ANADOLUBANK ANONIM ŞIRKETI
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2023
WITH INDEPENDENT AUDITOR'S REPORT THEREON

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Anadolubank Anonim Şirketi,

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Anadolubank Anonim Şirketi (the "Bank") and its subsidiaries (together the "Group") as at 31 December 2023, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") and "Independence Audit by-Law" published by the Public Oversight Accounting and Auditing Standards Authority ("POA"), independent auditing requirements referred to in Article 400 of the Turkish Commercial Code ("TCC"), "Regulation on Independent Audit of Banks" published by the Turkish Banking Regulation and Supervision Agency on the Official Gazette No.29314 dated 2 April 2015 and Communiqué Series: X No: 22 on "Principles Regarding Independent Auditing Standards in the Capital Markets" (collectively referred to as "Turkish Local Independence Rules"). We have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the financial services industry in which the Group operates.

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.

Key audit matter	*How our audit addressed the key audit matter*
Expected credit losses for loans and advances to customers The Group has total expected credit losses for loans and advances to customers amounting to TL 840,778 thousand in respect to total loans and advances to customers amounting to TL 51,564,885 thousand which represent a significant portion of the Group's total assets in its consolidated financial statements as at 31 December 2023. Explanations and notes related to expected credit losses for loans and advances to customers are presented in Note 10 in the accompanying consolidated financial statements as at 31 December 2023. The Group recognizes provisions for impairment in accordance with IFRS 9 expected credit loss model. IFRS 9 is a complex accounting standard which requires considerable judgement and interpretation. These judgements are key in the development of the financial models built to measure the expected credit losses on loans recorded at amortized cost. Impairment allowances are calculated on a collective basis for portfolios of loans of a similar nature and on individual basis for significant loans taking into account management's best estimate at the balance sheet date and historical losses incurred. Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan balances; the appropriateness of classification of loans and advances to customers as per their credit risk (staging) 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.	Within our audit procedures, we assessed policies and procedures together with the overall governance established by the Group with respect to classification of loans and advances to customers and estimation of impairment in-line with the IFRS 9 framework. We have tested the design and operating effectiveness of controls implemented by the Group in line with its governance, policies and procedures. Together with our modelling specialists, we have evaluated and tested the methodologies used in building impairment models in line with the requirement of IFRS 9 and the Group's policies for the significant portfolio of loans. We have independently assessed together with our related specialists methodologies used in the models with respect to segmentation, life time expected credit losses, losses given default and use of macro-economic expectations. We have carried loan review on a selected sample of loans and advances with the objective to identify whether the classification of loans is performed, whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the IFRS 9 framework. In addition, for non-performing loans and other significant loans that are subject to individual assessment based on the Group policies, we have evaluated the appropriateness of specific impairment provision with supportable input. Based on our discussions with the Group management, we have evaluated and challenged whether the key assumptions and other judgements underlying the estimation of impairment were reasonable. We have reviewed the appropriateness and sufficiency of disclosures made in the financial statements of the Group with respect to loan receivables and related impairment provision.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the 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 also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

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

Talar Gül, SMMM
Independent Auditor

Istanbul, 28 June 2024

Notes To The Consolidated Financial Statements

ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

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

	Notes	(Audited) Current Period 31 December 2023	(Restated) (Audited) Prior Period 31 December 2022	(Restated) (Audited) Prior Period 31 December 2021
ASSETS				
Cash and cash equivalents	*5*	807,119	1,174,595	1,924,128
Balances with central bank	*6*	4,547,772	5,028,991	6,805,382
Reserve deposits at central bank	*6*	3,466,544	3,729,897	7,742,681
Loans and advances to banks and other financial institutions	*5*	11,454,851	13,470,598	12,878,866
Receivables from reverse repurchase transactions	*5*	2,810,043	741,900	-
Financial assets at fair value through profit or loss	*7*	118,238	84,726	30,275
Derivative financial assets held for trading	*8*	2,251,263	1,288,256	3,139,186
Investment securities	*9*	7,175,361	9,712,324	12,536,830
Financial assets at fair value through other comprehensive income		3,798,359	4,170,246	3,727,706
Financial assets measured at amortised cost		3,377,002	5,542,078	8,809,124
Loans and receivables	*10,11*	50,724,107	52,036,377	68,729,469
Property and equipment	*12*	2,084,143	1,676,589	1,293,046
Intangible assets	*13*	211,194	172,043	99,627
Deferred tax assets	*20*	-	-	88,020
Current tax assets	*20*	10,187	7,733	121,729
Non-Current Assets Held For Sale		935,140	1,045,646	1,224,093
Other assets	*14*	1,169,375	977,711	1,373,885
Total assets		**87,765,337**	**91,147,386**	**117,987,217**
LIABILITIES				
Deposits from banks	*15*	3,048,516	67,591	278,830
Deposits from customers	*15*	67,736,566	68,796,330	90,131,935
Obligations under repurchase agreements	*15*	-	1,457,421	5,297,856
Interbank money market borrowings	*15*	94,784	1,040,350	676,292
Funds borrowed	*16*	2,025,510	4,244,911	4,385,611
Derivative financial liabilities held for trading	*8*	419,041	508,537	1,533,144
Current tax liabilities	*20*	51,444	236,296	26,209
Obligations from leasing transactions	*18*	279,070	226,413	250,934
Deferred tax liabilities		558,080	323,977	-
Other liabilities and provisions	*19*	1,594,172	2,586,475	2,905,552
Total liabilities		**75,807,183**	**79,488,301**	**105,486,363**
EQUITY				
Share capital	*21*	1,100,000	1,100,000	1,100,000
Adjustment to share capital	*21*	7,798,570	7,798,570	7,798,570
Legal reserves	*21*	1,066,895	988,285	927,421
Other reserves	*21*	466,705	93,860	(93,535)
Translation reserve	*21*	3,566,943	2,682,349	2,480,828
Hedging reserve	*21*	(5,726,459)	(4,036,079)	(2,945,762)
Fair value reserve	*21*	(305,166)	(182,828)	(254,179)
Retained earnings		3,957,799	3,183,138	3,456,698
Total equity attributable to equity holders of the Bank		**11,925,287**	**11,627,295**	**12,470,041**
Non-controlling interests	***21***	**32,867**	**31,790**	**30,813**
Total equity		**11,958,154**	**11,659,085**	**12,500,854**
Total liabilities and equity		**87,765,337**	**91,147,386**	**117,987,217**

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

ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 1 JANUARY- 31 DECEMBER 2023

