents the book value. The estimated fair value of fixed rate deposits is calculated by finding the discounted cash flows using market interest rates applied to similar loans and other liabilities.

The estimated fair value of funds from banks, other financial institutions, is determined based on discounted cash flows using the current market interest rates.

In the table below; the fair values and the carrying values of some of the financial assets and liabilities are presented. Book value represents the total of cost of subject asset and liabilities and accrued interest.

| Current Period | Book value | Fair value |
|--|--------------------|--------------------|
| Financial Assets | 484,937,406 | 487,905,177 |
| Receivables from Money Market | 8,467,980 | 8,462,898 |
| Banks | 11,143,703 | 11,137,824 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | 40,257,481 | 40,257,481 |
| Financial Assets Measured at Amortized Cost | 61,963,305 | 71,112,732 |
| Credits Given | 363,104,937 | 356,934,242 |
| Financial Liabilities | 549,906,393 | 552,237,831 |
| Bank Deposits | 10,225,775 | 10,228,398 |
| Other Deposits | 382,537,347 | 382,650,384 |
| Funds from Other Financial Institutions | 72,345,081 | 74,560,859 |
| Payable to Money Market | 23,078,637 | 23,078,637 |
| Securities Issued | 32,016,909 | 32,016,909 |
| Other Debts | 29,702,644 | 29,702,644 |
| Prior Period | Book value | Fair value |
| Financial Assets | 277,869,620 | 273,033,853 |
| Receivables from Money Market | 159,508 | 159,508 |
| Banks | 15,820,128 | 15,816,458 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | 19,677,747 | 19,677,747 |
| Financial Assets Measured at Amortized Cost | 29,856,976 | 30,900,013 |
| Credits Given | 212,355,261 | 206,480,127 |
| Financial Liabilities | 341,821,475 | 341,915,997 |
| Bank Deposits | 12,977,093 | 12,982,717 |
| Other Deposits | 212,899,486 | 212,819,660 |
| Funds from Other Financial Institutions | 49,104,831 | 49,273,555 |
| Payable to Money Market | 18,190,614 | 18,190,614 |
| Securities Issued | 29,802,816 | 29,802,816 |
| Other Debts | 18,846,635 | 18,846,635 |

In accordance with “IFRS 13, Fair Value Measurement” accounts represented at fair value in the face of financial statements are required to be leveled according to the observability of the data used for the calculation of fair value.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

VIII. Explanations Related to Presentation of Consolidated Financial Assets and Liabilities at Their Fair Value (Continued)

The classification of fair value calculation is as follows.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (market value);
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
- Level 3: Inputs that are not observable for the asset and liability (Fair value calculations which are not observable).

In the table below, the fair value classification of the financial instruments that are recorded at fair value at the financial statements is presented:

| Current Period | Level 1 | Level 2 | Level 3 | Total |
|---|-------------------|-------------------|----------------|-------------------|
| Financial Assets | 41,397,280 | 22,949,521 | 141,649 | 64,488,450 |
| Financial Assets at Fair Value through Profit/Loss | 1,311,780 | 165,586 | 141,649 | 1,619,015 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) ^(*) | 40,085,500 | 171,981 | - | 40,257,481 |
| Derivative Financial Assets | - | 22,611,954 | - | 22,611,954 |
| Financial Liabilities | 30,387 | 6,684,601 | - | 6,714,988 |
| Derivative Financial Liabilities | 30,387 | 6,684,601 | - | 6,714,988 |

^(*) The fair value difference does not include balance of shares amounting to TL 7,674 which is included in Financial Assets at Fair Value through Other Comprehensive Income.

| Prior Period | Level 1 | Level 2 | Level 3 | Total |
|--|-------------------|-------------------|----------------|-------------------|
| Financial Assets | 19,925,817 | 22,090,317 | 242,355 | 42,258,489 |
| Financial Assets at Fair Value through Profit/Loss ^(*) | 306,441 | 225,662 | 242,355 | 774,458 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) ^(**) | 19,619,376 | 58,371 | - | 19,677,747 |
| Derivative Financial Assets | - | 21,806,284 | - | 21,806,284 |
| Financial Liabilities | 2,159 | 12,781,731 | - | 12,783,890 |
| Derivative Financial Liabilities | 2,159 | 12,781,731 | - | 12,783,890 |

^(*) Including the balance amounting to TL 209,670 under Financial Assets at Fair Value Through Profit and Loss, which is disclosed in Note 6.b.2 of Section Five.

^(**) The fair value difference does not include balance of shares amounting to TL 7,674 which is included in Financial Assets at Fair Value through Other Comprehensive Income.

Confirmation for fair value of financial assets under Level 3 is as below:

| | Current Period | Prior Period |
|--|----------------|----------------|
| Opening Balance | 242,355 | 126,806 |
| Change in total gain/loss | 99,896 | 92,368 |
| <i>Accounted in the statement of profit or loss and other comprehensive income</i> | 99,896 | 92,368 |
| <i>Accounted in other comprehensive income</i> | - | - |
| Purchases | 9,068 | 23,181 |
| Disposals | (209,670) | - |
| Matured Loans | - | - |
| Sales from Level 3 | - | - |
| Closing Balance | 141,649 | 242,355 |

IX. Information on the Services in the Name and Account of Third Parties

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related To Consolidated Assets

1. a) Information on cash equivalents and the account of the CBRT

| | Current Period | | Prior Period | |
|-----------------------------|------------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| Cash in TL/Foreign Currency | 1,621,492 | 6,809,684 | 678,315 | 6,245,263 |
| T.R. Central Bank | 7,929,515 | 74,677,290 | 6,654,230 | 56,333,197 |
| Others | 168,850 | 3,330,960 | 103,735 | 279,831 |
| Total | 9,719,857 | 84,817,934 | 7,436,280 | 62,858,291 |

b) Information related to the account of the CBRT

| | Current Period | | Prior Period | |
|------------------------------|------------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| Unrestricted Demand Deposits | 7,929,515 | 34,202,891 | 6,654,230 | 18,465,910 |
| Restricted Time Deposits | - | 40,474,399 | - | 37,867,287 |
| Total | 7,929,515 | 74,677,290 | 6,654,230 | 56,333,197 |

As of 31 December 2022, a provision amounting to TL 10,615 (31 December 2021 - TL 7,083) has been provided to the Central Bank account.

As of 31 December 2022, our bank has been appointed to CBRT depending on the maturity structure, the required reserve rates for TL liabilities vary between 3% and 8% for TL deposits and other liabilities according to their maturities. The reserve rates for foreign currency liabilities vary between 5% and 25% for deposit and other foreign currency liabilities, Gold deposit liabilities vary between 22% and 26% for gold liabilities according to their maturities.

2. Further information on financial assets at fair value through profit/loss (Net amounts are expressed)

a) Information on financial assets at fair value through profit or loss that are subject to repurchase agreements and given as collateral/blocked

| | Current Period | | Prior Period | |
|---------------------------------|----------------|----------|--------------|---------------|
| | TL | FC | TL | FC |
| Given as Collateral/blocked | 56,131 | - | - | 19,850 |
| Subject to repurchase agreement | - | - | 1,373 | - |
| Total | 56,131 | - | 1,373 | 19,850 |

b) Positive differences related to derivative financial assets held-for-trading

| | Current Period | | Prior Period | |
|----------------------|------------------|------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Forward Transactions | 457,631 | - | 373,516 | - |
| Swap Transactions | 4,600,327 | 2,273,153 | 7,457,376 | 1,722,657 |
| Futures | - | 514 | - | - |
| Options | - | 758,724 | - | 289,303 |
| Total | 5,057,958 | 3,032,391 | 7,830,892 | 2,011,960 |

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Notes to Consolidated Financial Statements

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

3. a) Information on banks

| | Current Period | | Prior Period | |
|-----------------------------------|------------------|------------------|---------------|-------------------|
| | TL | FC | TL | FC |
| Banks | 3,127,925 | 8,015,778 | 94,349 | 15,725,779 |
| Domestic | 3,127,920 | 230,110 | 94,336 | 1,781,296 |
| Foreign | 5 | 7,785,668 | 13 | 13,944,483 |
| Foreign Head Offices and Branches | - | - | - | - |
| Total | 3,127,925 | 8,015,778 | 94,349 | 15,725,779 |

Amount of TL 11,100 provision is provided for banks account as of 31 December 2022 (31 December 2021 - TL 3,826).

b) Information on foreign bank accounts

| | Unrestricted Amount | | Restricted Amount ^(**) | |
|-------------------------------|---------------------|------------------|-----------------------------------|------------------|
| | Current Period | Prior Period | Current Period | Prior Period |
| EU Countries | 1,601,789 | 1,267,901 | 135,032 | 7,479,468 |
| USA and Canada | 892,625 | 5,046,277 | - | 3,244 |
| OECD Countries ^(*) | 644,395 | 8,567 | 4,383,255 | - |
| Off-shore Banking Regions | - | - | - | - |
| Other | 128,577 | 139,039 | - | - |
| Total | 3,267,386 | 6,461,784 | 4,518,287 | 7,482,712 |

^(*) Include OECD countries other than the EU countries, USA and Canada.

^(**) Includes the guarantees in foreign banks for the borrowings from foreign markets.

4. Information on receivables from reverse repurchase agreements

| | Current Period | | Prior Period | |
|------------------------------|------------------|----------------|--------------|----------------|
| | TL | FC | TL | FC |
| Domestic Transactions | 3,613,560 | - | - | - |
| T.R. Central Bank | - | - | - | - |
| Banks | 3,613,560 | - | - | - |
| Intermediary Institutions | - | - | - | - |
| Other Financial Institutions | - | - | - | - |
| Other Institutions | - | - | - | - |
| Real Persons | - | - | - | - |
| Foreign Transactions | - | 427,044 | - | 159,508 |
| Central Banks | - | - | - | - |
| Banks | - | 427,044 | - | 159,508 |
| Intermediary Institutions | - | - | - | - |
| Other Financial Institutions | - | - | - | - |
| Other Institutions | - | - | - | - |
| Real Persons | - | - | - | - |
| Total | 3,613,560 | 427,044 | - | 159,508 |

QNB Finansbank Anonim Şirketi
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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

5. Information on financial assets measured at fair value through other comprehensive income

a) Information on financial assets measured at fair value through other comprehensive income subject to repurchase agreements and provided as collateral/blocked

| | Current Period | | Prior Period | |
|----------------------------------|-------------------|-------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Given as Collateral/Blocked | 12,462,239 | - | 3,204,419 | 2,244,960 |
| Subject to repurchase agreements | 9,095 | 10,279,690 | 500,257 | 7,553,683 |
| Total | 12,471,334 | 10,279,690 | 3,704,676 | 9,798,643 |

b) Information on financial assets at fair value through other comprehensive income

| | Current Period | Prior Period |
|---|--------------------|--------------------|
| Debt Securities | 41,939,469 | 20,978,048 |
| Quoted on a stock exchange ^(*) | 41,939,469 | 20,978,048 |
| Unquoted on a stock exchange | - | - |
| Stocks | 126,612 | 44,443 |
| Quoted on a stock exchange | 118,831 | 36,662 |
| Unquoted on a stock exchange | 7,781 | 7,781 |
| Provision for Impairment (-)** | (1,808,600) | (1,344,744) |
| Total | 40,257,481 | 19,677,747 |

^(*)The Eurobond Portfolio amounting to TL 5,436,447 (31 December 2021 - TL 4,561,219) which is accounted for as financial assets measured at fair value through other comprehensive income were hedged under fair value hedge accounting starting from March and April 2009.

^(**)As of 31 December 2022 amount of TL 5,094 (31 December 2021 - TL 2,815) provision provided for financial assets measured at fair value through other comprehensive income account.

6. Information related to loans

a) Information on all types of loans and advances given to shareholders and employees of the Parent Bank

| | Current Period | | Prior Period | |
|---|----------------|----------------|----------------|---------------|
| | Cash | Non-Cash | Cash | Non-Cash |
| Direct Loans Granted to Shareholders | - | 116,854 | - | 55,271 |
| Corporate Shareholders | - | 116,854 | - | 55,271 |
| Individual Shareholders | - | - | - | - |
| Indirect Loans Granted to Shareholders | - | - | - | - |
| Loans Granted to Employees ^(*) | 333,147 | - | 170,379 | - |
| Total | 333,147 | 116,854 | 170,379 | 55,271 |

^(*)Includes advances given to the bank personnel.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

6. Information related to loans (Continued)

b.1) Financial assets measured at amortized cost

b) Information on first and second group loans, other receivables, restructured or rescheduled loans and other receivables

| Cash Loans | Standard Loans and Other Receivables | Loans Under Close Monitoring ^(*) | | |
|-------------------------------------|--------------------------------------|--|------------------------------------|-------------------------------------|
| | | Loans and Receivables Not Subject to Restructuring | Restructured Loans and Receivables | Refinance |
| | | Loans and Receivables with Revised Contract Terms | | |
| Non Specialized Loans | 310,763,513 | 25,704,921 | 283,676 | 10,362,820 |
| Enterprise Loans | 21,781,739 | 225,055 | - | - |
| Export Loans | 30,084,021 | 570,691 | - | - |
| Import Loans | - | - | - | - |
| Financial Sector Loans | 3,626,013 | 660 | - | - |
| Consumer Loans | 63,178,577 | 6,119,881 | 148,238 | 1,113,156 |
| Credit Cards | 56,905,371 | 7,364,784 | - | 519,526 |
| Other | 135,187,792 | 11,423,850 | 135,438 | 8,730,138 |
| Specialized Loans | - | - | - | - |
| Other Receivables | - | - | - | - |
| Total | 310,763,513 | 25,704,921 | 283,676 | 10,362,820 |
| | | | Standard Loans | Loans Under Close Monitoring |
| Current Period | | | | |
| 12 Month Expected Credit Losses | | | 3,604,877 | - |
| Significant Increase in Credit Risk | | | - | 5,801,712 |
| Prior Period | | | | |
| 12 Month Expected Credit Losses | | | 2,136,918 | - |
| Significant Increase in Credit Risk | | | - | 3,416,721 |

b.2) Loans at fair value through profit or loss

In the current period, the Parent Bank has no loans followed under financial assets at fair value through profit or loss in accordance with TFRS 9 (31 December 2021 - TL 209,670). As of 31 March 2022, Türk Telekomünikasyon A.Ş., owned by LYY Telekomünikasyon A.Ş. 192,500,000,000 Group A registered shares representing 55% of its capital were sold to the Turkish Wealth Fund, and as a result of the collection made from the sale amount, the portion of the related loan corresponding to the Parent Bank's share was closed. LYY's Türk Telekomünikasyon A.Ş. Since it is no longer possible to make principal and interest payments to the Parent Bank after the transfer of its shares to the Türkiye Wealth Fund, the loan (TL 353 million) was classified under loans with loss nature and subsequently, the receivable, which was fully provisioned, was written off from the asset.

c) Loans with amortized cost and other receivables according to their maturity structure

| Cash Loans | Standard Loans | Loans Under Close Monitoring | |
|----------------------------|--------------------|------------------------------------|--------------------|
| | | Loans Not Subject to Restructuring | Restructured Loans |
| Short-term Loans | 157,356,754 | 7,364,784 | 519,526 |
| Medium and Long-term Loans | 153,406,759 | 18,340,137 | 10,126,970 |
| Total | 310,763,513 | 25,704,921 | 10,646,496 |