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

	Notes	(Audited) Current Period 31 December 2023	(Restated)(Audited) Prior Period 31 December 2022
Continuing operations:			
Interest income:			
Interest on loans and receivables	*23*	8,337,972	9,523,718
Interest on marketable securities	*23*	532,994	680,946
Interest on loans and advances to banks and other financial institutions	*23*	620,658	172,306
Interest on other money market placements	*23*	251,365	90,617
Other interest income	*23*	779,388	16,861
Total interest income		**10,522,377**	**10,484,448**
Interest expenses:			
Interest on deposits	*23*	(8,380,229)	(5,614,519)
Interest on other money market deposits	*23*	(98,691)	(231,737)
Interest on funds borrowed	*23*	(570,718)	(290,323)
Interest on finance lease expenses	*23*	(40,553)	(37,649)
Other interest expenses	*23*	(30,513)	(112,418)
Total interest expenses		**(9,120,704)**	**(6,286,646)**
Net interest income		**1,401,673**	**4,197,802**
Fee and commission income	*24*	2,567,917	1,129,538
Fee and commission expenses	*24*	(439,193)	(160,815)
Net fee and commission income		**2,128,724**	**968,723**
Trading income from marketable securities		347,165	103,464
Trading gains/(losses) from derivatives, net		894,648	4,352,739
Foreign exchange gain/(loss), net		3,669,920	(2,660,653)
Other income		573,553	504,772
Revenue		**9,015,683**	**7,466,847**
Salaries and employee benefits	*25*	(1,792,549)	(1,389,369)
Provision for possible loan losses, net of recoveries	*10*	(53,601)	(229,932)
Depreciation and amortisation		(168,445)	(151,985)
Taxes other than on income		(131,628)	(183,354)
Other expenses	*26*	(1,511,046)	(989,206)
Monetary Gains/(Losses)		(3,053,398)	(3,439,972)
Profit before tax		**2,305,016**	**1,083,029**
Income tax expense	*20*	(1,451,741)	(1,295,728)
Profit for the year		**853,275**	**(212,699)**
Profit for the year attributable to:			
Equity holders of the Bank		820,408	(244,489)
Non-controlling interests		32,867	31,790
Profit for the year		**853,275**	**(212,699)**
Basic earnings per share from continuing operations (full TL)		0.007757	0.001934

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 1 JANUARY-31 DECEMBER 2023

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

	Notes	(Audited) Current Period 1 January - 31 December 2023	(Restated) (Audited) Prior Period 1 January - 31 December 2022
Profit for the year		**853,275**	**(212,699)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Revaluation of property and equipment		626,708	314,136
Remeasurements of defined benefit liability	*19*	(111,387)	(118,512)
Equity investments at FVOCI – change in fair value		30,552	9,666
Related tax	*20*	(152,892)	(11,274)
Items that will be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		884,595	201,521
Gain / (loss) on hedges of net investments in foreign operations		(2,509,654)	(1,600,706)
Debt investments at FVOCI – change in fair value		(241,104)	82,756
Related tax	*20*	924,933	463,167
Gain / (loss) from cash flow hedges		(7,033)	29,197
Other comprehensive income for the year, net of income taxes		**(555,282)**	**(630,050)**
Total comprehensive income for the year		**297,993**	**(842,748)**
Equity holders of the Bank		284,419	(843,725)
Non-controlling interests		13,574	977
Total comprehensive income for the year		**297,993**	**(842,748)**

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

ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

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

		Attributable to equity holders of the Bank										
	Notes	**Share capital**	**Adj. to Share capital**	**Legal reserves**	**Other reserves**	**Translation reserve**	**Hedging reserve**	**Fair value reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total**
Balances at 1 January 2022	***21***	**1,100,000**	**7,798,570**	**927,421**	**(93,535)**	**2,480,828**	**(2,945,762)**	**(254,179)**	**3,456,698**	**12,470,041**	**30,813**	**12,500,854**
Net profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(212,696)**	**(212,696)**	**977**	**(211,719)**
Other comprehensive income		**-**	**-**	**-**	**187,395**	**201,521**	**(1,090,317)**	**71,351**	**-**	**(630,050)**	**-**	**(630,050)**
Remeasurements of defined benefit liability		-	-	-	(118,512)	-	-	-	-	(118,512)	-	(118,512)
Revaluation of property and equipment		-	-	-	314,136	-	-	-	-	314,136	-	314,136
Foreign operations – foreign translation differences		-	-	-	-	201,521	-	-	-	201,521	-	201,521
Gain on hedges of net investment in foreign operations		-	-	-	-	-	(1,600,707)	-	-	(1,600,707)	-	(1,600,707)
Gain / (loss) on hedges of net investments in cash flow		-	-	-	-	-	29,198	-	-	29,198	-	29,198
Equity investments at FVOCI – change in fair value		-	-	-	-	-	-	9,666	-	9,666	-	9,666
Debt investments at FVOCI – change in fair value		-	-	-	-	-	-	82,755	-	82,755	-	82,755
Tax on other comprehensive income		-	-	-	*(8,229)*	-	*481,192*	(21,070)	-	451,893	-	451,893
Total comprehensive income for the year		**-**	**-**	**-**	**187,395**	**201,521**	**(1,090,317)**	**71,351**	**(212,696)**	**(842,746)**	**977**	**(841,769)**
Transactions with owners, recorded directly in equity		**-**	**-**	**60,864**	**-**	**-**	**-**	**-**	**(60,864)**	**-**	**-**	**-**
Transfers to other reserves		-	-	60,864	-	-	-	-	(60,864)	-	-	-
Capital increase in cash		-	-	-	-	-	-	-	-	-	-	-
Capital increase from internal sources		-	-	-	-	-	-	-	-	-	-	-
Increase or Decrease as the result of other changes		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balances at 31 December 2022	***21***	**1,100,000**	**7,798,570**	**988,285**	**93,860**	**2,682,349**	**(4,036,079)**	**(182,828)**	**3,183,138**	**11,627,295**	**31,790**	**11,659,085**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