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

6. Information related to loans (Continued)

d) Information on consumer loans, individual credit cards, personnel loans and personnel credit cards

| | Short Term | Medium and Long Term | Total |
|---|-------------------|----------------------|--------------------|
| Consumer Loans - TL | 9,251,454 | 55,709,347 | 64,960,801 |
| Housing Loans | 1,917 | 3,332,029 | 3,333,946 |
| Automobile Loans | 546 | 24,835 | 25,381 |
| Personal Need Loans | 9,248,991 | 52,352,483 | 61,601,474 |
| Other | - | - | - |
| Consumer Loans - FC Indexed | - | 924 | 924 |
| Housing Loans | - | 913 | 913 |
| Automobile Loans | - | - | - |
| Personal Need Loans | - | 11 | 11 |
| Other | - | - | - |
| Consumer Loans - FC | - | - | - |
| Housing Loans | - | - | - |
| Automobile Loans | - | - | - |
| Personal Need Loans | - | - | - |
| Other | - | - | - |
| Individual Credit Cards - TL | 47,503,879 | 666,279 | 48,170,158 |
| Installment | 20,043,764 | 490,905 | 20,534,669 |
| Non- Installment | 27,460,115 | 175,374 | 27,635,489 |
| Individual Credit Cards - FC | 127,183 | 109 | 127,292 |
| Installment | - | - | - |
| Non- Installment | 127,183 | 109 | 127,292 |
| Personnel Loans - TL | 51,565 | 152,092 | 203,657 |
| Housing Loans | - | 36 | 36 |
| Automobile Loans | - | - | - |
| Personal Need Loans | 51,565 | 152,056 | 203,621 |
| Other | - | - | - |
| Personnel Loans - FC Indexed | - | - | - |
| Housing Loans | - | - | - |
| Automobile Loans | - | - | - |
| Personal Need Loans | - | - | - |
| Other | - | - | - |
| Personnel Loans - FC | - | - | - |
| Housing Loans | - | - | - |
| Automobile Loans | - | - | - |
| Personal Need Loans | - | - | - |
| Other | - | - | - |
| Personnel Credit Cards - TL | 125,742 | 804 | 126,546 |
| Installment | 55,195 | 353 | 55,548 |
| Non-Installment | 70,547 | 451 | 70,998 |
| Personnel Credit Cards - FC | 479 | - | 479 |
| Installment | - | - | - |
| Non-Installment | 479 | - | 479 |
| Overdraft Accounts - TL (Real Persons) | 5,250,121 | 144,349 | 5,394,470 |
| Overdraft Accounts - FC (Real Persons) | - | - | - |
| Total | 62,310,423 | 56,673,904 | 118,984,327 |

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

6. Information related to loans (Continued)

e) Information on commercial installment loans and corporate credit cards

| | Short Term | Medium and Long Term | Total |
|--|-------------------|----------------------|-------------------|
| Commercial Loans with Installment Facility - TL | 2,243,716 | 29,863,053 | 32,106,769 |
| Real Estate Loans | - | 306,071 | 306,071 |
| Automobile Loans | 111,175 | 2,164,483 | 2,275,658 |
| Personal Need Loans | 2,132,541 | 27,392,499 | 29,525,040 |
| Other | - | - | - |
| Commercial Loans with Installment Facility - FC Indexed | - | 220,362 | 220,362 |
| Real Estate Loans | - | 1,251 | 1,251 |
| Automobile Loans | - | - | - |
| Personal Need Loans | - | 219,111 | 219,111 |
| Other | - | - | - |
| Commercial Loans with Installment Facility - FC | - | - | - |
| Real Estate Loans | - | - | - |
| Automobile Loans | - | - | - |
| Personal Need Loans | - | - | - |
| Other | - | - | - |
| Corporate Credit Cards - TL | 16,214,117 | 138,999 | 16,353,116 |
| Installment | 7,089,394 | 80,724 | 7,170,118 |
| Non-Installment | 9,124,723 | 58,275 | 9,182,998 |
| Corporate Credit Cards - FC | 12,080 | 10 | 12,090 |
| Installment | - | - | - |
| Non-Installment | 12,080 | 10 | 12,090 |
| Overdraft Accounts-TL (Legal Entities) | 1,979,324 | 6,555 | 1,985,879 |
| Overdraft Accounts-FC (Legal Entities) | - | - | - |
| Total | 20,449,237 | 30,228,979 | 50,678,216 |

f) Allocation of loans by customers^(*)

| | Current Period | Prior Period |
|--------------|--------------------|--------------------|
| Public | 4,285,525 | 127,577 |
| Private | 342,829,405 | 201,444,168 |
| Total | 347,114,930 | 201,571,745 |

^(*)It does not include the non-performing loan amount.

g) Allocation of domestic and foreign loans^(*)

| | Current Period | Prior Period |
|--------------|--------------------|--------------------|
| Public | 345,259,369 | 199,914,126 |
| Private | 1,855,561 | 1,657,619 |
| Total | 347,114,930 | 201,571,745 |

^(*)It does not include the non-performing loan amount.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

6. Information related to loans (Continued)

h) Loans to associates and subsidiaries

| | Current Period | Prior Period |
|---|------------------|------------------|
| Direct Loans Granted to Subsidiaries and Associates | 5,341,116 | 2,202,964 |
| Indirect Loans Granted to Subsidiaries and Associates | - | - |
| Total | 5,341,116 | 2,202,964 |

i) Specific provisions for loans (Third Stage)

| | Current Period | Prior Period |
|--|------------------|------------------|
| Provisions | | |
| Loans and Receivables with Limited Collectability | 631,552 | 675,951 |
| Loans and Receivables with Doubtful Collectability | 462,383 | 486,017 |
| Uncollectible Loans and Receivables | 6,735,101 | 5,970,188 |
| Total | 7,829,036 | 7,132,156 |

j) Non-performing loans (NPLs) (Net)

j.1) Non-performing loans restructured or rescheduled and other receivables

| | III. Group | IV. Group | V. Group |
|-------------------------------------|---|--|--|
| | Loans and Other Receivables with Limited Collectability | Loans and Other Receivables with Doubtful Collectability | Uncollectible Loans and Other Receivables |
| Current Period | | | |
| Gross Amounts Before the Provisions | 46 | 16,863 | 599,291 |
| Restructured Loans | 46 | 16,863 | 599,291 |
| Prior Period | | | |
| Gross Amounts Before the Provisions | 79,801 | 35,301 | 270,005 |
| Restructured Loans | 79,801 | 35,301 | 270,005 |

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I. Explanations and Disclosures Related to Consolidated Assets (Continued)

6. Information related to loans (Continued)

j.2) Movement of non-performing loans

| | III. Group | IV. Group | V. Group |
|---|---|--|--|
| | Loans and Other Receivables with Limited Collectibility | Loans and Other Receivables with Doubtful Collectibility | Uncollectible Loans and Other Receivables |
| Prior Period End Balance | 1,266,578 | 767,949 | 7,481,620 |
| Additions (+) | 2,152,876 | 46,900 | 578,038 |
| Transfers from Other Categories of Non-Performing Loans (+) | - | 2,078,620 | 1,898,535 |
| Transfers to Other Categories of Non-Performing Loans (-) | 2,198,418 | 1,778,737 | - |
| Collections (-) | 345,913 | 472,121 | 1,587,244 |
| Non-registered(-) | - | - | 361,940 |
| Write-offs (-) | - | - | 32,223 |
| Corporate and Commercial Loans | - | - | 32,223 |
| Consumer Loans | - | - | - |
| Credit Cards | - | - | - |
| Others | - | - | - |
| Current Period End Balance | 875,123 | 642,611 | 7,976,786 |
| Specific Provision (-) | 631,552 | 462,383 | 6,735,101 |
| Prior Period End Balance | 243,571 | 180,228 | 1,241,685 |

j.3) Information on non-performing loans granted as foreign currency loans

None (31 December 2021 - None).

j.4) Breakdown of non-performing loans according to their gross and net values

| | III. Group | IV. Group | V. Group |
|--|---|--|---|
| | Loans and Other Receivables with Limited Collectibility | Loans and Other Receivables with Doubtful Collectibility | Uncollectible Loans and Other Receivables |
| Current Period (Net) | 243,571 | 180,228 | 1,241,685 |
| Loans to Real Persons and Legal Entities (Gross) | 875,123 | 642,611 | 7,785,799 |
| Provision (-) | 631,552 | 462,383 | 6,544,114 |
| Loans to Real Persons and Legal Entities (Net) | 243,571 | 180,228 | 1,241,685 |
| Banks (Gross) | - | - | - |
| Provision (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | - | - | 190,987 |
| Provision (-) | - | - | 190,987 |
| Other Loans and Receivables (Net) | - | - | - |
| Prior Period (Net) | 590,627 | 281,932 | 1,511,432 |
| Loans to Real Persons and Legal Entities (Gross) | 1,266,578 | 767,949 | 7,337,381 |
| Provision (-) | 675,951 | 486,017 | 5,825,949 |
| Loans to Real Persons and Legal Entities (Net) | 590,627 | 281,932 | 1,511,432 |
| Banks (Gross) | - | - | - |
| Provision (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | - | - | 144,239 |
| Provision (-) | - | - | 144,239 |
| Other Loans and Receivables (Net) | - | - | - |

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I. Explanations and Disclosures Related to Consolidated Assets (Continued)

6. Information related to loans (Continued)

| | III. Group | IV. Group | V. Group |
|---|---|--|---|
| | Loans and Other Receivables with Limited Collectibility | Loans and Other Receivables with Doubtful Collectibility | Uncollectible Loans and Other Receivables |
| Current Year (Net) | | | |
| Interest accruals and valuation differences | 120,514 | 56,981 | 1,264,638 |
| Provision Amount (-) | 86,994 | 40,884 | 1,068,121 |
| Prior Period (Net) | | | |
| Interest Accruals and Rediscounts and Valuation Differences | 199,479 | 88,104 | 1,196,682 |
| Provision Amount (-) | 110,303 | 41,738 | 792,353 |

k) Explanation on liquidation policy for uncollectible loans and other receivables

For the unrecoverable non-performing loans under legal follow up, the loan quality, collateral quality, bona fide of the debtor and assessment of the emergency of legal follow up are considered, before applying the best practice for unrecoverable non-performing loans under legal follow up. The Parent Bank prefers to liquidate the risk through negotiations with the debtors as well as The Parent Bank starts the legal procedures for the liquidation of the risk. Ongoing legal follow up procedures do not prevent negotiations with the debtors. An agreement is made with the debtor at all stage of the negotiations for the liquidation of the risk.

l) Explanations regarding the write-off policy

The Parent Bank's general policy regarding the write-off of NPLs is explained in the section three under the footnote VIII.

7. Information on factoring receivables

| | Current Period | | Prior Period | |
|----------------------|------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Short Term | 9,129,082 | 464,403 | 2,882,199 | 921,323 |
| Medium and Long Term | - | - | 6,996 | - |
| Total | 9,129,082 | 464,403 | 2,889,195 | 921,323 |

Changes in provision for non-performing factoring receivables are as follows

| | Current Period | Prior Period |
|---------------------------------------|----------------|---------------|
| Prior Period End Balance | 82,565 | 82,530 |
| Provided Provision/(reversal) (Net) | 77,765 | 53,781 |
| Collections | (35,578) | (16,511) |
| Write-offs | - | (37,235) |
| Provision at the End of Period | 124,752 | 82,565 |

8. Information on financial assets measured at amortized cost

a) Information on financial assets measured at amortized cost which are subject to repurchase agreements and given as Collateral/Blocked

| | Current Period | | Prior Period | |
|----------------------------------|------------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| Given as Collateral/Blocked | 7,436,978 | - | 1,261,325 | 635,643 |
| Subject to repurchase agreements | 234,667 | 19,644,899 | 1,506,303 | 13,431,793 |
| Total | 7,671,645 | 19,644,899 | 2,767,628 | 14,067,436 |

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

8. Information on financial assets measured at amortized cost (Continued)

b) Information on government debt securities measured at amortized cost

| | Current Period | | Prior Period | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | TL | FC | TL | FC |
| Government Bond | 41,598,971 | 19,504,773 | 14,876,060 | 14,162,999 |
| Treasury Bill | - | - | - | - |
| Other Public Sector Debt Securities | - | 367,824 | - | 254,975 |
| Total | 41,598,971 | 19,872,597 | 14,876,060 | 14,417,974 |

c) Information on investments securities measured at amortized cost

| | Current Period | | Prior Period | |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| | TL | FC | TL | FC |
| Debt Securities | 41,598,971 | 20,364,334 | 14,876,060 | 14,980,916 |
| Publicly-traded | 41,598,971 | 20,364,334 | 14,876,060 | 14,980,916 |
| Non-publicly traded | - | - | - | - |
| Provision for losses (-) | - | - | - | - |
| Total | 41,598,971 | 20,364,334 | 14,876,060 | 14,980,916 |

d) Movement of investment measured at amortized cost within the period

| | Current Period | Prior Period |
|---|-------------------|-------------------|
| Balance at the beginning of the period | 29,856,976 | 18,743,356 |
| Exchange differences on monetary assets | 6,288,072 | 6,418,170 |
| Acquisitions during the year | 12,898,683 | 5,543,887 |
| Disposals through sales and redemptions | (10,005,623) | (2,609,710) |
| Impairment provision (-) | - | - |
| Valuation Effect | 22,925,197 | 1,761,273 |
| Total | 61,963,305 | 29,856,976 |

As of 31 December 2022, a provision amounting to TL 20,038 (31 December 2021 - TL 9,793) is provided for the financial assets measured at amortized cost.

9. Information on investments in associates (Net)

9.1. Information on unconsolidated associates

| Description | Address (City/ Country) | Bank's Share-If Different, Voting Rights (%) | Bank's Risk Group Share (%) |
|--|-------------------------|--|-----------------------------|
| Bankalararası Kart Merkezi (BKM) ^(*) | Istanbul/Türkiye | 4.52 | 4.52 |
| Ulusal Derecelendirme A.Ş. ^(**) | Istanbul/Türkiye | 2.86 | 2.86 |
| İhracaatı Geliştirme A.Ş. (İGE) ^(***) | Istanbul/Türkiye | 0.82 | 0.82 |

| Total Assets | Shareholder's Equity | Total Fixed Assets | Interest Income | Income on Securities Portfolio | Current Period Profit/Loss | Prior Period Profit/Loss | Company's Fair Value |
|--------------|----------------------|--------------------|-----------------|--------------------------------|----------------------------|--------------------------|----------------------|
| 679,563 | 579,361 | 124,627 | 53,568 | - | 207,418 | 93,651 | - |
| 104,324 | 86,888 | 31,509 | 4,629 | - | 58,825 | 2,467 | - |

^(*) Current period information is based on 30 September 2022 financials. Prior period profit and loss amounts are based on 30 September 2021 financials.

^(**) Current period information is based on 31 December 2021 financials. Prior period profit and loss amounts are based on 31 December 2020 financials.

^(***) İhracaatı Geliştirme A.Ş. (İGE) period information has not been disclosed to the public yet, so no information can be given.