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

		Attributable to equity holders of the Bank									Non-controlling interests	Total
	Notes	**Share capital**	**Adj. to Share capital**	**Legal reserves**	**Other reserves**	**Translation reserve**	**Hedging reserve**	**Fair value reserve**	**Retained earnings**	**Total**		
Balances at 1 January 2023	***21***	**1,100,000**	**7,798,570**	**988,285**	**93,860**	**2,682,348**	**(4,036,076)**	**(182,827)**	**3,183,134**	**11,627,294**	**19,293**	**11,646,587**
Net profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**853,275**	**853,275**	**13,574**	**866,849**
Other comprehensive income		**-**	**-**	**-**	**372,845**	**884,595**	**(1,690,383)**	**(122,339)**	**-**	**(555,282)**	**-**	**(555,282)**
Remeasurements of defined benefit liability		-	-	-	(111,387)	-	-	-	-	(111,387)	-	(111,387)
Revaluation of property and equipment		-	-	-	626,708	-	-	-	-	626,708	-	626,708
Foreign operations – foreign translation differences		-	-	-	-	884,595	-	-	-	884,595	-	884,595
Gain on hedges of net investment in foreign operations		-	-	-	-	-	(2,509,654)	-	-	(2,509,654)	-	(2,509,654)
Gain / (loss) on hedges of net investments in cash flow		-	-	-	-	-	(7,033)	-	-	(7,033)	-	(7,033)
Equity investments at FVOCI – change in fair value		-	-	-	-	-	-	30,552	-	30,552	-	30,552
Debt investments at FVOCI – change in fair value		-	-	-	-	-	-	(241,104)	-	(241,104)	-	(241,104)
Tax on other comprehensive income		-	-	-	(142,476)	-	826,304	88,213	-	772,041	-	772,041
Total comprehensive income for the year		**-**	**-**	**-**	**372,845**	**884,595**	**(1,690,383)**	**(122,339)**	**853,275**	**297,993**	**13,574**	**311,567**
Transactions with owners, recorded directly in equity		**-**	**-**	**78,610**	**-**	**-**	**-**	**-**	**(78,610)**	**-**	**-**	**-**
Transfers to other reserves		-	-	78,610	-	-	-	-	(78,610)	-	-	-
Capital increase in cash		-	-	-	-	-	-	-	-	-	-	-
Capital increase from internal sources		-	-	-	-	-	-	-	-	-	-	-
Increase or Decrease as the result of other changes		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balances at 31 December 2023	***21***	**1,100,000**	**7,798,570**	**1,066,895**	**466,705**	**3,566,943**	**(5,726,459)**	**(305,166)**	**3,957,799**	**11,925,287**	**32,867**	**11,958,154**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 1 JANUARY - 31 DECEMBER 2023

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

	Notes	(Audited) Current Period 31 December 2023	(Restated) (Audited) Prior Period 31 December 2022
Cash flows from operating activities:			
Profit for the year		853,275	(212,699)
Adjustments for:			
Taxation	*20*	(1,451,741)	(1,295,728)
Provision for loan losses	*10*	(53,601)	(229,932)
Depreciation and amortisation		(168,445)	(151,985)
Provision for retirement pay liability	*20*	31,418	26,963
Unused vacation accruals	*20*	45,764	37,336
Derivative financial instruments		2,251,263	1,288,256
Net interest income		1,401,673	4,197,802
Other		(17,667)	(5,906,711)
Reversal of monetary items		1,658,259	3,550,070
		4,550,198	**1,303,373**
Changes in:			
Reserve deposits at the Central Bank		3,466,544	3,729,897
Financial assets at fair value through profit or loss		(124,357)	(65,802)
Loans and receivables		(11,668,940)	(9,086,828)
Funds borrowed (net)		-	1,566,832
Other assets		(10,171,466)	(2,356,342)
Deposits from other banks and customers		28,452,574	13,303,672
Other liabilities and provisions		(3,448,373)	(4,146,085)
Blocked loans and advances to banks and other financial institutions		(167,666)	(109,034)
Loans and advances to banks with original maturity of more than 3 months		-	-
		10,888,514	**4,139,682**
Interest received		8,956,878	8,477,064
Interest paid		(7,088,393)	(4,858,069)
Retirement benefits paid	*19*	(91,616)	(20,567)
Unused vacation liability paid	*20*	(32,046)	(6,105)
Income taxes paid		(277,707)	(365,051)
Net cash provided by operating activities		**12,355,630**	**7,366,954**
Cash flows from investing activities			
Acquisition of financial assets measured at amortised cost	*9*	(1,780,417)	(859,452)
Proceeds from sale of financial assets measured at amortised cost	*9*	1,974,152	1,153,831
Acquisition of property and equipment	*9*	(15,125)	(59,048)
Proceeds from sale of property and equipment		290,774	407,284
Acquisition of intangible assets		(66,645)	(72,416)
Acquisitions of financial assets at FVOCI		(3,798,359)	(442,541)
Proceeds from sale of financial assets at FVOCI	9	2,934,559	67,460
Other		(3,674,313)	(2,830,921)
Net cash used in investing activities		**(4,135,374)**	**(2,635,803)**
Cash flows from financing activities			
Proceeds from issue of debt securities		-	-
Proceeds from capital increase		-	-
Repayment of debt securities		-	-
Leasing payments		(681,660)	(73,655)
Net cash provided by financing activities		**(681,660)**	**(73,655)**
Effect of exchange rate fluctuations on cash held		568,318	756,911
Net increase in cash and cash equivalents		7,538,596	4,657,495
Cash and cash equivalents at the beginning of the year	*5*	18,301,730	21,169,954
Effect of opening cash		(7,194,486)	(8,282,630)
Cash and cash equivalents at the end of the year	*5*	**19,214,158**	**18,301,730**

1. GENERAL INFORMATION

Anadolubank Anonim Şirketi (the "Bank") started its operations on 25 September 1997 in Turkey under the Turkish Banking Law and the Turkish Commercial Code pursuant to the permit of the Turkish Undersecretariat of Treasury dated 25 August 1997 and numbered 39692. The Bank provides corporate, commercial and retail banking services through a network of 116 (31 December 2022: 115) domestic branches. The address of the headquarters and registered office of the Bank is Saray Mahallesi Toya Sokak No: 3 Ümraniye / Istanbul-Turkey.

The ultimate parent of the Bank is Habaş Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AŞ. Habaş Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AŞ was founded by Hamdi Başaran in 1956 with the name "Hamdi Başaran Topkapı Oxygen Plant" to implement modern industrial gas production.

The Bank has three subsidiaries, which are Anadolu Yatırım Menkul Kıymetler AŞ ("Anadolu Yatırım"), Anadolu Faktoring AŞ ("Anadolu Faktoring") and Anadolubank Nederland NV ("Anadolubank Nederland").

The Bank has 91.90% ownership in Anadolu Yatırım, a brokerage and investment company, located in Istanbul. Anadolu Yatırım was established on 21 September 1998 and is mainly involved in trading of and investing in securities, stocks, treasury bills and government bonds provided from capital markets; the management of mutual funds and performing intermediary services.

The Bank acquired 99.99% of Anadolu Faktoring from Habaş Petrol Ürünleri Sanayi ve Ticaret AŞ (which is a related party) on 27 October 2008. Anadolu Faktoring was established in Istanbul on 20 March 2007 by obtaining the factoring license which is required to operate in the factoring sector.

The Bank has 100.00% ownership in Anadolubank Nederland, located in Amsterdam – Netherlands. The Bank engages in banking operations in the Netherlands.

For the purposes of the consolidated financial statements, the Bank and its subsidiaries are referred to as "the Group".