^(****) Total fixed assets consist of non-current assets

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

9. Information on investments in associates (Net) (Continued)

9.2. Movements of investments in associates

| | Current Period | Prior Period |
|--|----------------|---------------|
| Balance at the Beginning of Period | 14,026 | 14,026 |
| Movements During the Period | 31,451 | - |
| Acquisitions | - | - |
| Bonus Shares Received | 31,451 | - |
| Dividends From Current Year Profit | - | - |
| Sales | - | - |
| Reclassifications | - | - |
| Increase/Decrease in Market Values | - | - |
| Currency Differences on Foreign Associates | - | - |
| Impairment Losses (-) | - | - |
| Balance at the End of the Period | 45,477 | 14,026 |
| Capital Commitments | - | - |
| Share Percentage at the end of the Period (%) | - | - |

⁽¹⁾ In the item of Bonus Shares, İhracaatı Geliştirme A.Ş. (İGE) capital participation fee.

9.3. Sectoral information on investment and associates, and the related carrying amounts

| | Current Period | Prior Period |
|---------------------|----------------|---------------|
| Factoring Companies | - | - |
| Leasing Companies | - | - |
| Finance Companies | - | - |
| Other Associates | 45,477 | 14,026 |
| Total | 45,477 | 14,026 |

9.4. Quoted Associates

None (31 December 2021 - None).

9.5. Valuation methods of investments in associates

| | Current Period | Prior Period |
|-------------------------|----------------|---------------|
| Valued at Cost | 45,477 | 14,026 |
| Valued at Fair Value | - | - |
| Valued at Equity Method | - | - |
| Total | 45,477 | 14,026 |

9.6. Investments in associates sold during the current period

None (31 December 2021 - None).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

9. Information on investments in associates (Net) (Continued)

9.7. Information on subsidiaries (Net)

a) Information on the Parent Bank's unconsolidated subsidiaries

Subsidiaries below have not been consolidated since they are Non-financial investments, they are instead valued by cost method.

| Title | Address (City/Country) | Bank's Share - If Different, Voting Rights (%) | Bank's Risk Group Share (%) |
|---|---------------------------|--|--------------------------------|
| 1. Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş. | Istanbul/Türkiye | 99.91 | 99.99 |
| 2. EFINANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. | Istanbul/Türkiye | 100.00 | 100.00 |

| Total Assets | Shareholders' Equity | Total Fixed Assets | Interest Income | Income on Securities Portfolio | Current Period Profit/Loss | Prior Period Profit/Loss | Company's Fair Value |
|--------------|----------------------|--------------------|-----------------|--------------------------------|----------------------------|--------------------------|----------------------|
| 1. 151,778 | (8,665) | 53,381 | - | - | 7,406 | 11,873 | - |
| 2. 186,555 | 138,040 | 12,147 | 9,819 | - | 26,364 | 6,775 | - |

b) Information on the Parent Bank's consolidated subsidiaries

b.1) Information on the consolidated subsidiaries

| Subsidiary | Address (City/Country) | Bank's Share - If Different, Voting Rights (%) | Bank's Risk Group Share (%) |
|--|---------------------------|--|-----------------------------|
| 1. QNB Finans Yatırım Menkul Değerler A.Ş. | Istanbul/Türkiye | 99.80 | 100.00 |
| 2. QNB Finans Finansal Kiralama A.Ş. | Istanbul/Türkiye | 99.40 | 99.40 |
| 3. QNB Finans Portföy Yönetimi A.Ş. | Istanbul/Türkiye | 88.89 | 100.00 |
| 4. QNB Finans Faktoring A.Ş. | Istanbul/Türkiye | 99.99 | 100.00 |
| 5. QNB Finans Varlık Kiralama Şirketi A.Ş. | Istanbul/Türkiye | - | 100.00 |

Information on subsidiaries in the order as presented in the table above

| Total Assets | Shareholders' Equity | Total Fixed Assets | Interest Income | Income on Securities Portfolio | Current Period Profit/Loss | Prior Period Profit/Loss | Company's Fair Value ^(*) |
|---------------|----------------------|--------------------|-----------------|--------------------------------|----------------------------|--------------------------|-------------------------------------|
| 1. 3,426,190 | 1,118,751 | 43,213 | 379,601 | 11,674 | 464,752 | 183,054 | - |
| 2. 16,857,633 | 1,636,292 | 32,254 | 1,460,350 | - | 401,552 | 201,536 | 1,622,787 |
| 3. 354,717 | 228,954 | 1,677 | 3,230 | - | 59,332 | 23,383 | - |
| 4. 9,712,380 | 551,597 | 25,209 | 1,558,221 | - | 295,365 | 59,826 | - |
| 5. 3,426,190 | 1,118,751 | 43,213 | 379,601 | 11,674 | 464,752 | - | - |

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

9. Information on investments in associates (Net) (Continued)

9.7. Information on subsidiaries (Net) (Continued)

b.2) Movement schedule for consolidated subsidiaries

| | Current Period | Prior Period |
|--|------------------|------------------|
| Balance at the Beginning of the Period | 2,129,798 | 1,645,370 |
| Movements during the Period | 1,360,405 | 484,428 |
| Bonus Shares Received | - | - |
| Purchases | - | - |
| Dividends from Current Year Profit | - | - |
| Disposals ^(*) | - | (25,651) |
| Revaluation Difference ^(**) | 1,360,405 | 510,079 |
| Provisions for Impairment | - | - |
| Balance at the End of the Period | 3,490,203 | 2,129,798 |
| Capital Commitments | - | - |
| Share Percentage at the end of the Period (%) | - | - |

^(*) The sale amount of the Hemenal Finansman A.Ş pursuant to the decision of the Board of Directors dated 19 October 2020. As of the balance sheet date, the said sale transaction was completed on 31 May 2021.

^(**) Includes equity method accounting differences.

b.3) Sectoral information on consolidated financial subsidiaries and the related carrying amounts

| | Current Period | Prior Period |
|---------------------|------------------|------------------|
| Factoring Companies | 551,597 | 260,648 |
| Leasing Companies | 1,622,787 | 1,230,205 |
| Finance Companies | - | - |
| Other Subsidiaries | 1,315,819 | 638,945 |
| Total | 3,490,203 | 2,129,798 |

The balances of the subsidiaries have been eliminated as part of the consolidation principles.

b.4) Subsidiaries quoted to a stock exchange

| | Current Period | Prior Period |
|---|------------------|------------------|
| Quoted on Domestic Stock Exchanges | 1,622,787 | 1,230,205 |
| Quoted on International Stock Exchanges | - | - |
| Total | 1,622,787 | 1,230,205 |

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

9. Information on investments in associates (Net) (Continued)

9.7. Information on subsidiaries (Net) (Continued)

b.5) Information on shareholders' equity of the significant subsidiaries

None.

10. Information on joint ventures

| Title | Address (City/ Country) | Bank's Share-If different, Voting Rights (%) | Bank' Risk Group Share (%) |
|---|----------------------------|--|-------------------------------|
| 1. Cigna Sağlık, Hayat ve Emeklilik A.Ş. | Istanbul/Türkiye | 49.00 | 49.00 |
| 2. Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. | Istanbul/Türkiye | 33.33 | 33.33 |

| | Total Assets | Shareholders' Equity | Total Fixed Asset | Interest Income | Securities Income | Current Period Profit/Loss | Prior Period Profit/Loss | Company's Fair Value |
|----|--------------|-------------------------|----------------------|--------------------|----------------------|----------------------------------|-----------------------------|-------------------------|
| 1. | 4,365,673 | 503,401 | 64,497 | - | - | 426,965 | 259,843 | - |
| 2. | 272,878 | 161,713 | 74,425 | - | - | 56,460 | 47,210 | - |

(*) Cigna Sağlık, Hayat ve Emeklilik A.Ş., which is among the joint ventures of the Parent Bank, is accounted by the fair value method in the unconsolidated financial statements in accordance with the Turkish Financial Reporting Standards.

(**) Current period information is stated as of 30 November 2022, prior period profit and loss amounts are based on the financial statements prepared as of 31 December 2021.

11. Information on lease receivables (Net)

11.1. Maturity analysis of financial lease receivables

| | Current Period | | Prior Period | |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Gross | Net | Gross | Net |
| Less than 1 year | 7,140,530 | 5,674,402 | 4,865,238 | 4,074,767 |
| Between 1-4 years | 9,762,187 | 8,126,818 | 6,665,208 | 5,861,829 |
| Over 4 years | 882,557 | 806,001 | 872,077 | 753,152 |
| Total | 17,785,274 | 14,607,221 | 12,402,523 | 10,689,748 |

Finance lease receivables include non-performing finance lease receivables amounting to TL 387,943 (31 December 2021 - TL 444,536) and expected credit loss amounting to TL 318,272 (31 December 2021 - TL 298,510).

Changes in non-performing finance lease receivables provisions are as follows

| | Current Period | Prior Period |
|---|----------------|----------------|
| End of the prior period | 298,510 | 175,025 |
| Provided provision/(reversal) (Net) | 76,852 | 181,665 |
| Collections | (24,867) | (16,563) |
| Written-off | (32,223) | (41,617) |
| Provision at the end of the period | 318,272 | 298,510 |

11.2. Information on net investments in finance leases

| | Current Period | Prior Period |
|----------------------------------|-------------------|-------------------|
| Gross Finance Lease Investments | 17,779,015 | 12,393,269 |
| Unearned Finance Income (-) | 3,171,794 | 1,703,521 |
| Cancelled Leasing Agreements (-) | - | - |
| Net Investment on Leases | 14,607,221 | 10,689,748 |

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

11. Information on lease receivables (Net) (Continued)

11.3. Information of finance lease contracts of the Parent Bank

The leasing balances between the Parent Bank and the subsidiaries have been eliminated as part of the consolidation principles.

12. Information on the hedging derivative financial assets

| | Current Period | | Prior Period | |
|---------------------------------|-------------------|------------------|-------------------|----------------|
| | TL | FC | TL | FC |
| Fair Value Hedge ^(*) | 7,409,685 | 243,194 | 8,396,620 | 207,349 |
| Cash Flow Hedge ^(**) | 4,830,851 | 2,037,875 | 3,214,981 | 144,482 |
| Net Investment Hedge | - | - | - | - |
| Total | 12,240,536 | 2,281,069 | 11,611,601 | 351,831 |

^(*) Derivative Financial Instruments for fair value hedging purposes consist of swap transactions. As of 31 December 2022, TL 7,409,685 (31 December 2021 - TL 8,396,620) from loans, TL 243,194 (31 December 2021 - None) of securities represents the fair value of derivatives which are designated as hedging instruments. In the current period derivative financial instruments used in the fair value hedging of the securities issued have no fair value (31 December 2021 - TL 207,349).

^(**) Represents the fair value of derivative financial instruments for cash flow hedge of deposits and floating interest borrowings.

13. Explanations on investment properties

None (31 December 2021 - None).

14. Explanations on tangible assets

| | Land and Buildings | Fixed Assets from Finance Lease | Vehicles | Other Fixed Assets | Total |
|--|--------------------|---------------------------------|----------------|--------------------|------------------|
| Prior Period End | | | | | |
| Cost | 3,251,642 | 296,773 | 200,808 | 2,345,698 | 6,094,921 |
| Accumulated Depreciation (-) | 545,386 | 256,419 | 50,978 | 1,547,623 | 2,400,406 |
| Net Book Value | 2,706,256 | 40,354 | 149,830 | 798,075 | 3,694,515 |
| Current Period End | 3,251,642 | 296,773 | 200,808 | 2,345,698 | 6,094,921 |
| Cost at the Beginning of the Period | 3,251,642 | 296,773 | 200,808 | 2,345,698 | 6,094,921 |
| Costs regarding Subsidiaries | - | - | - | - | - |
| Additions ^(*) | 875,497 | - | 221,870 | 1,033,459 | 2,130,826 |
| Disposals (-) | 497,310 | 6,830 | 40,822 | 46,699 | 591,661 |
| Impairment (-)/(increase) | - | - | - | - | - |
| Current Period Cost | 3,629,829 | 289,943 | 381,856 | 3,332,458 | 7,634,086 |
| Accumulated Depreciation at the Beginning of the Period | 545,386 | 256,419 | 50,978 | 1,547,623 | 2,400,406 |
| Accumulated Depreciation regarding Subsidiaries | - | - | - | - | - |
| Disposals (-) | 97,377 | 2,312 | 26,067 | 41,182 | 166,938 |
| Transfer (-) | - | - | - | - | - |
| Depreciation amount | 279,121 | 2,634 | 47,492 | 280,424 | 609,671 |
| Accumulated Depreciation at the End of the Period (-) | 727,130 | 256,741 | 72,403 | 1,786,865 | 2,843,139 |
| Net Book Value at the End of the Period | 2,902,699 | 33,202 | 309,453 | 1,545,593 | 4,790,947 |

^(*) As mentioned in Section 3 footnote IV, the fair value currency difference income amounting to TL 27,685 (the amortized) that belongs to the real estate, which is subjected to fair value hedge accounting by the Parent Bank, is shown in the "Additions" line of the Financial Fixed Assets movement table.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related To Consolidated Assets (Continued)

14. Explanations on tangible assets (Continued)

a) If impairment on individual asset recorded or reversed in the current period is material for the overall financial statements

Events and conditions for recording or reversing impairment and amount of recorded or reversed impairment in the financial statements

There is no provision for impairment in the current period as a result of the changes in the fair values of the real estates determined by the licensed real estate valuation companies (31 December 2021 - TL 6,821).

b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this

None (31 December 2021 - None).

c) Pledges, mortgages and other restrictions (if any) on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets

None (31 December 2021 - None).

15. Explanations on Intangible Assets

| | Rights | Goodwill | Total |
|---|------------------|----------|------------------|
| Prior Period End | | | |
| Cost | 1,904,034 | - | 1,904,034 |
| Accumulated Amortization (-) | 1,255,449 | - | 1,255,449 |
| Net Book Value | 648,585 | - | 648,585 |
| Current Period End | | | |
| Cost at the Beginning of the Period | 1,904,034 | - | 1,904,034 |
| Costs related to acquisition of subsidiary | - | - | - |
| Additions | 643,584 | - | 643,584 |
| Disposals (-) | 350 | - | 350 |
| Value Decrease (-)/(increase) | - | - | - |
| Current Period Cost | 2,547,268 | - | 2,547,268 |
| Acc, Amort, At the Beginning of the Period | 1,255,449 | - | 1,255,449 |
| Accrued amortization related to acquisition of subsidiary | - | - | - |
| Disposals(-) | - | - | - |
| Amortization charge | 237,285 | - | 237,285 |
| Current Period Accumulated Amortization (-) | 1,492,734 | - | 1,492,734 |
| Net Book Value-End of the Period | 1,054,534 | - | 1,054,534 |

a) Disclosures for book value, description and remaining life to be amortized for a specific intangible fixed asset that is material to the financial statements

None (31 December 2021 - None).

b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition

None (31 December 2021 - None).

c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition

None (31 December 2021 - None).

d) The book value of intangible fixed assets that are pledged or restricted for use

None (31 December 2021 - None).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

15. Explanations on Intangible Assets (Continued)

e) Amount of purchase commitments for intangible fixed assets

None (31 December 2021 - None).

f) Information on revalued intangible assets according to their types

None (31 December 2021 - None).

g) Amount of total research and development expenses recorded within the period if any

Amount of total research expenses recorded in the statement of profit or loss and other comprehensive income within the period is TL 41,354 (31 December 2021 - TL 15,734).

h) Positive or negative consolidation goodwill on entity basis

None (31 December 2021 - None).

i) Goodwill's book value at beginning, during and end of period

Explanation about balance sheet's debit accounts and footnotes section specified in number 15 footnote.

16. Information on deferred tax asset

As of 31 December 2022, the Parent Bank has deferred tax asset amounting to TL 563,762 under the related regulations.

According to TAS 12, deferred tax assets and liabilities are netted off in the financial statements. As of 31 December 2022, the carrying amount of the assets and liabilities in the balance sheet and the tax basis determined in accordance with the tax legislation and deferred tax asset amounting to TL 5,333,206 calculated over the amounts to be taken into consideration in the calculation of financial profit/loss in the following periods and deferred tax liability amounting to TL 4,769,444 which are calculated over the amounts to be taken into consideration in the calculation of financial profit/loss in the following periods.

In cases whereby deferred tax differences arising from the differences between the carrying amounts and the taxable amounts of the assets subjected to deferred tax that are related with certain items under the shareholders' equity accounts, the deferred tax benefits/charges are netted under these accounts. The deferred tax liability amounting to TL 1,436,588 is netted under equity (31 December 2021 - TL 256,390 deferred tax assets).

| | Temporary Differences | | Deferred Tax Assets/(Liabilities) | |
|---|-----------------------|--------------|-----------------------------------|--------------------|
| | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| Provision for Employee Rights | 2,596,772 | 1,032,218 | 649,192 | 206,707 |
| Difference Between the Book Value of Financial Assets and Tax Base | 7,021,079 | 5,097,757 | 1,704,569 | 1,019,551 |
| Other ^(*) | 11,917,779 | 8,085,958 | 2,979,445 | 1,617,192 |
| Deferred Tax Assets | | | 5,333,206 | 2,843,450 |
| Differences Between Carrying Value and Tax Value of Tangible Fixed Assets | (750,417) | (450,917) | (187,204) | (90,183) |
| Differences Between Carrying Value and Tax Basis of Financial Assets | (17,498,210) | (10,879,235) | (4,366,998) | (2,175,847) |
| Other | (860,966) | (483,321) | (215,241) | (235,730) |
| Deferred Tax Liabilities | | | (4,769,443) | (2,501,760) |
| Deferred Tax Asset/(Debt) (Net) | | | 563,762 | 341,690 |

^(*)Includes accumulated temporary differences regarding expected loss provisions and other provisions.

| | Current Period 01.01.-31.12.2022 | Prior Period 01.01.-31.12.2021 |
|--|-------------------------------------|-----------------------------------|
| Deferred Tax as of 1 January Asset/(Liability) - (Net) | 341,690 | 1,034,082 |
| Deferred Tax (Loss)/Gain | 1,658,660 | (948,782) |
| Deferred Tax that is Realized Under Shareholder's Equity | (1,436,588) | 256,390 |
| Deferred Tax Asset/(Liability) (Net) | 563,762 | 341,690 |

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Disclosures Related to Consolidated Assets (Continued)

17. Information on assets held for sale and discontinued operations

| | Current Period | Prior Period |
|---------------------------------------|----------------|--------------|
| Opening Balance Net Book Value | - | - |
| Additions ^(*) | - | - |
| Impairment (-) | - | - |
| Closing Net Book Value | - | - |

^(*) In prior period, within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192,500,000,000 A group shares owned by OTAŞ, representing 55% of its issued share capital corresponding to A group shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. As per the agreed structure, it is agreed on the corresponding agreements, completed all required corporate and administrative permissions and the transaction is concluded by a transfer of the aforementioned shares to the special purpose entity incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. In this context, the Bank owned 1.19% of the founded special purpose entity and the related investment is considered within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operation. Impairment has been calculated for the entire share amount of LYY A.Ş. which was acquired in 2020. As of 31 March 2022, sale of 192,500,000,000 Group A registered shares representing 55% of Türk Telekomünikasyon A.Ş., owned by LYY A.Ş., to the Turkey Wealth Fund has been made.

18. Information on other assets

Other assets of the balance sheet do not exceed 10% of the balance sheet total, excluding off-balance sheet commitments.

As of 31 December 2022, the bank provisions for other assets to TL 13,215 (31 December 2021 - TL 8,503).

19. Information on accrued interest and income

The details of interest and income accruals and discounts distributed on the related accounts and the details of the unrealized fair value increases (decreases) are presented in the table below.

| | Current Period | | Prior Period | |
|--|-------------------|------------------|-------------------|------------------|
| | TL | FC | TL | FC |
| Derivative Financial Assets | 17,298,494 | 5,313,460 | 19,442,493 | 2,363,791 |
| Loans | 6,424,904 | 1,969,786 | 4,113,202 | 1,172,015 |
| Securities Measured at Amortized Cost | 6,876,724 | 224,043 | 858,545 | 241,641 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | 6,055,460 | (1,750,115) | 282,288 | (984,469) |
| Central Bank | - | - | 143,453 | - |
| Leasing Receivables | - | - | - | - |
| Banks | 23,357 | 2 | 87 | 11 |
| Financial Assets Measured at Fair Value through Profit/Loss | 18,612 | 3,697 | 3,139 | 81 |
| Other Accruals | 38,319 | 18,593 | 37,658 | 1,835 |
| Total | 36,735,870 | 5,779,466 | 24,880,865 | 2,794,905 |

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Disclosures Related to Consolidated Liabilities

1. Information on maturity structure of deposits

Current Period

| Current Period | Demand | 7 days notice | Up to 1 month | 1-3 months | 3-6 months | 6-12 months | 1 year and over | Accumulated Deposit Accounts | Total |
|--------------------------------------|--------------------|---------------|-------------------|-------------------|--------------------|-------------------|------------------|------------------------------|--------------------|
| Saving Deposits^(*) | 17,850,909 | - | 28,462,849 | 30,209,586 | 76,800,432 | 2,528,154 | 2,095,541 | 1,273 | 157,948,744 |
| Foreign Currency Deposits | 71,128,746 | - | 12,944,578 | 22,158,132 | 14,478,140 | 2,823,557 | 2,297,663 | 4,903 | 125,835,719 |
| Residents in Türkiye | 66,321,443 | - | 12,474,253 | 21,291,812 | 13,872,696 | 2,277,577 | 1,395,762 | 4,903 | 117,638,446 |
| Residents Abroad | 4,807,303 | - | 470,325 | 866,320 | 605,444 | 545,980 | 901,901 | - | 8,197,273 |
| Public Sector Deposits | 578,667 | - | 44,150 | 1,347 | - | 51 | - | - | 624,215 |
| Commercial Deposits | 14,207,720 | - | 20,269,122 | 14,992,744 | 15,036,159 | 5,678,716 | 3,316,340 | - | 73,500,801 |
| Other Ins. Deposits | 141,156 | - | 359,955 | 1,380,266 | 347,147 | 239,893 | 43 | - | 2,468,460 |
| Precious Metal Deposits | 21,420,687 | - | - | 22,269 | 14,806 | 25,226 | 676,418 | - | 22,159,406 |
| Bank Deposits | 692,867 | - | 3,762,400 | 3,163,722 | 810,537 | 1,796,251 | - | - | 10,225,777 |
| T.R. Central Bank | - | - | - | - | - | - | - | - | - |
| Domestic Banks | 10,889 | - | 433,923 | - | - | - | - | - | 444,812 |
| Foreign Banks | 678,633 | - | 3,328,477 | 3,163,722 | 810,537 | 1,796,251 | - | - | 9,777,620 |
| Participation Banks | 3,345 | - | - | - | - | - | - | - | 3,345 |
| Other | - | - | - | - | - | - | - | - | - |
| Total | 126,020,752 | - | 65,843,054 | 71,928,066 | 107,487,221 | 13,091,848 | 8,386,005 | 6,176 | 392,763,122 |

^(*) As of 31 December 2022, the balance of saving deposits includes TL 15,313,257 "Treasury Currency Protected Deposits" and TL 82,014,820 "CBRT Currency Protected Deposits".

Prior Period

| Prior Period | Demand | 7 days notice | Up to 1 month | 1-3 months | 3-6 months | 6-12 months | 1 year and over | Accumulated Deposit Accounts | Total |
|--------------------------------------|-------------------|---------------|-------------------|-------------------|-------------------|------------------|------------------|------------------------------|--------------------|
| Saving Deposits^(*) | 8,461,102 | - | 14,099,359 | 22,054,036 | 2,852,082 | 412,060 | 1,057,209 | 1,030 | 48,936,878 |
| Foreign Currency Deposits | 61,052,728 | - | 10,821,111 | 35,233,390 | 9,175,765 | 2,243,798 | 2,530,106 | 5,290 | 121,062,188 |
| Residents in Türkiye | 58,567,314 | - | 10,586,533 | 34,389,977 | 8,755,156 | 2,140,704 | 1,566,486 | 5,290 | 116,011,460 |
| Residents Abroad | 2,485,414 | - | 234,578 | 843,413 | 420,609 | 103,094 | 963,620 | - | 5,050,728 |
| Public Sector Deposits | 523,066 | - | 22,699 | 1,886 | 859 | 719 | - | - | 549,229 |
| Commercial Deposits | 4,968,742 | - | 7,699,926 | 7,118,381 | 51,125 | 12,203 | 15,122 | - | 19,865,499 |
| Other Ins. Deposits | 76,498 | - | 39,437 | 735,107 | 1,234 | 33,650 | 245 | - | 886,171 |
| Precious Metal Deposits | 20,194,048 | - | - | 129,327 | 48,272 | 29,318 | 1,198,554 | - | 21,599,519 |
| Bank Deposits | 569,447 | - | 11,644,754 | 688,474 | 74,420 | - | - | - | 12,977,095 |
| T.R. Central Bank | - | - | 8,629,829 | - | - | - | - | - | 8,629,829 |
| Domestic Banks | 3,857 | - | 210,075 | - | - | - | - | - | 213,932 |
| Foreign Banks | 561,120 | - | 2,804,850 | 688,474 | 74,420 | - | - | - | 4,128,864 |
| Participation Banks | 4,470 | - | - | - | - | - | - | - | 4,470 |
| Other | - | - | - | - | - | - | - | - | - |
| Total | 95,845,631 | - | 44,327,286 | 65,960,601 | 12,203,757 | 2,731,748 | 4,801,236 | 6,320 | 225,876,579 |

^(*) As of 31 December 2021, the balance of saving deposits includes the amounts related to TL 2,442,291 "Treasury Currency Protected Deposits" and TL 14,112 "CBRT Currency Protected Deposits".

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)

1. Information on maturity structure of deposits (Continued)

1.1. Information on savings deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund^(*)

| | Covered by Deposit Insurance Fund | | Exceeding the Deposit Insurance Limit | |
|---|--------------------------------------|-------------------|--|-------------------|
| | Current Period | Prior Period | Current Period | Prior Period |
| Saving Deposits | 55,175,424 | 23,295,509 | 179,366,796 | 25,641,369 |
| Foreign Currency Savings Deposits | 29,307,602 | 23,322,540 | 118,687,523 | 74,161,488 |
| Other Saving Deposits | - | - | - | - |
| Foreign Branches' Deposits Under Foreign Insurance Coverage | - | - | - | - |
| Off-Shore Deposits Under Foreign Insurance Coverage | - | - | - | - |
| Total | 84,483,026 | 46,618,049 | 298,054,319 | 99,802,857 |

^(*) With the amendment of the Regulation on Deposits and Participation Funds Subject to Insurance and Premiums Collected by The Savings Deposit Insurance Fund published in the Official Gazette dated 27 August 2022 and Nr. 31936, all deposits and participation funds in credit institutions, other than those belonging to official institutions, credit institutions and financial institutions, started to be insured. In this context, commercial deposits covered by insurance amount to TL 9,717,740 is included in the footnote.

1.2. Savings deposits in Türkiye are not covered under insurance in another country since headquarter of the Group is not located abroad.

1.3. Savings deposits which are not under the guarantee of saving deposit insurance fund

| | Current Period | Prior Period |
|--|----------------|----------------|
| Deposits and accounts in branches abroad | 9,181 | 3,014 |
| Deposits of ultimate shareholders and their close family members | - | - |
| Deposits of chairman and members of the Board of Directors and their close family members | 515,786 | 410,147 |
| Deposits obtained through illegal acts defined in the 282 nd Article of the Turkish Criminal Code No. 5237 dated 26 September 2004. | - | - |
| Saving deposits in banks established in Türkiye exclusively for off-shore banking activities | - | - |
| Total | 524,967 | 413,161 |

2. Information on trading derivative financial liabilities

a) Negative differences table for derivative financial liabilities held for trading

| | Current Period | | Prior Period | |
|--------------|------------------|------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Forwards | 421,525 | 11,658 | 1,622,423 | - |
| Swaps | 2,556,751 | 2,087,711 | 7,358,117 | 1,735,074 |
| Futures | - | - | - | - |
| Options | 30,387 | 483,367 | 2,159 | 67,196 |
| Other | - | - | - | - |
| Total | 3,008,663 | 2,582,736 | 8,982,699 | 1,802,270 |

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)

3. Information on borrowings

a) Negative differences table for derivative financial liabilities held for trading

| | Current Period | | Prior Period | |
|---------------------------------------|------------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| T.R. Central Bank Loans | - | - | - | - |
| Domestic Banks and Institutions | 5,775,489 | 1,963,023 | 3,826,595 | 2,332,481 |
| Foreign Banks, Institutions and Funds | 420,765 | 47,058,080 | 77,991 | 31,015,200 |
| Total | 6,196,254 | 49,021,103 | 3,904,586 | 33,347,681 |

b) Information on maturity structure of borrowings

| | Current Period | | Prior Period | |
|----------------------|------------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| Short-Term | 5,519,452 | 15,617,892 | 3,112,462 | 3,208,836 |
| Medium and Long-Term | 676,802 | 33,403,211 | 792,124 | 30,138,845 |
| Total | 6,196,254 | 49,021,103 | 3,904,586 | 33,347,681 |

The Parent Bank's fund sources include deposits, funds borrowed, securities issued and money market borrowings. Deposit is the most significant fund source of the Parent Bank and does not present any risk concentration with its consistent structure extended to a wide base. Funds borrowed mainly consist of funds provided by foreign financial institutions which have different characteristics and maturity-interest structure such as syndication, securitization, and post-financing. There isn't risk concentration on the fund sources of the Parent Bank.

c) Additional information on concentrations of the Group's liabilities

As of 31 December 2022, the Group's liabilities comprise; 63% deposits (31 December 2022 - 59%), 9% funds borrowed (31 December 2021 - 10%), 5% funds provided from money market borrowings (31 December 2021 - 5%) and 4% issued bonds (31 December 2021 - 8%).

4. Information on funds provided under repurchase agreements

| | Current Period | | Prior Period | |
|--|------------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| From domestic transactions | 1,165,878 | - | 1,892,535 | - |
| Financial institutions and organizations | 1,149,893 | - | 1,878,568 | - |
| Other institutions and organizations | 8,772 | - | 5,798 | - |
| Real persons | 7,213 | - | 8,169 | - |
| From foreign transactions | 178,955 | 21,733,804 | 411,619 | 15,717,177 |
| Financial institutions and organizations | 169,856 | 13,970,191 | 407,467 | 15,717,177 |
| Other institutions and organizations | 9,099 | 181,991 | 4,152 | - |
| Real persons | - | 7,581,622 | - | - |
| Total | 1,344,833 | 21,733,804 | 2,304,154 | 15,717,177 |

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)

5. Information on marketable securities issued (Net)

| | Current Period | | Prior Period | |
|-------------------------|------------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| Bank Bonds | 8,401,709 | 5,911,335 | 6,023,724 | 2,154,632 |
| Asset backed securities | 330,878 | - | - | - |
| Bills | - | 17,372,987 | - | 21,624,460 |
| Total | 8,732,587 | 23,284,322 | 6,023,724 | 23,779,092 |

The Parent Bank has USD 4 Billion bond issuance program (Global Medium Term Note Program) and USD 1 Billion green and/or sustainable debt instrument issuance limit.