2. BASIS OF PREPARATION

2.1. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Bank and its subsidiaries which are located in Turkey, maintain their books of account and prepare their statutory financial statements in Turkish Lira ("TL") in accordance with the accounting practices as promulgated by the Banking Regulation and Supervision Agency ("BRSA"), Turkish Accounting Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority, the Turkish Commercial Code, and the Turkish Tax Legislation. The Bank's foreign subsidiary Anadolubank Nederland maintains its books of account and prepare its statutory financial statements in EUR in accordance with the regulations of the country in which it operates.

The consolidated financial statements of the Group as at and for the year ended 31 December 2023 are authorised for issue by the management on 28 June 2024. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

The amendments to IAS / IFRS effective from 1 January 2021 do not have any significant effect on the Group's accounting policies, financial position and performance except IFRS 16 - Leases ("IFRS 16"). The amendments to IAS and IFRS that were issued but not yet effective as of the date of finalization of the financial statements will have no material effect on the Group's accounting policies, financial position and performance.

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

2. BASIS OF PREPARATION *(*Continued*)*

2.2. Basis of measurement

The consolidated financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2005, except that the following assets and liabilities are stated at their fair values: derivative financial assets and liabilities held for trading purposes, financial assets at fair value through profit or loss (“FVTPL”), financial assets at fair value through other comprehensive income (“FVOCI”), loans and receivables at FVTPL, and real estates.

2.3. Functional currency and presentation currency

These consolidated financial statements are presented in TL, which is the Bank’s functional currency. Except as indicated, the financial information presented in TL has been rounded to the nearest thousand.

2.4. Restatement of financial statements during the hyperinflationary periods

The financial statements of the Bank and those of the subsidiaries located in Turkey for the year ended 31 December 2023 were restated for the changes in the general purchasing power of the functional currency based on International Accounting Standard No. 29 (“IAS 29”) “*Financial Reporting in Hyperinflationary Economies*”. IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and that corresponding figures for previous periods be restated in the same terms.

One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. Cumulative three-year inflation rate in Turkey reached 156.2% as at 31 December 2022, based on the Turkish nation-wide Consumer Price Index (“CPI”) announced by the Turkish Statistical Institute (“TSI”). However, IAS 29 does not establish the rate of 100% as an absolute rate at which hyperinflation is deemed to arise. It is a matter of judgment when restatement of financial statements in accordance with IAS 29 becomes necessary. Moreover, hyperinflation is also indicated by characteristics of the economic environment of a country.

The table below shows the evolution of CPI in the last three years and as of 31 December 2023:

	2023	**2022**	**2021**
Annual Index	1,859.45	1,128.45	686.95
Average Index	1,488.91	967.71	561.61
Yearly Inflation	64.8%	64.3%	36.1%
Cumulative Inflation (Since 2020)	322.1%	156.2%	55.9%

The Bank restated all the non-monetary items in order to reflect the impact of the inflation restatement reporting in terms of the measuring unit current as of 31 December 2023. Consequently, the main items restated were Property and Equipment, Intangible assets, Right-of-Use Assets, Asset held for sales, and the Equity items. Monetary items have not been restated because they are stated in terms of the measuring unit current as of 31 December 2023.

Comparative figures must also be presented in the current currency of 31 December 2023 and are restated using the general price index of the current year. Therefore, comparative figures for the previous reporting periods have been restated by applying a general price index, so that the resulting comparative financial statements are presented in terms of the current unit of measurement as of the closing date of the reporting period.

The accompanying consolidated financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS as issued by the IASB. The financial statements have been prepared on a historical cost basis, except for the following measured at fair value:

- Derivative financial instruments,
- Financial asset at fair value through profit or loss and other comprehensive income,
- Buildings recognized under property and equipment

2. BASIS OF PREPARATION *(Continued)*

2.5. Use of estimates and judgments

Accounting estimates are made on the basis of reliable information and reasonable estimation methods. However, estimations are revised because of a change in the conditions in which the estimation is made, new information is obtained or additional developments occur. If the application of changes in the accounting estimates affects the financial results of a specific period, the changes in the accounting estimates are applied in that specific period, if they affect the financial results of current and following periods; the accounting estimate is applied prospectively in the period in which such change is made.

The nature and amount of a change in the accounting estimate that has an effect on the current period's financial result or is expected to have an effect on subsequent periods is disclosed in the notes of the financial statements unless it is not possible to estimate the effect on future periods. There are no changes in accounting estimates that are expected to have an impact on the financial results in the current period.

As of 31 December 2023, the information regarding the judgments, estimations and assumptions that involve the risk of a significant adjustment in the carrying value of assets and liabilities in the next financial year is explained in this note:

a) Expected Credit Losses

The Group provides an expected credit loss provision ("ECL") in accordance with IFRS 9 for loan commitments and non-cash loans whose fair value is not reflected in profit or loss, and financial assets measured at amortized cost and at fair value through other comprehensive income. The provision for impairment of financial assets is based on assumptions regarding default risk and expected loss rates. The Group makes assessments while making these assumptions in each reporting period and uses the group's past experience and current market conditions as well as forward-looking estimations to select the data to be used in the impairment calculations. In the expected credit loss calculation, the main parameters expressed as probability of default, loss given default and exposure at default, and the methods used in estimating the significant increase in credit risk and forward-looking macroeconomic information are explained in Note 3.8.

b) Fair value determination process

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or liability, the Group uses market-observable data to the extent it is available. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. At the end of each reporting period, the Group uses its own assessments based on current market conditions among various methods and assumptions. The valuation method used and the inputs used in determining the fair value are disclosed in the fair value measurement.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices),
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2. BASIS OF PREPARATION *(*Continued*)*

2.5. Use of estimates and judgments (Continued)

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 7 – Financial assets at fair value through profit or loss
- Note 8 – Derivative financial assets and liabilities held for trading purpose
- Not 12 – Property and equipment
- Note 28 – Financial risk management

c) Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized.

2.6. Changes in accounting policies

a) Standards, amendments and interpretations applicable as at 31 December 2023:

- **Amendment to IFRS 16, 'Leases' – COVID 19 related rent concessions extension of the practical expedient (effective as of 1 April 2021);** Due to the COVID 19 pandemic, some privileges have been provided to lessees in rent payments. In May 2020, with the amendment published in the IFRS 16 Leases standard, IASB introduced an optional expedient practice for the lessees not to evaluate the concessions granted due to COVID 19 in the lease payments, whether there is a change in the lease. On 31 March 2021, IASB published an additional amendment to extend the date of expedient implementation from 30 June 2021 to 30 June 2022. Lessees may choose to account for such lease concessions in accordance with the terms that would apply in the absence of a lease modification. This ease of application often causes the lease concession to be recognized as a variable lease payment during periods when the event or condition that triggers the reduction in lease payments occurs.