6. Information on the subaccounts of other liabilities account that exceeds 20% of the individual other liabilities account exceeding 10% of the total liabilities excluding the off-balance sheet items

Other liabilities does not exceed 10% of total liabilities excluding the off-balance sheet items.

7. Criteria used in the determination of lease installments in the financial lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts

Interest rate and cash flows of the Group are the main criteria which are taken into consideration for the determination of payment plans in the leasing contracts.

7.1. Explanations of changes in agreements and further commitments arising

No changes have been made to the leasing agreements in the current period (31 December 2021 - None).

7.2. Financial lease payables

The leasing balances between the Parent Bank and the subsidiaries have been eliminated as part of the consolidation principles.

7.3. Liabilities arising from operational lease

| | Current Period | | Prior Period | |
|-------------------|----------------|----------------|----------------|----------------|
| | Gross | Net | Gross | Net |
| Less than 1 year | 39,077 | 13,515 | 32,586 | 12,066 |
| Between 1-4 years | 868,095 | 728,013 | 592,466 | 475,089 |
| More than 4 years | 174 | 94 | 202 | 107 |
| Total | 907,346 | 741,622 | 625,254 | 487,262 |

7.4. Explanations and notes on operating lease

The Parent bank makes operating lease agreements for some branches and ATM machines. The lease agreements are amortized during the lease period by measuring the lease obligation based on the present value of the lease payments (lease obligation) that has not been paid at that time (the lease obligation) as well as the relevant usage right as of the same date. Lease payments are discounted using this rate if the implicit interest rate in the lease can be easily determined. If the tenant cannot easily determine this rate, he uses the alternative borrowing interest rate. The tenant separately records the interest expense on the rental obligation and the depreciation expense of the right to use asset.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)

7. Criteria used in the determination of lease installments in the financial lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts (Continued)

7.5. Information on “Sale-and-lease back” agreements

The Parent Bank does non sale-and-lease back transactions in the current period (31 December 2021 - None).

8. Information on the hedging derivative financial liabilities

| | Current Period ^(***) | | Prior Period | |
|---------------------------------|---------------------------------|------------------|----------------|------------------|
| | TL | FC | TL | FC |
| Fair Value Hedge ^(*) | - | 678,201 | - | 1,152,688 |
| Cash Flow Hedge ^(**) | - | 445,388 | 177,316 | 668,917 |
| Net Investment Hedge | - | - | - | - |
| Total | - | 1,123,589 | 177,316 | 1,821,605 |

^(*) Derivative financial instruments for fair value hedging consist of swaps. As of 31 December 2022, TL 136,028 (31 December 2021 - TL 821,225) of securities, TL 227,293 (31 December 2021 - 331,463) of securities issued, TL 314,881 of loans received (31 December 2021 - None) It represents the fair value of derivative financial instruments for fair value hedging purposes.

^(**) It represents the fair value of deposits, floating rate loans extended as FX and derivative financial instruments for cash flow hedging of floating rate borrowings

^(***) Derivative financial liabilities for Fair Value Hedge are shown in line 7.1. in the financial statements, and derivative financial liabilities for Cash Flow Hedges are shown in line 7.2. of financial statements.

9. Information on provisions

9.1 Information on provision related with foreign currency difference of foreign indexed loans

| | Current Period | Prior Period |
|--|----------------|--------------|
| Foreign Exchange Provision for Foreign Currency Indexed Loans ^(*) | - | - |

^(*) The foreign exchange provision for foreign currency indexed loans netted against “Loans and Receivables” in asset.

9.2. Specific provisions for non-cash loans that are not indemnified and converted into cash or expected loss provisions for non-cash loans

| | Current Period | Prior Period |
|--------------|----------------|----------------|
| Stage I | 544,980 | 185,947 |
| Stage II | 24,102 | 13,332 |
| Stage III | 55,641 | 54,581 |
| Total | 624,723 | 253,860 |

9.3. Information on reserve for employee rights

The Group calculated the provision for employee benefits using the actuarial valuation method specified in the TAS 19 and reflected it in its financial statements.

As of 31 December 2022, the Group presented the provision for severance pay of TL 1,200,277 (31 December 2021 - TL 489,567) under the “Reserves for Employee Benefits” item in its financial statements.

As of 31 December 2022, the Group has shown a total vacation liability of TL 145,545 (31 December 2021 - TL 68,115) under the “Reserves for Employee Benefits” in its financial statements.

As of 31 December 2022, TL 1,250,950 (31 December 2021 - TL 474,536) provision for salaries, bonuses and premiums to be paid to the personnel has been presented under the “Reserves for Employee Benefits” in its financial statements.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)

9. Information on provisions (Continued)

9.3.1. Movement of employee termination benefits

| | Current Period 01.01.-31.12.2022 | Prior Period 01.01.-31.12.2021 |
|---|-------------------------------------|-----------------------------------|
| As of 1 January | 489,568 | 295,458 |
| Service cost | 57,487 | 35,625 |
| Interest cost | 88,226 | 37,723 |
| Settlement/curtailment/termination loss | 22,933 | 19,564 |
| Actuarial differences | 607,631 | 140,736 |
| Paid during the period | (65,568) | (39,539) |
| Total | 1,200,277 | 489,567 |

9.4. Information on other provisions

Except for those mentioned in note 9.3 above, there is a provision for lawsuits against the Group and tax lawsuits in the amount of TL 475,524 (31 December 2021 - TL 362,323) in other provisions. The Parent Bank has benefited from the relevant articles of the Law Nr. 7326 regarding various ongoing tax lawsuits.

In the consolidated financial statements prepared as of 31 December 2022, other provisions include free provisions amounting to TL 5,400,000, which is not among the requirements of the BRSA Accounting and Financial Reporting Legislation, are recorded as expense in the current period by the Parent Bank.

10. Explanations on tax liabilities

10.1 Information on current tax liability

10.1.1. Information on tax provision

The current tax liability and the prepaid taxes of the consolidated subsidiaries have been offset separately in their financial statements. As of 31 December 2022, the Group's tax liability is amounting to TL 3,167,083 (31 December 2021 - TL 363,799). As of 31 December 2022, in the attached financial statements, The Group has current tax receivables to TL 101,935 (31 December 2021 - TL 2,040). The Group have a pre-paid tax amounting to TL 323,601 (31 December 2021 - TL 196,077).

10.1.2. Information on taxes payable

| | Current Period | Prior Period |
|--|------------------|----------------|
| Corporate Taxes Payable | 2,843,483 | 167,723 |
| Banking and Insurance Transaction Tax (BITT) | 386,347 | 219,877 |
| Taxation on Securities Income | 97,627 | 75,403 |
| Taxation on Real Estates Income | 5,444 | 3,466 |
| VAT Payable | 152,076 | 54 |
| Other | 544 | 61,502 |
| Total | 3,485,521 | 528,025 |

The Group presents The "Corporate Taxes Payable" balance in the "Current Tax Liability" account and other taxes are presented in the "Other Liabilities" account in the accompanying consolidated financial statements.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)

10. Explanations on tax liabilities (Continued)

10.1.3. Information on premium payables

| | Current Period | Prior Period |
|--|----------------|---------------|
| Social Security Premiums - Employee Share | 49,995 | 15,417 |
| Social Security Premiums - Employer Share | 57,705 | 17,807 |
| Pension Fund Fee and Provisions - Employee Share | 68 | 31 |
| Pension Fund Fee and Provisions - Employer Share | 223 | 103 |
| Unemployment Insurance - Employee Share | 3,514 | 1,085 |
| Unemployment Insurance - Employer Share | 7,031 | 2,170 |
| Other | 61 | 81 |
| Total | 118,597 | 36,694 |

11. Information on payables related to assets held for sale

None (31 December 2021 - None).

12. Information on subordinated loans

| | Current Period | | Prior Period | |
|---|----------------|-------------------|--------------|-------------------|
| | TL | FC | TL | FC |
| Debt Instruments subject to common equity | - | 9,826,193 | - | 6,816,673 |
| Subordinated Loans | - | 9,826,193 | - | 6,816,673 |
| Subordinated Debt Instruments | - | - | - | - |
| Debt Instruments subject to tier 2 common equity | - | 7,301,531 | - | 5,035,891 |
| Subordinated Loans | - | 7,301,531 | - | 5,035,891 |
| Subordinated Debt Instruments | - | - | - | - |
| Total | - | 17,127,724 | - | 11,852,564 |

13. Information on shareholder's equity

13.1. Presentation of paid-in capital

| | Current Period | Prior Period |
|-----------------|----------------|--------------|
| Common Stock | 3,350,000 | 3,350,000 |
| Preferred Stock | - | - |

13.2. Amount of paid-in capital, explanations as to whether the registered share capital system is applied, if so the amount of registered share capital ceiling

| Capital System | Paid-in Capital | Ceiling |
|---------------------------|-----------------|------------|
| Registered Capital System | 3,350,000 | 20,000,000 |

13.3. Capital increases and sources in the current period and other information based on increased capital shares

None (31 December 2021 - None).

13.4. Information on share capital increases from revaluation fund during the current period

None (31 December 2021 - None).

13.5. Information on capital commitments, the purpose and the sources until the end of the fiscal year and the subsequent interim period

The Group does not have any capital commitments, all of the capital is fully paid-in.

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Notes to Consolidated Financial Statements

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Disclosures Related to Consolidated Liabilities (Continued)

13. Information on shareholder's equity (Continued)

13.6. Information on prior period's indicators on the Bank's income, profitability and liquidity, and possible effects of these future assumptions on the Bank's equity due to uncertainties of these indicators

None (31 December 2021 - None).

13.7. Information on the privileges given to stocks representing the capital

None (31 December 2021 - None).

14. Common stock issue premiums, shares and equity instruments

| | Current Period | Prior Period |
|--|----------------|--------------|
| Number of Stocks (Thousands) | 33,500,000 | 33,500,000 |
| Preferred Capital Stock | - | - |
| Common Stock Issue Premiums ^(*) | 714 | 714 |
| Common Stock Withdrawal Profits | - | - |

^(*) Due to the Parent Bank's capital increase at the prior periods, common stock issue premium accounted amounting to TL 714.

15. Information on marketable securities value increase fund

| | Current Period | | Prior Period | |
|---|------------------|--------------------|----------------|--------------------|
| | TL | FC | TL | FC |
| Associates, Subsidiaries and Entities under Common Control | 81,784 | - | 23,479 | - |
| Valuation Differences | 41,812 | - | 6,990 | - |
| Foreign Exchange Rate Differences | 39,972 | - | 16,489 | - |
| Securities Measured at FV Through Other Comprehensive Income | 3,616,031 | (1,846,032) | 348,334 | (1,955,341) |
| Valuation Differences | 3,616,031 | (1,846,032) | 348,334 | (1,955,341) |
| Foreign Exchange Rate Differences | - | - | - | - |
| Total | 3,697,815 | (1,846,032) | 371,813 | (1,955,341) |

16. Information on accrued interest and expenses

The details of interest and expense accruals and discounts distributed on the related accounts and the details of the unrealized fair value increases (decreases) are presented in the table below.

| | Current Period | | Prior Period | |
|----------------------------------|------------------|------------------|-------------------|------------------|
| | TL | FC | TL | FC |
| Derivative Financial Liabilities | 3,008,663 | 3,706,325 | 9,160,015 | 3,623,875 |
| Deposits | 2,984,266 | 250,152 | 347,690 | 61,807 |
| Funds Borrowed | 93,425 | 505,155 | 92,621 | 198,742 |
| Money Market Borrowings | 2,767 | 139,542 | 10,311 | 52,057 |
| Issued Securities | 24,714 | 400,290 | 19,163 | 436,439 |
| Other Accruals | 1,307,501 | 368,615 | 421,052 | 291,202 |
| Total | 7,421,336 | 5,370,079 | 10,050,852 | 4,664,122 |

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and Disclosures Related to Consolidated Off-Balance Sheet Items

1. Explanations on off-balance-sheet-commitments

1.1. Type and amount of irrevocable commitments

| | Current Period | Prior Period |
|---|--------------------|-------------------|
| Credit Cards Limit Commitments | 111,928,372 | 49,733,289 |
| Commitment For Use Guaranteed Credit Allocation | 47,345,675 | 27,844,210 |
| Payment Commitments for Cheques | 14,849,695 | 4,053,584 |
| Forward Asset Purchase Commitments | 17,048,935 | 3,181,145 |
| Other Irrevocable Commitments | 3,895,823 | 2,885,779 |
| Commitments for Promotions Related with Credit Cards and Banking Activities | 109,533 | 71,498 |
| Tax and Fund Liabilities due to Export Commitments | 118,666 | 29,314 |
| Total | 195,296,699 | 87,798,819 |

1.2. Type and amount of probable losses and obligations arising from off-balance sheet items

A provision of TL 624,723 (31 December 2021 - TL 253,860) has been made for non-compensated and non-cash loans or expected loan losses on off-balance sheet loans.