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16; effective from Annual periods beginning on or after 1 January 022.**

  - **Amendments to IFRS 3 'Business combinations';** this amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **Amendments to IAS 16 'Property, plant and equipment';** this amendment prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - **Amendments to IAS 37 'Provisions, contingent liabilities and contingent assets';** this amendment specifies which costs a company includes when assessing whether a contract will be loss-making.

2. BASIS OF PREPARATION *(*Continued*)*

2.6. Changes in accounting policies

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2022:

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

- **Amendment to IFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

- **Amendment to IAS 1 – Non current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

- **IFRS 17, ‘Insurance Contracts’, as amended in December 2021;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The Group does not expect material impact of new standards and interpretations on the Group’s accounting policies.

2.7. Comparative information and revision of prior period financial statements

The financial statements of the Group have been prepared comparatively with the previous period in order to enable information about financial position and performance trends. If the presentation or classification of the financial statements is changed, in order to be comparative, financial statements of the previous periods are also reclassified and significant changes are disclosed.

The Group has made adjustments in its previous period consolidated financial statements related to two corrections. Firstly, provision for a lawsuit case which was finalised in the subsequent period before the financial statements as of 31 December 2022 was published and the provision amount was not in line with the final indemnification amount was corrected in the balance sheet as of 31 December 2022 and income statement for the period then ended was restated in accordance with IAS 10 (Events after the reporting period) and IAS 37 (Provisions, Contingent Liabilities and Contingent. Assets). Another correction was made due to a clerical error in the calculation of inflation adjustment of translation reserve as of 31 December 2022 and 2021. IAS 1 “Presentation of Financial Statements” standard states that if previous period financial statements are restated, the statement of financial position should be presented comparatively for three periods.

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

2. BASIS OF PREPARATION *(*Continued*)*

2.7. Comparative information and revision of prior period financial statements *(*Continued

The Group prepares its consolidated financial position statement as of 31 December 2023, with its consolidated financial position statement prepared as of 31 December 2022 and 2021; It has prepared the consolidated profit or loss statement, consolidated other comprehensive income, consolidated cash flow and equity change statements for the year ending 31 December 2023 in comparison with the relevant consolidated financial statements for the years ending 31 December 2022.

As of January 1, 2023, the reconciliation of previously reported retained earnings and restated retained earnings is as follows:

	1 January 2023
Previously reported retained earnings (2022 Purchasing Power)	2,887,560
CTA correction	(682,718)
Provision for lawsuit	(273,011)
Adjusted Retained Earning (2022 purchasing power)	1,931,831
2023 Purchasing Power Adjustment	1,251,303
Restated retained earnings (2023 Purchasing power)	**3,183,135**

As of January 1, 2023, the reconciliation of previously reported retained earnings and restated retained earnings is as follows:

	1 January 2022
Previously reported retained earnings (2022 Purchasing Power)	2,618,324
CTA correction	(520,469)
Adjusted Retained Earning (2022 purchasing power)	2,097,855
2023 Purchasing Power Adjustment	1,358,842
Restated retained earnings (2023 Purchasing power)	**3,456,698**

The reconciliation of previously reported income statement is as follows:

	2022
Previously reported profit (2022 Purchasing Power)	306,174
CTA correction	(162,249)
Provision for lawsuit	(273,011)
Adjusted profit/loss	(129,086)
2023 Purchasing Power Adjustment	(83,613)
Restated profit/loss	**(212,699)**

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

2. BASIS OF PREPARATION *(*Continued*)*

2.7. Comparative information and revision of prior period financial statements *(*Continued

Comparison of balance sheet and profit and loss before and after restatement is as follows;

	31 December 2022 (Restated) (Purchasing power of 2023)	2022 Previously Reported (Purchasing Power of 2023)	31 December 2021 (Restated) (Purchasing power of 2023)	2021 Previously Reported (Purchasing Power of 2023)
ASSETS				
Cash and cash equivalents	1,174,595	1,174,595	1,924,128	1,924,128
Balances with central bank	5,028,991	5,028,991	6,805,382	6,805,382
Reserve deposits at central bank	3,729,897	3,729,897	7,742,681	7,742,681
Loans and advances to banks and other financial institutions	13,470,598	13,470,598	12,878,866	12,878,866
Receivables from reverse repurchase transactions	741,900	741,900	-	-
Financial assets at fair value through profit or loss	84,720	84,720	30,275	30,275
Derivative financial assets held for trading	1,288,256	1,288,256	3,139,186	3,139,186
Investment securities	9,712,324	9,712,324	12,536,830	12,536,830
Financial assets at fair value through other comprehensive income	4,170,246	4,170,246	3,727,706	3,727,706
Financial assets measured at amortised cost	5,542,078	5,542,078	8,809,124	8,809,124
Loans and receivables	52,036,378	52,036,378	68,729,469	68,729,469
Property and equipment	1,676,590	1,676,590	1,293,046	1,293,046
Intangible assets	172,044	172,044	99,627	99,627
Deferred tax assets	-	-	88,020	88,020
Current tax assets	7,734	7,734	121,729	121,729
Non-Current Assets Held For Sale	1,045,647	1,045,647	1,224,093	1,224,093
Other assets	977,712	977,712	1,373,885	1,373,885
Total assets	**91,147,386**	**91,147,386**	**117,987,217**	**117,987,217**
LIABILITIES				
Deposits from banks	67,591	67,591	278,830	278,830
Deposits from customers	68,796,330	68,796,330	90,131,935	90,131,935
Obligations under repurchase agreements	1,457,421	1,457,421	5,297,856	5,297,856
Interbank money market borrowings	1,040,350	1,040,350	676,292	676,292
Funds borrowed	4,244,911	4,244,911	4,385,611	4,385,611
Derivative financial liabilities held for trading	508,537	508,537	1,533,144	1,533,144
Current tax liabilities	236,296	236,296	26,209	26,209
Obligations from leasing transactions	226,413	226,413	250,934	250,934
Deferred tax liabilities	323,977	323,977	-	-
Other liabilities and provisions	2,586,475	2,136,627	2,905,552	2,905,552
Total liabilities	**79,488,301**	**79,038,453**	**105,486,363**	**105,486,363**
EQUITY				
Share capital	1,100,000	1,100,000	1,100,000	1,100,000
Adjustment to share capital	7,798,570	7,798,570	7,798,570	7,798,570
Legal reserves	988,285	988,285	927,421	927,421
Other reserves	93,860	93,860	(93,535)	(93,535)
Translation reserve	2,682,349	1,557,416	2,480,828	1,623,237
Hedging reserve	(4,036,079)	(4,036,079)	(2,945,762)	(2,945,762)
Fair value reserve	(182,828)	(182,828)	(254,179)	(254,179)
Retained earnings	3,183,138	4,757,919	3,456,698	4,314,289
Total equity attributable to equity holders of the Bank	**11,627,295**	**12,077,143**	**12,470,041**	**12,470,041**
Non-controlling interests	**31,790**	**31,790**	**30,813**	**30,813**
Total equity	**11,659,085**	**12,108,933**	**12,500,854**	**12,500,854**
Total liabilities and equity	**91,147,386**	**91,147,386**	**117,987,217**	**117,987,217**

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

2. BASIS OF PREPARATION *(*Continued*)*

2.7. Comparative information and revision of prior period financial statements *(*Continued*)*

	31 December 2022 (Restated) (Purchasing power of 2023)	2022 Previously Reported (Purchasing Power of 2023)
Continuing operations:		
Interest income:		
Interest on loans and receivables	9,523,718	9,523,718
Interest on marketable securities	680,946	680,946
Interest on loans and advances to banks and other financial institutions	172,306	172,306
Interest on other money market placements	90,617	90,617
Other interest income	16,861	16,861
Total interest income	**10,484,448**	**10,484,448**
Interest expenses:		
Interest on deposits	(5,614,519)	(5,614,519)
Interest on other money market deposits	(231,737)	(231,737)
Interest on funds borrowed	(290,323)	(290,323)
Interest on finance lease expenses	(37,649)	(37,649)
Other interest expenses	(112,418)	(112,418)
Total interest expenses	**(6,286,646)**	**(6,286,646)**
Net interest income	**4,197,802**	**4,197,802**
Fee and commission income	1,129,538	1,129,538
Fee and commission expenses	(160,815)	(160,815)
Net fee and commission income	**968,723**	**968,723**
Trading income from marketable securities	103,464	103,464
Trading gains/(losses) from derivatives, net	4,352,739	4,352,739
Foreign exchange gain/(loss), net	(2,660,653)	(2,660,653)
Other income	504,772	504,772
Revenue	**7,466,847**	**7,466,848**
Salaries and employee benefits	(1,389,369)	(1,389,369)
Provision for possible loan losses, net of recoveries	(229,932)	(229,932)
Depreciation and amortisation	(151,985)	(151,985)
Taxes other than on income	(183,354)	(183,354)
Other expenses	(989,206)	(539,358)
Monetary Gains/(Losses)	(3,439,972)	(3,172,630)
Profit before tax	**1,083,029**	**1,800,220**
Income tax expense	(1,295,728)	(1,295,728)
Profit for the year	**(212,699)**	**504,492**
Profit for the year attributable to:		
Equity holders of the Bank	(244,489)	498,117
Non-controlling interests	31,790	6,375
Profit for the year	**(212,699)**	**504,492**
Basic earnings per share from continuing operations (full TL)	0.001934	0.000278

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

3. SIGNIFICANT ACCOUNTING POLICIES

Except the changes disclosed in Note 2.6, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

3.1. Basis of consolidation

(i) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

(ii) Non-controlling interests

Non-controlling interests ("NCI") are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2. Foreign currency

i) Foreign currency transactions

Transactions are recorded in TL, which represents the Group's functional currency except for Anadolubank Nederland of which they are recorded in Euro. Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies on the reporting date are retranslated to the functional currency at the exchange rate on that date. Foreign currency differences arising on retranslation are recognised in the statement of profit or loss and other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The official TL exchange rates used by the Group for foreign currency translation are as follows:

	EUR / TL	USD / TL
31 December 2023	32.5739	29.4382
31 December 2022	19.9349	18.6983

3. SIGNIFICANT ACCOUNTING POLICIES *(*Continued*)*

3.2. Foreign currency *(*Continued*)*

ii) Foreign operations

The assets and liabilities of foreign subsidiaries are translated into presentation currency of the Group at the rate of exchange ruling at the reporting date. The statement of profit or loss of foreign subsidiaries is translated at the weighted average exchange rates after the acquisition date. On consolidation exchange differences arising from the translation of the net investment in foreign entity are included in equity as currency translation reserve.

Foreign currency differences, arising from foreign subsidiaries, are recognised in other comprehensive income ("OCI"), under the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss, as part of the profit or loss on disposal.

3.3 Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of **the financial instrument (for example, prepayment, call and similar options) but does not consider** future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income and expense presented in the statement of profit or loss and OCI include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- interest for financial assets at FVOCI calculated on an effective interest basis,

3.4. Fees and commission

Fees and commission income and expenses that are integral to the effective rate on a financial asset or liability are included in the measurement of the effective rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognised as the related services are provided. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

3.5. Net trading income

Net trading income comprises gains less loss related to trading assets and liabilities, and includes all realised and unrealised fair value changes, except for the unrealised gains of financial assets at FVOCI.

3.6. Dividends

Dividend income is recognised when the right to receive the income is established.

3. SIGNIFICANT ACCOUNTING POLICIES *(*Continued*)*

3.7. Income tax expense

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax losses can be utilised.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

3.8. Financial assets and liabilities

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaced IAS 39 Financial Instruments "Recognition and Measurement".

Recognition

The Group initially recognises loans, factoring receivables and advances, deposits and funds borrowed on the date that they are originated. Regular way purchases and sales of financial assets are recognised on the trade date on which the Group commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

3. SIGNIFICANT ACCOUNTING POLICIES *(*Continued*)*

3.8. Financial assets and liabilities (Continued)

i. Classification and measurement of financial assets and financial liabilities

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
  A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES *(*Continued*)*

3.8. Financial assets and liabilities (Continued)

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets:

The Group classifies its financial assets into one of the following categories:
Financial assets measured at amortised cost
Financial assets at FVOCI; and
At fair value through profit or loss, and within this category as:

- Financial assets at FVTPL.

Financial liabilities:

The Group classifies its financial liabilities as measured at amortised cost.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

3. SIGNIFICANT ACCOUNTING POLICIES *(*Continued*)*

3.8. Financial assets and liabilities (Continued)

The Group does not have any assets where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset that is recognised to the extent of the Group's continuing involvement in the asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Derivative financial instruments

The Group enters into transactions with derivative instruments including forwards, swaps, currency options and interest rate cap/floor agreements in the foreign exchange and capital markets. Most of these derivative transactions are considered as effective economic hedges under the Group's risk management policies; however, since they do not qualify for hedge accounting under the specific provisions of International Accounting Standard 39 – Financial instruments: Recognition and measurement ("IAS 39") or IFRS 9, because IFRS 9 permits to defer application of IFRS 9 hedge accounting and continue to apply hedge accounting in accordance with IAS 39 as a policy choice, they are treated as derivatives held for trading.