1.3. Non-cash loans including guarantees, bank acceptance loans, collaterals that are accepted as financial guarantees and other letter of credits

| | Current Period | Prior Period |
|----------------------------|-------------------|-------------------|
| Bank Loans | 13,724,618 | 8,707,676 |
| Other Letters of Guarantee | 5,848,676 | 8,268,187 |
| Total | 19,573,294 | 16,975,863 |

1.4. Guarantees, suretyships and other similar transactions

| | Current Period | Prior Period |
|---|-------------------|-------------------|
| Provisional Letters of Guarantee | 17,059,240 | 11,143,617 |
| Final Letters of Guarantee | 7,239,998 | 4,679,152 |
| Advance Letters of Guarantee | 1,327,806 | 989,132 |
| Letters of Guarantee Given to Customs Offices | 1,073,138 | 686,818 |
| Other Letters of Guarantee | 18,920,224 | 12,993,525 |
| Total | 45,620,406 | 30,492,244 |

2. Total amount of non-cash loans

| | Current Period | Prior Period |
|--|-------------------|-------------------|
| Non-Cash Loans granted for Obtaining Cash Loans | 7,483,761 | 5,839,204 |
| Less Than or Equal to One Year with Original Maturity | 578,172 | 1,088,390 |
| More Than One Year with Original Maturity | 6,905,589 | 4,750,814 |
| Other Non-Cash Loans | 57,709,939 | 41,628,903 |
| Total | 65,193,700 | 47,468,107 |

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and Disclosures Related to Consolidated Off-Balance Sheet Items (Continued)

3. Information on risk concentration in sector terms in non-cash loans

| | Current Period | | | | Prior Period | | | |
|-----------------------------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|
| | TL | % | TL | % | TL | % | TL | % |
| Agricultural | 165,630 | 0.56 | 596 | - | 64,146 | 0.49 | 187,880 | 0.55 |
| Farming and Raising Livestock | 79,656 | 0.27 | 596 | - | 48,540 | 0.37 | 3,788 | 0.01 |
| Forestry | 45,255 | 0.15 | - | - | 13,982 | 0.11 | - | - |
| Fishing | 40,719 | 0.14 | - | - | 1,624 | 0.01 | 184,092 | 0.54 |
| Manufacturing | 10,058,694 | 33.92 | 18,219,721 | 51.27 | 2,694,667 | 20.52 | 16,869,155 | 49.13 |
| Mining and Quarrying | 161,862 | 0.55 | 33,296 | 0.09 | 60,835 | 0.46 | 54,775 | 0.16 |
| Production | 9,498,871 | 32.03 | 17,910,743 | 50.40 | 2,419,032 | 18.42 | 16,439,294 | 47.88 |
| Electricity, gas and water | 397,961 | 1.34 | 275,682 | 0.78 | 214,800 | 1.64 | 375,086 | 1.09 |
| Construction | 6,222,108 | 20.98 | 6,167,027 | 17.35 | 3,711,216 | 28.25 | 5,393,318 | 15.71 |
| Services | 12,797,899 | 43.16 | 10,669,011 | 30.01 | 6,341,918 | 48.28 | 11,592,111 | 33.78 |
| Wholesale and Retail Trade | 8,726,222 | 29.43 | 4,304,979 | 12.11 | 4,009,451 | 30.52 | 3,844,435 | 11.20 |
| Hotel, Food and Beverage Services | 609,706 | 2.06 | 1,135,063 | 3.19 | 149,130 | 1.14 | 1,224,499 | 3.57 |
| Transportation&Communication | 713,008 | 2.40 | 842,222 | 2.37 | 560,897 | 4.27 | 332,004 | 0.97 |
| Financial Institutions | 1,614,311 | 5.44 | 3,808,729 | 10.72 | 988,705 | 7.53 | 5,811,220 | 16.93 |
| Real Estate and Renting Services | 89,435 | 0.30 | 20,669 | 0.06 | 27,266 | 0.21 | 16,753 | 0.05 |
| Self Employment Services | 583,415 | 1.97 | 417,290 | 1.17 | 296,136 | 2.25 | 262,665 | 0.77 |
| Educational Services | 31,168 | 0.11 | - | - | 17,433 | 0.13 | - | - |
| Health and Social Services | 430,634 | 1.45 | 140,059 | 0.39 | 292,900 | 2.23 | 100,535 | 0.29 |
| Other | 411,250 | 1.38 | 481,764 | 1.37 | 324,143 | 2.46 | 289,553 | 0.83 |
| Total | 29,655,581 | 100.00 | 35,538,119 | 100.00 | 13,136,090 | 100.00 | 34,332,017 | 100.00 |

4. Information on non-cash loans classified under group I and II

| Current Period ^(*) | I. Group | | II. Group | |
|---|-------------------|-------------------|----------------|----------------|
| | TP | YP | TP | YP |
| Letters of Guarantee | 25,165,547 | 19,889,615 | 367,838 | 141,765 |
| Bill of Exchange and Acceptances | 3,970,331 | 9,694,144 | 58,000 | 2,143 |
| Letters of Credit | 38,039 | 5,809,183 | 185 | 1,269 |
| Endorsements | - | - | - | - |
| Purchase Guarantees for Securities Issued | - | - | - | - |
| Factoring Related Guarantees | - | - | - | - |
| Other Collaterals and Sureties | - | - | - | - |
| Non-cash Loans | 29,173,917 | 35,392,942 | 426,023 | 145,177 |

^(*) The amount of TL 55,641 excluded for non-cash loans and ECL provision of non-cash loans which are under off-balance accounts and not indemnified and unliquidated but provisioned.

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Notes to Consolidated Financial Statements
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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and Disclosures Related to Consolidated Off-Balance Sheet Items (Continued)

4. Information on non-cash loans classified under group I and II (Continued)

| Prior Period ^(*) | I. Group | | II. Group | |
|---|-------------------|-------------------|----------------|----------------|
| | TL | FC | TL | FC |
| Letters of Guarantee | 12,787,373 | 17,387,175 | 158,679 | 104,436 |
| Bill of Exchange and Acceptances | 71,783 | 8,627,682 | - | 8,211 |
| Letters of Credit | 63,674 | 8,197,343 | - | 7,170 |
| Endorsements | - | - | - | - |
| Purchase Guarantees for Securities Issued | - | - | - | - |
| Factoring Related Guarantees | - | - | - | - |
| Other Collaterals and Sureties | - | - | - | - |
| Non-cash Loans | 12,922,830 | 34,212,200 | 158,679 | 119,817 |

^(*) The amount of TL 54,581 excluded for non-cash loans and ECL provision of non-cash loans which are under off-balance accounts and not indemnified and unliquidated but provisioned.

5. Information on derivative financial instruments

| | Current Period | Prior Period |
|---|--------------------|--------------------|
| Types of trading transactions | | |
| Foreign Currency Related Derivative Transactions (I) | 440,539,601 | 232,956,491 |
| Forward transactions ^(*) | 45,212,064 | 27,395,688 |
| Swap transactions | 276,267,320 | 200,917,401 |
| Futures transactions | 1,618,208 | 764,011 |
| Option transactions | 117,442,009 | 3,879,391 |
| Interest Related Derivative Transactions (II) | 159,791,156 | 134,510,238 |
| Forward rate transactions | - | - |
| Interest rate swap transactions | 156,221,134 | 134,510,238 |
| Interest option transactions | - | - |
| Futures interest transactions | 3,570,022 | - |
| Security option transactions | - | - |
| Other trading derivative transactions (III) | 2,056,626 | 1,427,525 |
| A. Total Trading Derivative Transactions (I+II+III) | 602,387,383 | 368,894,254 |
| Types of hedging transactions | | |
| Fair value hedges | 42,894,666 | 46,896,779 |
| Cash flow hedges | 107,912,819 | 66,987,631 |
| Net investment hedges | - | - |
| B. Total Hedging Related Derivatives | 150,807,485 | 113,884,410 |
| Total Derivative Transactions (A+B) | 753,194,868 | 482,778,664 |

^(*) This line also includes Forward Asset Purchase Commitments accounted for under Commitments.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and Disclosures Related to Consolidated Off-Balance Sheet Items (Continued)

5. Information on derivative financial instruments (Continued)

Breakdown of the Parent Bank's foreign currency forward and swap and interest rate swap transactions based on currencies are disclosed below in their TL equivalents:

| | Forward Buy ^(**) | Forward Sell ^(**) | Swap Buy ^(*) | Swap Sell ^(*) | Option Buy | Option Sell | Futures Buy | Futures Sell | Other |
|-----------------------|-----------------------------|------------------------------|-------------------------|--------------------------|-------------------|-------------------|------------------|------------------|------------------|
| Current Period | | | | | | | | | |
| TL | 13,715,428 | 846,945 | 32,777,465 | 94,975,499 | 45,910,391 | 12,799,328 | - | 825,285 | - |
| USD | 3,300,933 | 17,975,259 | 211,798,828 | 116,675,752 | 11,634,673 | 36,843,573 | 2,577,934 | 1,785,011 | 2,056,626 |
| Euro | 4,944,415 | 2,287,495 | 26,313,609 | 72,342,218 | 1,684,385 | 7,378,288 | - | - | - |
| Other | 369,698 | 1,771,891 | 28,032,608 | 379,960 | 3,729 | 1,187,642 | - | - | - |
| Total | 22,330,474 | 22,881,590 | 298,922,510 | 284,373,429 | 59,233,178 | 58,208,831 | 2,577,934 | 2,610,296 | 2,056,626 |

(*) This column also includes hedging purpose derivatives.

(**) This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

| | Forward Buy ^(**) | Forward Sell ^(**) | Swap Buy ^(*) | Swap Sell ^(*) | Option Buy | Option Sell | Futures Buy | Futures Sell | Other |
|---------------------|-----------------------------|------------------------------|-------------------------|--------------------------|------------------|------------------|----------------|----------------|------------------|
| Prior Period | | | | | | | | | |
| TL | 6,892,543 | 1,540,982 | 18,472,655 | 60,562,264 | 821,817 | 405,775 | 361,015 | 15,423 | - |
| USD | 2,509,104 | 9,930,727 | 161,573,393 | 93,188,138 | 572,131 | 1,192,399 | 18,895 | 368,678 | 1,427,525 |
| Euro | 3,728,663 | 2,371,517 | 26,773,771 | 65,549,375 | 511,472 | 279,616 | - | - | - |
| Other | 122,863 | 299,289 | 23,077,722 | 114,731 | 48,196 | 47,985 | - | - | - |
| Total | 13,253,173 | 14,142,515 | 229,897,541 | 219,414,508 | 1,953,616 | 1,925,775 | 379,910 | 384,101 | 1,427,525 |

(*) This column also includes hedging purpose derivatives

(**) This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

5.1. Fair value hedge accounting

a) Loans

The Parent Bank applies fair value hedge accounting within the framework of TAS 39 by performing swap transactions in order to protect itself against changes that may occur in the fair value of a certain part of its long term fixed interest loans resulting from changes in market interest rates. As of balance sheet date; the mortgage loans amounting to TL 2,113,014 (31 December 2021 - TL 7,277,481) were subject to hedge accounting by swaps with a nominal of TL 4,808,155 (31 December 2021 - TL 5,829,388). On 31 December 2022, the net market valuation difference loss of TL 105,060 arising from TL 196,115 gain from the aforementioned loans (31 December 2021 - TL 750,813 loss) and TL 301,175 loss from swaps (31 December 2021 - TL 689,193 gain), is shown under "Gains/Losses From Derivative Transactions" account in the financial statements.

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies fair value hedge accounting through interest rate swaps in order to protect itself from interest rate changes in relation to its fixed rate foreign currency lease transactions. As of the balance sheet date, swaps amounting to TL 46,060 have been subject to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, in the current period, the net market valuation difference expense amounting to TL 354 before tax was recognized in the financial statements as "Profit/Loss from Derivative Financial Transactions".

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through statement of profit or loss and other comprehensive income until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TL 67,268 (31 December 2021 - TL 62,140 gain) related to the loans that are ineffective for hedge accounting under "gain/(loss) from financial derivatives transactions" as gain during the current period.

Similarly; Subsidiary QNB Finans Finansal Kiralama A.Ş. charges the valuation effect of TL 35 regarding the financial leasing transactions whose effectiveness from hedge accounting has deteriorated, in the current period (31 December 2021 - None) as expense in the "Gains/Losses From Financial Derivatives Transactions" as loss during the current period.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and Disclosures Related to Consolidated Off-Balance Sheet Items (Continued)

5. Information on derivative financial instruments (Continued)

5.1. Fair value hedge accounting (Continued)

b) Financial assets at fair value through other comprehensive income

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term foreign currency Eurobonds with fixed coupon held by the Parent Bank using swaps as hedging instruments. As at the balance sheet date; Eurobonds with a nominal of USD 259,315 million and EUR 44 million (31 December 2021 - USD 299,952 million and EUR 44 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On 31 December 2022, the net market valuation difference loss amounting to TL 5,635 due to loss from Eurobonds amounting to TL 844,795 (31 December 2021 - TL 131,060 gain) and gain from swaps amounting to TL 839,160 (31 December 2021 - TL 130,504 loss) is accounted for under "gain/(loss) from financial derivatives transactions" line in the accompanying financial statements.

The Parent Bank does not apply fair value hedge on TL government bonds in the current period (31 December 2021 - None).

c) Marketable securities issued

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the foreign currency bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of USD 330 million (31 December 2021 - USD 730 million) have been subject to hedge accounting with the same nominal amount of swaps. As of 31 December 2022, TL 2,585 net fair valuation difference gain, due to net of TL 417,088 (31 December 2021 - TL 76,228 gain) gain from issued bonds and TL 414,503 (31 December 2021 - TL 75,193 loss) loss from swaps, has been recorded under "Gain/(loss) from financial derivatives transactions" on accompanying financial statements.

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies fair value hedge accounting through swaps for the purpose of hedging the changes in interest rates regarding the fixed interest TL securities it has issued. As of the balance sheet date, swaps amounting to TL 882,717 are subject to hedge accounting. As of 31 December 2022, net market valuation loss of TL 206, consisting of TL 8,127 loss from the securities issued and TL 7,921 gain from swaps accounted for in the "Gains/Losses From Financial Derivatives Transactions" account item in the tables.

d) Borrowings

Subsidiary QNB Finans Finansal Kiralama A.Ş. applies fair value hedge accounting through interest and currency swaps in order to protect itself from changes in interest rates in relation to fixed interest rate TL loans. As of the balance sheet date, swaps amounting to TL 543,241 were subject to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, in the current period, the net market valuation difference loss amounting to TL 115 before tax was recognized in the financial statements as "Profit/Loss from Derivative Financial Transactions".

The Company applies effectiveness tests for hedge accounting at each balance sheet date, the effective parts are accounted for in the "Hedging Funds" account item under equity in the financial statements as defined in TAS 39, and the amount related to the ineffective part is associated with the statement of profit or loss and other comprehensive income. As of the balance sheet date, swaps amounting to TL 398,698 are subject to hedge accounting. As a result of the aforementioned hedge accounting, net market valuation difference gain before tax amounting to TL 2,147 in the current period has been accounted for in the "Hedging Funds" account item under equity in the consolidated financial statements. (31 December 2021 - None).

As of 31 December 2022, it is determined that the above mentioned cash flow hedging transactions are effective in the measurement.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and Disclosures Related to Consolidated Off-Balance Sheet Items (Continued)

5. Information on derivative financial instruments (Continued)

5.2. Cash flow hedge accounting

a) Floating Rate Loans

The Parent Bank is subject to cash flow hedge accounting through interest swaps in order to protect a certain part of its long term floating interest rate loans from changes in market interest rates. The Bank conducts effectiveness tests for hedge accounting on every balance sheet date, the active segments are accounted in the "Hedge Funds" account item in the financial statements as defined in TAS 39, and the amount related to the inactive part is associated with the statement of profit or loss and other comprehensive income.

As of balance sheet date, swaps of nominal amount of USD 525 Million (31 December 2021 - USD 675 Million) have been subject to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, in the current period, fair value loss amounting to TL 572,313 (31 December 2021 - TL 91,416 loss) before tax was recognized under equity. The loss amounting to TL 4 related to the ineffective portion is associated with the profit or loss statement (31 December 2021 - None).

As of the balance sheet date, swaps with a nominal amount of TL 5,472 million (31 December 2021 - TL 1,850 million.) have been subject to hedging accounting as hedging instruments. As a result of the mentioned hedging accounting, fair value gain before tax of TL 330,708 (31 December 2021 - TL 165,120.) was accounted under equity in the current period. The revenue amounting to TL 75 related to the ineffective portion is associated with the profit or loss statement (31 December 2021 - None).

b) Deposit

The Parent Bank applies cash flow hedge accounting using interest rate swaps in order to hedge itself from the interest rate changes of deposits that have an average maturity of 3 months, the Bank implements cash flow hedge accounting with interest rate swaps. The Parent Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity "Hedging Funds", whereas the ineffective portions are accounted for at statement of profit or loss and other comprehensive income as defined in TAS 39. As at the balance sheet date, swaps amounting to TL 50,000 are subject to hedge accounting as hedging instruments (31 December 2021 - TL 150,000). As a result of the mentioned hedge accounting, fair value loss before taxes amounting to TL 2,192 are accounted for under equity during the current period (31 December 2021 - TL 16,723 gain). There is no ineffective portion in the mentioned hedge accounting transaction (31 December 2021 - None).