Derivative financial instruments are initially recognised at fair value on the date which a derivative contract is entered into and subsequently remeasured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(*Continued*)*

3.8. Financial assets and liabilities (Continued)

Fair values are obtained from quoted market prices in active markets, including recent market transactions, to the extent publicly available, and valuation techniques, including discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Identification and measurement of impairment

At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Loans and receivables are presented net of specific and portfolio basis allowances for uncollectibility. Specific allowances are made against the carrying amount of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and receivable to their recoverable amounts. In assessing the recoverable amounts of the loans and receivables, the estimated future cash flows are discounted to their present value. Portfolio basis allowances are maintained to reduce the carrying amount of portfolios of similar loans and receivables to their estimated recoverable amounts at the reporting date. In order to determine allowance rate for portfolio basis, the Group uses historical allowance rates based on its own statistical data.

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Group about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest rate, penalty or principal payments;
- the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:

    - adverse changes in the payment status of borrowers; or
    - national or local economic conditions that correlate with defaults on the assets in the Bank.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(*Continued*)*

3.8. Financial assets and liabilities (Continued)

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and estimated recoverable amount. The carrying amount of the asset is reduced through use of an allowance account. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on financial assets at FVOCI are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income. No impairment loss is recognised on equity investments.

When a subsequent event causes the amount of impairment loss on a debt security classified under financial assets at FVOCI to decrease, the impairment loss is reversed through profit or loss.

A write off is made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Such loans are written off after all the necessary legal and regulatory procedures have been completed and the amount of the loss has been determined. Write offs are charged against previously established allowances and reduce the principal amount of a loan. Subsequent recoveries of amounts written off are included in profit or loss.

IFRS 9 replaces the "incurred loss" model in IAS 39 with an expected credit loss ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of cash and cash equivalents, loans and investment securities.
Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Expected credit loss calculation:

The Group considers macroeconomic adjusted forward looking PD, LGD and EAD components in the estimation of expected credit loss from a financial asset. Expected credit loss is calculated under three different scenarios with different macroeconomic expectations and final outcome is a weighted average of the calculations.

Expected credit loss is calculated through three stages as described below;

Stage 1: 12 month expected credit loss is calculated for financial assets in stage 1. 12 month expected credit loss represents the expected credit loss that results from default events on a financial instrument that are possible within the 12 months after the reporting date.
Stage 2: There is a significant increase in credit risk for a financial asset in stage 2 since their origination and lifetime expected credit loss is calculated for stage 2.
Stage 3: Financial assets considered as impaired are in stage 3. Lifetime expected credit loss is calculated for stage 3.

3. SIGNIFICANT ACCOUNTING POLICIES *(*Continued*)*

3.8. Financial assets and liabilities (Continued)

Probability of default, exposure at default and loss given default models:

Internal Probability of Default ("PD") models consider financial standing and demographical, internal-external behavioral data of customers. The Bank adopts different PD models for customers with different characteristics. Loss Given Default ("LGD") models are segment level models and represent time value of money by calculating present value of all future cash flows by using the effective interest rate. The Bank uses future cash flows and behavioral data in estimating exposure at default ("EAD").

Transfer logic:

The Bank uses quantitative and qualitative methods in identifying significant increase in credit risk. As a quantitative analysis, the Bank measures the significant credit deterioration by comparing the risk of default at inception (initial rating) and the reporting date. The Bank uses watch-list, memzuc and customer days past due information as qualitative criteria and classifies loans in stage 2. The change in the loan payment plan (restructuring) due to financial difficulty or concession is also considered as stage 2.

Individual assessment

For financial assets above a threshold in stage 3, the Bank conducts individual assessments in calculation of expected credit loss. The Bank has proper documentation of the calculations and the methodology for individual assessment. Calculations are performed by discounting the expected cash flows for the individual financial instrument to its present value using the effective interest rate. Future cash flows are determined based on two scenarios: going concern and gone concern scenarios. The choice of these scenarios depends on whether the customer is still operating and has operating cash flows that may be used to repay the debt, or whether the customer is not operating anymore and has collateral that may be used to pay the debt.

Repurchase and resale transactions

The Group enters into sales of securities under agreements to repurchase such securities. Such securities, which have been sold subject to a repurchase agreement ("repos"), continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy of the security portfolio which they are part of securities sold subject to repos are reclassified in the consolidated financial statements as loaned securities when the transferee has the right by contract or custom to sell or repledge the collateral. The counterparty liability for amounts received under these agreements is included in other money market deposits. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreements using effective interest method.

Securities purchased with a corresponding commitment to resell at a specified future date ("reverse repos") are not recognised in the statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in other money market placements. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement using effective interest method.

3.9. Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10. Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition, except that non-derivative trading assets, other than those designated at fair value through profit or loss on initial recognition, may be reclassified out of the fair value through profit or loss – i.e. trading – category if they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met.

- If the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as financial asset at fair value through profit or loss at initial recognition), then it may be reclassified if the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- If the financial asset would not have met the definition of loans and receivables, then it may be reclassified out of the trading category only in rare circumstances.

3.11. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in active market. They are not entered into with the intention of immediate or short-term resale and are not classified as "Financial assets held for trading", designated as "Financial assets designated at fair value through other comprehensive income" or "Financial assets designated at fair value through profit or loss". After initial measurement, loans, receivables and advances are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Certain loans are subsequently designated irrevocably as financial assets at FVTPL as permitted by IFRS 9. The Bank classifies certain loans at their origination dates, as financial assets at fair value through profit or loss in compliance with IFRS 9. Financial assets at fair value through profit or loss are initially recorded at cost and measured at fair value in subsequent periods. The amortisation is included in "Interest income" in profit or loss. The losses arising from impairment are recognised in profit or loss in "Net impairment loss on financial assets".

"Loans and receivables" captions in the statement of financial position include:

- loans and receivables measured at amortised cost: they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- loans and receivables mandatorily measured at FVTPL or designated as at FVTPL: these are measured at fair value with face value changes recognised immediately in profit or loss; and
- finance lease receivables

3.12. Investment securities

Financial assets measured at amortised cost

Financial assets measured at amortised cost are financial assets with fixed maturities that the Group has the intent and ability to hold until maturity. Financial assets measured at amortised cost are initially recognised at cost. Financial assets measured at amortised cost are accounted for by using a discounting method based on internal rate of return applied on the net investment amounts after the deduction of provision for impairments. Interest earned on financial assets measured at amortised cost are recognised as interest income and reflected in the consolidated statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(*Continued*)*

3.12. Investment securities *(*Continued*)*

Financial assets at FVOCI

Financial assets at FVOCI are non-derivative investments that are not designated as another category of financial assets. If a quoted market price is not available, fair value of an instrument is estimated using the available market information and the appropriate valuation methodologies. All other financial assets at FVOCI are carried at fair value. Unrealised gains and losses are recognised directly in equity in the "Fair value reserves".