As of the balance sheet date, swaps with a nominal amount of USD 1,621 Million (31 December 2021 - USD 1,328 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 114 Million (31 December 2021 - EUR 74 Million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value gain before taxes amounting to TL 2,123,518 are accounted under equity during the current period (31 December 2021 - TL 526,927 gain). The gain amounting to TL 13,216 (31 December 2021 - TL 3,875 loss) relating to the ineffective portion is accounted under at the statement of profit or loss and other comprehensive income.

c) Floating Rate Liabilities

The Parent Bank applies cash flow hedge accounting through interest rate swaps in order to protect its subordinated loans with variable interest payments from changes in interest rates. The Bank conducts effectiveness tests for hedge accounting on every balance sheet date, the active segments are accounted in the "Hedge Funds" account item in the financial statements as defined in TAS 39, and the amount related to the inactive part is associated with the statement of profit or loss and other comprehensive income. As of the balance sheet date, the nominal amount of USD 423 Million (31 December 2021 - USD 454 Million) was subject to hedge accounting as hedging instrument. As a result of the mentioned hedge accounting, the fair value gain amounting to TL 423,088 (31 December 2021 - TL 48,015 gain) before tax was recognized under equity. The gain amounting to TL 8 related to the ineffective portion of the relevant transaction is associated with the statement of profit or loss.

On the other hand; accounting application is terminated when cash flow hedge accounting is not effectively maintained as defined in TAS 39. According to that the effective amounts classified under equity due to hedge accounting are reclassified into profit or loss as the reclassification adjustments during periods or periods when the estimated cash flows subject to hedging in case of deterioration of the event affect profit or loss (such as the periods when interest income or expense is accounted for). Due to hedge accounting practices terminated in the current year, a loss amounting to TL 39,964 (31 December 2021 - TL 39,561 loss) was transferred from the "Gain/losses from derivative transactions" to the statement of profit or loss and other comprehensive income.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and Disclosures Related to Consolidated Off-Balance Sheet Items (Continued)

5. Information on derivative financial instruments (Continued)

5.2. Cash flow hedge accounting (Continued)

When the cash flow hedge accounting cannot be maintained effectively as defined in TAS 39, the accounting practice is terminated. According to this; The valuation effects classified under equity due to hedge accounting are reflected in the profit or loss statement over the life of the hedged item. In this context; In the current period, a loss amounting to TL 12,357 (31 December 2021 - TL 28,640 loss) has been transferred from shareholders' equity to the statement of profit or loss in relation to the hedge accounting practices that the Bank has terminated.

In the measurements made as of 31 December 2022, it has been determined that the above-mentioned cash flow hedging transactions are effective.

6. Credit derivatives and risk exposures on credit derivatives

As of 31 December 2022, the Bank has no commitments "Credit Linked Notes" (As of 31 December 2021 - None).

As of 31 December 2022, "Other Derivative Financial Instruments" with nominal amount of USD 110,000,000 (31 December 2021 - USD 110,000,000) are included in Bank's "Credit Default Swap". In aforementioned transaction, The Bank is the seller of the protection for USD 110,000,000.

7. Information on contingent liabilities and assets

The Parent Bank has recorded a provision of TL 280,929 (31 December 2021 - TL 222,837) for the lawsuits filed against the Bank with a high probability of occurrence, in accordance with Principle of Prudence. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

8. Information on the services in the name and account of third parties

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

9. Information on the Parent Bank's rating by international rating institutions

| MOODY'S August 2022 | | FITCH July 2022 | |
|--|--------|---------------------------|------------------|
| Long-Term Deposit Rating (FC) | B3 | Long -Term Foreign Curr. | B- (Negative) |
| Long-Term Deposit Rating (TL) | B1 | Short-Term Foreign Curr. | B |
| Short-Term Deposit Rating (FC) | NP | Long-Term TL | B (Negative) |
| Short-Term Deposit Rating (TL) | NP | Short-Term TL | B |
| Main Credit Evaluation | b3 | Long-Term National | AA(tur) (Stable) |
| Adjusted Main Credit Evaluation | b1 | Support | b- |
| Appearance | Stable | Financial Capacity Rating | b- |
| Long-Term Foreign Currency Denominated Debt (FC) | B3 | | |

IV. Explanations and Disclosures Related to Consolidated Statement of Profit or Loss and Other Comprehensive Income

1. a) Information on interest income on loans

| | Current Period | | Prior Period | |
|--|-------------------|------------------|-------------------|------------------|
| | TL | FC | TL | FC |
| Short-Term Loans | 17,556,264 | 1,625,933 | 8,122,776 | 625,051 |
| Medium and Long-Term Loans | 16,185,212 | 4,445,863 | 8,424,462 | 2,482,183 |
| Non-Performing Loans | 636,433 | - | 454,420 | - |
| Resource Utilization Support Fund Premiums | - | - | - | - |
| Total^(*) | 34,377,909 | 6,071,796 | 17,001,658 | 3,107,234 |

^(*) Includes fees and commissions income from cash loans

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Disclosures Related to Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

b) Information on interest income from banks

| | Current Period | | Prior Period | |
|-----------------------------------|----------------|----------------|---------------|---------------|
| | TL | FC | TL | FC |
| T.R. Central Bank ^(*) | - | - | - | - |
| Domestic Banks | 18,089 | 1,010 | 34,190 | 927 |
| Foreign Banks | 1,170 | 282,581 | 2,964 | 15,252 |
| Foreign Headquarters and Branches | - | - | - | - |
| Total | 19,259 | 283,591 | 37,154 | 16,179 |

^(*)The interest income on Required Reserve amounting TL 130,135 excluded from interest income on Banks. (31 December 2021 - TL 447,034).

c) Information on interest income on marketable securities

| | Current Period | |
|--|-------------------|------------------|
| | TL | FC |
| Financial Assets Measured at Fair Value through Profit/Loss | 79,904 | 7,521 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | 4,941,239 | 708,897 |
| Financial Assets Measured at Amortized Cost | 15,751,314 | 1,095,653 |
| Total | 20,772,457 | 1,812,071 |

| | Prior Period | |
|--|------------------|------------------|
| | TL | FC |
| Financial Assets Measured at Fair Value through Profit/Loss | 23,431 | 3,102 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | 1,360,494 | 538,984 |
| Financial Assets Measured at Amortized Cost | 2,194,177 | 632,341 |
| Total | 3,578,102 | 1,174,427 |

As stated in Section Three disclosure VII, the Bank has inflation indexed (CPI) government bonds in its financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before

d) Information on interest income received from associates and subsidiaries

| | Current Period | Prior Period |
|---|----------------|--------------|
| Interest income received from associates and subsidiaries | - | - |

2. a) Information on interest expense on borrowings^(*)

| | Current Period | | Prior Period | |
|-----------------------------------|----------------|------------------|----------------|------------------|
| | TL | FC | TL | FC |
| Banks | 797,994 | 3,129,506 | 458,075 | 1,508,113 |
| T.R. Central Bank | - | - | - | - |
| Domestic Banks | 749,649 | 152,173 | 406,149 | 93,509 |
| Foreign Banks | 48,345 | 2,977,333 | 51,926 | 1,414,604 |
| Foreign Headquarters and Branches | - | - | - | - |
| Other Institutions | - | - | - | - |
| Total | 797,994 | 3,129,506 | 458,075 | 1,508,113 |

^(*)Includes fees and commissions expenses related to the cash loans.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Disclosures Related to Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

b) Information on interest expense paid to associates and subsidiaries

| | Current Period | Prior Period |
|--|----------------|--------------|
| Interest Paid to Associates and Subsidiaries | 7,913 | 4,374 |

c) Information on interest expense paid to securities issued

As of 31 December 2022 the amount paid to securities issued is TL 2,763,449 (31 December 2021 - TL 1,790,883).

d) Information on maturity structure of interest expenses on deposits

| Current Period | Time Deposits | | | | | | Accumulated Deposit Account | Total |
|-------------------------|-----------------|------------------|------------------|------------------|------------------|----------------|-----------------------------|-------------------|
| | Demand Deposits | Up to 1 Month | Up to 3 Months | Up to 6 Months | Up to 1 Year | Over 1 Year | | |
| Turkish Lira | | | | | | | | |
| Bank Deposits | - | 52,247 | 16,800 | - | - | - | - | 69,047 |
| Saving Deposits | 31 | 2,730,331 | 2,489,527 | 5,654,397 | 299,312 | 212,360 | - | 11,385,958 |
| Public Sector Deposits | - | 3,760 | 1,412 | 30 | 98 | - | - | 5,300 |
| Commercial Deposits | 2 | 1,673,229 | 1,048,983 | 806,080 | 1,291,954 | 240,053 | - | 5,060,301 |
| Other Deposits | - | 22,835 | 115,670 | 3,989 | 17,015 | 7 | - | 159,516 |
| 7 Days Call Accounts | - | - | - | - | - | - | - | - |
| Total | 33 | 4,482,402 | 3,672,392 | 6,464,496 | 1,608,379 | 452,420 | - | 16,680,122 |
| Foreign Currency | | | | | | | | |
| Deposits | 5 | 189,248 | 943,422 | 496,604 | 53,189 | 55,374 | - | 1,737,842 |
| Bank Deposits | 118 | 134,170 | 90,790 | 23,429 | 60,999 | - | - | 309,506 |
| 7 Days Call Accounts | - | - | - | - | - | - | - | - |
| Precious Metal Deposits | - | 11,939 | - | - | - | - | - | 11,939 |
| Total | 123 | 335,357 | 1,034,212 | 520,033 | 114,188 | 55,374 | - | 2,059,287 |
| Grand Total | 156 | 4,817,759 | 4,706,604 | 6,984,529 | 1,722,567 | 507,794 | - | 18,739,409 |

| Prior Period | Time Deposits | | | | | | Accumulated Deposit Account | Total |
|-------------------------|-----------------|------------------|------------------|----------------|----------------|----------------|-----------------------------|------------------|
| | Demand Deposits | Up to 1 Month | Up to 3 Months | Up to 6 Months | Up to 1 Year | Over 1 Year | | |
| Turkish Lira | | | | | | | | |
| Bank Deposits | - | 110,875 | 35 | - | - | - | - | 110,910 |
| Saving Deposits | 43 | 1,652,477 | 4,024,068 | 315,809 | 120,525 | 171,976 | - | 6,284,898 |
| Public Sector Deposits | - | 1,936 | 129 | 165 | 22 | - | - | 2,252 |
| Commercial Deposits | 10 | 820,542 | 1,112,130 | 53,834 | 31,986 | 1,984 | - | 2,020,486 |
| Other Deposits | - | 7,569 | 89,965 | 10,341 | 22,903 | 30 | - | 130,808 |
| 7 Days Call Accounts | - | - | - | - | - | - | - | - |
| Total | 53 | 2,593,399 | 5,226,327 | 380,149 | 175,436 | 173,990 | - | 8,549,354 |
| Foreign Currency | | | | | | | | |
| Deposits | 6 | 15,158 | 190,579 | 50,512 | 12,055 | 42,226 | - | 310,536 |
| Bank Deposits | 121 | 22,717 | 5,845 | 634 | - | - | - | 29,317 |
| 7 Days Call Accounts | - | - | - | - | - | - | - | - |
| Precious Metal Deposits | - | 5,837 | - | - | - | - | - | 5,837 |
| Total | 127 | 43,712 | 196,424 | 51,146 | 12,055 | 42,226 | - | 345,690 |
| Grand Total | 180 | 2,637,111 | 5,422,751 | 431,295 | 187,491 | 216,216 | - | 8,895,044 |

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Disclosures Related to Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

e) Information on interest expenses on repurchase agreements

| | Current Period | | Prior Period | |
|---|----------------|---------|--------------|---------|
| | TL | FC | TL | FC |
| Interest Expenses on Repurchase Agreements ^(*) | 1,906,016 | 404,695 | 1,141,299 | 149,522 |

^(*) Disclosed in "Interest on Money Market Transactions".

f) Information on financial lease expenses

| | Current Period | Prior Period |
|----------------|----------------|--------------|
| Lease expenses | 100,667 | 61,052 |

g) Information on interest expenses on factoring payables

None (31 December 2021 - None).

3. Information on dividend income

| | Current Period | Prior Period |
|--|----------------|--------------|
| Financial Assets at Fair Value Through Profit or Loss | 3,539 | 624 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | - | - |
| Other | 13,437 | 681 |
| Total | 16,976 | 1,305 |

4. Information on trading income/loss

| | Current Period | Prior Period |
|-------------------------------------|-------------------|--------------------|
| Trading Gain | 35,045,190 | 22,021,051 |
| Gain on Capital Market Transactions | 2,389,128 | 350,003 |
| From Derivative Transactions | 13,687,257 | 7,524,146 |
| Foreign Exchange Gains | 18,968,805 | 14,146,902 |
| Trading Loss (-) | 33,973,496 | 25,229,997 |
| Losses on Capital Market Operations | 825,979 | 169,134 |
| From Derivative Transactions | 20,522,408 | 14,025,051 |
| Foreign Exchange Losses | 12,625,109 | 11,035,812 |
| Net Trading Income/Loss | 1,071,694 | (3,208,946) |

5. Information on other operating income

The Group recorded the current year collections from loans written off in the previous periods, portfolio management fees and expense accruals cancelations in "Other Operating Income" account.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Disclosures Related to Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

6. Provision for losses and other provision expenses

| | Current Period | Prior Period |
|---|-------------------|------------------|
| Expected Credit Losses Provisions | 5,093,975 | 3,310,641 |
| 12 Month Expected Credit Loss (Stage 1) | 1,493,919 | 1,113,375 |
| Significant Increase in Credit Risk (Stage 2) | 2,112,726 | 635,663 |
| Lifetime ECL Impaired Credits (Stage 3) | 1,487,330 | 1,561,603 |
| Marketable Securities Impairment Provision | 2,279 | 731 |
| Financial Assets Measured at Fair Value Through Profit/Loss | - | - |
| Financial Assets Measured at Other Comprehensive Income | 2,279 | 731 |
| Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease | - | - |
| Investment in Associates | - | - |
| Subsidiaries | - | - |
| Joint Ventures | - | - |
| Other^(*) | 5,939,858 | 175,967 |
| Total | 11,036,112 | 3,487,339 |

^(*)Includes free provision expense for possible risks amounting to TL 5,400,000 allocated in the current period.

7. Information on other operating expenses

| | Current Period | Prior Period |
|--|------------------|------------------|
| Reserve for employee termination benefits ^(*) | 103,078 | 53,373 |
| Impairment expenses on tangible fixed asset | 609,671 | 483,057 |
| Goodwill impairment expenses | 237,285 | 178,175 |
| Other Operating Expenses | 4,384,497 | 1,593,849 |
| <i>Leasing Expenses Related to TFRS 16 Exceptions</i> | <i>4,308</i> | <i>2,934</i> |
| <i>Maintenance expenses</i> | <i>1,267,165</i> | <i>477,703</i> |
| <i>Advertisement expenses</i> | <i>332,946</i> | <i>98,310</i> |
| <i>Other expenses</i> | <i>2,780,078</i> | <i>1,014,902</i> |
| Loss on sales of assets | 61 | 838 |
| Other | 1,176,107 | 681,493 |
| Total | 6,510,699 | 2,990,785 |

^(*)“Reserve for employee termination benefits” is included in the “Personnel Expenses” account item in the financial statement.

8. Fees for Services Obtained from an Independent Auditor/Independent Audit Firm

| | Current Period ^(*) ^(**) | Prior Period ^(*) ^(**) |
|---|---|---|
| Independent audit fee for the reporting period | 6,168 | 3,302 |
| Fees for tax advisory services | - | - |
| Fee for other assurance services | 649 | 603 |
| Fees for services other than independent auditing | - | - |
| Total | 6,817 | 3,905 |

^(*)Consolidated amounts are reported.

^(**)VAT excluded.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Disclosures Related to Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

9. Explanation on profit/loss before tax from continuing and discontinued operations

As of 31 December 2022, net interest income amounting to TL 38,567,134 (31 December 2021 - TL 12,834,346), net fee and commission income amounting to TL 6,688,561 (31 December 2021 - TL 3,681,746) and other operating revenues amounting to TL 333,926 (31 December 2021 - TL 483,880) have important place among income items related to continuing operations.

10. Explanation on tax provision for continuing and discontinued operations

10.1. Calculated current tax income or expense and deferred tax income or expense

As of 31 December 2022, the Group recorded current deferred tax income of TL 1,658,660 (31 December 2021 - TL 948,782 deferred tax expense) and current tax expense of TL 9,086,568 (31 December 2021 - TL 278,506 current tax income) reflected.

10.2. Explanations on operating profit/loss after tax

None (31 December 2021 - None).

11. Explanation on net profit/loss for the period from continuing and discontinued operations

The profit generated by the Group from continuing operations is TL 17,226,220 (31 December 2021 - TL 3,907,861), and the discontinued operation loss is none (31 December 2021 - None).

12. Explanations on net profit and loss for the period

12.1. If disclosure of the nature, amount and recurrence rate of income and expense items arising from ordinary banking transactions is necessary for an understanding of the Group's performance during the period, the nature and amount of these items

None (31 December 2021 - None).

12.2. The effect of the change in the estimates made by the Group regarding the financial statement items on profit/loss

None (31 December 2021 - None).

12.3. Profit or loss attributable to minority shares

| | Current Period | Prior Period |
|---|----------------|--------------|
| Profit/Loss Attributable to Minority Shares | 2,421 | 1,214 |

12.4. There is no change in the accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods

13. Information on the components of other items in the statement of profit or loss and other comprehensive income exceeding 10% of the total, or items that comprise at least 20% of the statement of profit or loss and other comprehensive income

Fees and commissions from credit cards, transfers and insurance intermediaries are recorded in the "Others" line under "Fees and Commissions Received" account, while fees and commissions given to credit cards are recorded in the "Others" line under "Fees and Commissions Paid" account by the Parent Bank.

V. Explanations and Disclosures Related to Consolidated Statement of Changes in Shareholders' Equity

1. Changes arising from the revaluation of financial assets at fair value through other comprehensive income

Net decrease of TL 3,377,006 (31 December 2021 - TL 1,108,826 net decrease) after tax effect resulting from fair value through profit or loss in "Securities Value Increase Fund" account under shareholders equity.

2. Explanations on foreign exchange differences

None.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. Explanations and Disclosures Related to Consolidated Statement of Changes in Shareholders' Equity (Continued)

3. Explanations on dividends

3.1. Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements

There is no dividend notified before the promulgation of financial statements. It was decided to distribute the profit of 2021 as stated below at the Ordinary General Assembly held on 30 March 2022:

2021 profit distribution table

| Current Year Profit | 3,928,114 |
|---|-------------|
| A - I. Legal Reserve (TCC 466/1) (5%) | - |
| B - The First Dividend for Shareholders | - |
| C - To Owners of Founding Shares | - |
| D - II. Legal Reserves | - |
| E - Profit from Disposal of Associates Fund | - |
| F - Extraordinary Reserves | (3,928,114) |

3.2. Dividends per share proposed subsequent to the balance sheet date

No decision is taken concerning the profit distribution by the General Assembly as of the balance sheet date (31 December 2021 - None).

3.3. Transfers to legal reserves

| | Current Period | Prior Period |
|--|----------------|--------------|
| Amount Transferred to Reserved from Retained | - | - |

4. Information on issuance of share certificates

4.1. The rights, priorities and restrictions regarding the share capital including distribution of income and repayment of the capital

None (31 December 2021 - None).

5. Information on the other capital increase items in the statement of changes in shareholders' equity

There was no capital increase in 2022 (31 December 2021 - None).

VI. Explanations and Disclosures Related to Consolidated Statement of Cash Flows

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents

"Other items" amounting to TL 12,519,245 (31 December 2021 - TL 2,113,659) in "Operating profit before changes in operating assets and liabilities" consist of fees and commissions paid amounting to TL 2,361,312 (31 December 2021 - TL 1,085,960), net trading income amounting to TL 21,259,438 (31 December 2021 - TL 880,492 net trading income) and other operating expenses amounting to TL 6,378,881 (31 December 2021 - TL 1,908,191).

"Other" item in the "Change in other assets of the field of banking" amounting to TL 6,554,484 (31 December 2021 - TL 3,560,662), guarantees given to TL 2,898,805 (31 December 2021 - TL 1,257,284), rental receivables from transactions amounting to TL 3,917,473 (31 December 2021 - TL 3,516,950), factoring receivables amounting to TL 5,782,967 (31 December 2021 - TL 1,600,071) and other assets of TL 247,151 (31 December 2021 - TL 7,220,399).

The "Other" item amounting to TL 17,976,184 (31 December 2021 - TL 12,765,909) included in the "change in other debts subject to banking activity", TL 4,808,082 (31 December 2021 - TL 3,224,389) to money markets and TL 13,168,102 (31 December 2021 - TL 9,541,520) includes other liabilities.

"Other" item amounting to TL 643,234 (31 December 2021 - TL 306,044) included in "Net cash flow from investment activities" includes TL 237,285 intangible assets (31 December 2021 - TL 178,715).

The effect of change in foreign exchange rate on cash and cash equivalents is the sum of the foreign exchange differences arising from the conversion of the average balances of cash and cash equivalents in foreign currency to TL at the beginning of the period and at the end of the period. As of 31 December 2022, TL 1,454,238 (31 December 2021 - TL 4,346,096).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. Explanations and Disclosures Related to Consolidated Statement of Cash Flows (Continued)

2. Information regarding the balances of cash and cash equivalents at the beginning of the period

| | 31 December 2021 |
|--|-------------------|
| Cash | 7,307,144 |
| Cash in TL | 678,315 |
| Cash in Foreign Currencies | 6,245,263 |
| Other | 383,566 |
| Cash Equivalents | 40,491,690 |
| Balances with the T.R. Central Bank | 25,120,140 |
| Banks and Other Financial Institutions | 15,355,593 |
| Money Market Placements | 159,508 |
| Less: Accruals | (143,551) |
| Cash and Cash Equivalents | 47,798,834 |

3. Information regarding the balances of cash and cash equivalents at the end of the period

| | 31 December 2022 |
|--|-------------------|
| Cash | 11,930,986 |
| Cash in TL | 1,621,492 |
| Cash in Foreign Currencies | 6,809,684 |
| Other | 3,499,810 |
| Cash Equivalents | 61,324,727 |
| Balances with the T.R. Central Bank | 42,132,406 |
| Banks and Other Financial Institutions | 10,747,700 |
| Money Market Placements | 8,467,980 |
| Less: Accruals | (23,359) |
| Cash and Cash Equivalents | 73,255,713 |

4. Restricted cash and cash equivalents due to legal requirements or other reasons

A portion of foreign bank accounts amounting to TL 396,003 (31 December 2021 - TL 464,536) includes blocked cash for foreign money and capital market transactions and for borrowings from foreign markets.

5. Additional information

5.1. Restrictions on the potential borrowings that can be used for banking operations or capital commitment

None (31 December 2021 - None).

5.2. The sum of cash flows that show the increases in banking activity capacity, apart from the cash flows needed to maintain current banking activity capacity

None (31 December 2021 - None).

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. Explanations and Disclosures Related to the Parent Bank's Risk Group

1. The volume of transactions relating to the Bank's risk group, outstanding loan and deposit transactions and profit and loss of the period

1.1. As of 31 December 2022, the Parent Bank's risk group has deposits amounting to TL 724,884 (31 December 2021 - TL 586,647), cash loans amounting to TL 4,102 (31 December 2021 - TL 1,773) and non-cash loans amounting to TL 118,429 (31 December 2021 - TL 60,889).

Current Period

| Parent Bank's Risk Group ^(*) | Associates and Subsidiaries (Partnerships) | | Bank's Direct and Indirect Shareholders | | Other Legal and Real Persons in Risk Group | |
|---|--|-----------|---|-----------|--|-----------|
| | Cash | Non- Cash | Cash | Non- Cash | Cash | Non- Cash |
| Loans and Other Receivables | | | | | | |
| Balance at the Beginning of the Period | - | 730 | - | 55,271 | 1,773 | 4,888 |
| Balance at the End of the Period | - | 226 | - | 116,854 | 4,102 | 1,349 |
| Interest and Commission Income | - | - | - | 1,734 | 923 | - |

Prior Period

| Parent Bank's Risk Group ^(*) | Associates and Subsidiaries | | Bank's Direct and Indirect Shareholders | | Other Legal and Real Persons in Risk Group | |
|--|-----------------------------|----------|---|----------|--|----------|
| | Cash | Non-Cash | Cash | Non-Cash | Cash | Non-Cash |
| Loans and Other Receivables | | | | | | |
| Balance at the Beginning of the Period | - | 55 | 2,500 | 45,878 | 631 | 5,212 |
| Balance at the End of the Period | - | 730 | - | 55,271 | 1,773 | 4,888 |
| Interest and Commission Income ^(**) | - | - | - | 267 | 872 | - |

^(*) As described in the Article 49 of Banking Law Nr 5411.

^(**) Represents the balances of 31 December 2022.

1.2. Information on deposits of the Parent Bank's risk group

| Parent Bank's Risk Group ^(*) | Associates and Subsidiaries | | Bank's Direct and Indirect Shareholders | | Other Legal and Real Persons in Risk Group | |
|---|-----------------------------|--------------|---|--------------|--|--------------|
| | Current Period | Prior Period | Current Period | Prior Period | Current Period | Prior Period |
| Deposits | | | | | | |
| Balance at the Beginning of the Period | 60,887 | 19,218 | - | - | 525,760 | 293,470 |
| Balance at the End of the Period | 152,259 | 60,887 | - | - | 572,625 | 525,760 |
| Interest on deposits ^(**) | 7,913 | 4,374 | - | - | 22,015 | 23,218 |

^(*) As described in the Article 49 of Banking Law Nr 5411.

^(**) Previous period's balances represent 31 December 2021 balances.

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For the year ended 31 December 2022

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. Explanations and Disclosures Related to the Parent Bank's Risk Group (Continued)

1.3. Information on forward and option agreements and similar agreements made with the Parent Bank's risk group

| Parent Bank's Risk Group ^(*) | Associates and Subsidiaries | | Bank's Direct and Indirect Shareholders | | Other Legal and Real Persons in Risk Group | |
|--|-----------------------------|--------------|---|--------------|--|--------------|
| | Current Period | Prior Period | Current Period | Prior Period | Current Period | Prior Period |
| Transactions for Trading Purposes | | | | | | |
| Beginning of the Period | - | - | - | - | - | - |
| End of the Period | - | - | - | - | - | - |
| Total Income/Loss ^(**) | - | - | - | (56) | 384 | (20) |
| Transactions for Hedging Purposes | | | | | | |
| Beginning of the Period | - | - | - | - | - | - |
| End of the Period | - | - | - | - | - | - |
| Total Income/Loss ^(**) | - | - | - | - | - | - |

^(*) As described in the Article 49 of Banking Law No 5411.

^(**) Prior Period represents 31 December 2021 balance.

1.4. Information regarding benefits provided to the Top Management

As of 31 December 2022, the total amount of remuneration and bonuses paid to key management of the Group is TL 304,876 (31 December 2021 - TL 224,768).

2. Disclosures of transactions with the Parent Bank's risk group

2.1. Relations with entities in the risk group of/or controlled by the Parent Bank regardless of the nature of relationship among the parties

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

2.2. In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other matters

As of 31 December 2022, the rate of cash loans of the risk group divided by to total loans is 0%; (31 December 2021 - 0%); the deposits represented 0.2% (31 December 2021 - 0.3%), the ratio of total derivative transactions with derivatives risk is 0% (31 December 2021 - 0%).

2.3. Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agent contracts, financial lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts

The Parent Bank enters into finance lease agreements with QNB Finans Finansal Kiralama A.Ş.

The Parent Bank has signed an agreement with Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. regarding research, development, advisory and improvement services.

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., in which the Parent Bank participated with 33.33% shareholding, provides cash transfer services to the Parent Bank.

Information in regard to subordinate loans the Parent Bank received from Parent's Bank is explained in Section 5 Note II. 12.

The Parent Bank offers agency services to Cigna Sağlık, Hayat ve Emeklilik A.Ş. that is 49.00% jointly controlled for its insurance services.

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EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VIII. Explanations on the Parent Bank's Domestic, Foreign and Off-Shore Banking Branches and Foreign Representatives of the Group

1. Information relating to the Parent Bank's domestic and foreign branch and representatives

| | Number | Employees | | Total Assets | Capital |
|------------------------|--------|-----------|----------------|--------------|---------|
| Domestic Branch | 435 | 11,419 | | | |
| | | | Country | | |
| Foreign Representation | - | - | | | |
| Foreign Branch | 1 | 8 | 1- Bahrain | 59,952,157 | - |
| | | | | - | - |

SECTION SIX

OTHER EXPLANATIONS

I. Other Explanations Related to the Parent Bank's Operations

1. Disclosure related to subsequent events and transactions that have not been finalized yet, and their impact on the financial statements

The issuance of The Bank after the balance sheet date are as follows:

| Issue Date | Currency | Nominal Amount | Maturity |
|------------|----------|----------------|----------|
| 13.01.2023 | EUR | 20,000,000 | 90 |
| 23.01.2023 | GBP | 11,340,000 | 93 |
| 24.01.2023 | EUR | 10,000,000 | 90 |
| 25.01.2023 | GBP | 20,000,000 | 91 |
| 25.01.2023 | EUR | 21,770,000 | 91 |
| 31.01.2023 | USD | 34,453,000 | 91 |

2. Information on the effects of significant changes in foreign exchange rates after balance sheet date on the items denominated in foreign currency and financial statements and the Group's operations abroad that would affect decision making process of users and foreign operations of the Bank

There are no significant fluctuations in the currency exchange rates after the balance sheet date that would affect the analysis and decision making process of the readers of the financial statements.

3. Other matters

With the General Communiqué on Tax Procedure Law Nr. 547 published in the Official Gazette dated 14 January 2023 and Nr. 32073, the uncertainties regarding the revaluation of economic assets subject to depreciation and their accumulated depreciation have been eliminated within the scope of the Tax Procedure Law, and the Bank will benefit from the revaluation application.

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SECTION SEVEN

INDEPENDENT AUDITOR'S REPORT

I. Explanations on Independent Auditor's Report

The consolidated financial statements for the period ended 31 December 2022 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The auditor's report dated 31 January 2022 is presented preceding the consolidated financial statements.

II. Explanations and Notes Prepared by Independent Auditor

None (31 December 2021 - None).

Headquarters

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