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on debt security investments at FVOCI are recognised in the consolidated statement of profit or loss.

If a financial asset at FVOCI is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income to profit or loss. Reversals in respect of equity instruments classified as at FVOCI are not recognised in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Other fair value changes are recognised directly in other comprehensive income until the investment is sold or impaired and the balance in other comprehensive income is recognised in profit or loss.

3.13. Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

As of 1 January 2017, changing the existing accounting policy, it has been decided to apply revaluation model for properties recorded under tangible and intangible assets instead of cost model in accordance with IAS 16 "Property, Plant and Equipment".

Accordingly, for all real estates registered in the ledger, a valuation study was performed by independent expertise firms authorized by Capital Markets Board ("CMB") and BRSA. Revaluations are performed in line with IFRS 13 "Fair Value Measurement Financial Reporting Standard".

Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(*Continued*)*

3.13. Property and equipment *(*Continued*)*

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	Years
Buildings and improvements	50
Machinery and equipment	5
Office equipment	5
Furniture, fixtures and vehicles	5
Leasehold improvements	4-10

Leasehold improvements are depreciated on a straight-line method over a period of time of their lease contract.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.14. Intangible assets

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful lives of software are three to five years.

Amortisation methods, useful lives and residual values are reserved at each reporting date and adjusted if appropriate.

3.15. Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held for sale, intangible assets and property and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.16. Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in statement of other comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of other assets, impairment losses recognised in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.17. Deposits and funds borrowed

Deposits are the Bank's main source of debt funding. Deposits of the Bank comprised of the deposits from banks and customers.

Deposits and funds borrowed are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

3.18 Hedge accounting

IFRS 9 permits to defer application of IFRS 9 hedge accounting and continue to apply hedge accounting in accordance with IAS 39 as a policy choice. Accordingly, the Group continues to apply hedge accounting in accordance with IAS 39 in this context.

Policy applicable for all hedging relationships

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship.

The Group makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125%.

3. SIGNIFICANT ACCOUNTING POLICIES *(*Continued*)*

3.18 Hedge accounting (Continued)

i. Net investment hedges

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of a derivative or the foreign exchange gains and losses of a non-derivative is recognised in OCI and presented in the translation reserve within equity.

The effective portion of the change in fair value of the hedging instrument is computed with reference to the functional currency of the parent entity against whose functional currency the hedged risk is measured. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss. The amount recognised in OCI is fully or partially reclassified to profit or loss as a reclassification adjustment on disposal or partial disposal of the foreign operation, respectively.

ii. Cash flow hedge

The Group applies fair value hedge and cash flow hedge accounting. Hedging accounting is applied to prevent the fluctuations that may arise in the income statement in the short term as a result of the differences in the valuation methods of the assets and liabilities in the balance sheet that are subject to interest rate risk and derivative instruments. Some of the Group's fixed rate foreign currency securities and foreign currency loans are subject to fair value hedge accounting. The fair value risk of the related fixed rate financial assets is hedged with interest rate swaps. The Group also hedges floating rate foreign currency corporate deposits from cash flow risk with interest rate swaps. The assessment that derivative transactions used for hedging purposes can effectively offset changes in the fair value of the hedged item is measured regularly and the measurement results are documented. In cases where the hedge does not meet the hedge accounting requirements, hedge accounting is discontinued. If hedge accounting requirements are met, a) Changes in the fair value of the hedged item under fair value hedge accounting is recognized in profit or loss, b) Changes in the fair value of the hedging instrument under cash flow hedge accounting is recognized in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss.

3.19. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

3. SIGNIFICANT ACCOUNTING POLICIES *(*Continued*)*

3.20. Employee benefits

Reserve for employee severance indemnity

Reserve for employee severance indemnity represents the present value of the estimated future probable obligation of the Group arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. Employment termination benefit is not a funded liability and there is no requirement to fund it. Employment termination benefit is calculated based on the estimation of the present value of the employee's probable future liability arising from the retirement. IAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the bank's obligation under defined employee plans. IAS 19 has been revised effective from the annual period beginning after 1 January 2013. In accordance with the revised standard, actuarial gain / loss related to employee benefits shall be recognised in other comprehensive income.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.21. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group's Management Committee (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Board of Directors include items directly attributable to that segment as well as those that can be allocated on a reasonable basis.

3.22. Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the reporting dates (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

4. OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic business units, the chief operating decision maker, the Board of Directors reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Corporate and commercial banking

Includes loans, deposits and other transactions and balances with corporate customers.

4. OPERATING SEGMENTS (Continued)

Retail banking

Includes loans, deposits and other transactions and balances with retail customers.

Agricultural banking

Agricultural banking serves its customers in a way to cover transactions such as loans, deposits and non-cash loans.

Treasury

Undertakes the Group's funding and centralised risk management activities through borrowings, and investing in liquid assets such as short-term placements and corporate and government debt securities.

Investment banking

Includes the Group's trading and corporate finance activities.

Subsidiaries

Includes the profits of the subsidiaries.

Information regarding the results of each reportable segment is included in the following page. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

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

4. OPERATING SEGMENTS (Continued)

Information about operating segments

Current Period	Corporate and commercial banking	Retail banking	Treasury&other	Total operations
Operating income (*)	**3,246,008**	**762,368**	**5,007,307**	**9,015,683**
Operating loss (**)	-	-	(6,710,667)	(6,710,667)
Profit before tax	**3,246,008**	**762,368**	**(1,703,360)**	**2,305,016**
Income tax expense	-	-	(1,451,741)	(1,451,741)
Profit for the year	**3,246,008**	**762,368**	**(3,155,101)**	**853,275**
Segment assets	27,648,033	129,143	59,988,161	87,765,337
Subsidiaries	-	-	-	-
Total assets	**27,648,033**	**129,143**	**59,988,161**	**87,765,337**
Segment liabilities	11,521,196	24,355,331	39,930,656	75,807,183
Equity	-	-	11,958,154	11,958,154
Total liabilities	**11,521,196**	**24,355,331**	**51,888,810**	**87,765,337**

(*) Operating income includes net interest income, net fee and commission income and other income items presented in the consolidated statement of profit or loss.
(**) Operating loss includes salaries and employee benefits, provision for possible loan losses - net of recoveries, depreciation and amortisation and other expense items presented in the consolidated statement of profit or loss.

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

4. OPERATING SEGMENTS (Continued)

Information about operating segments (Continued)

Prior Period	Corporate and commercial banking	Retail banking	Treasury&other	Total operations
Operating income (*)	**1,010,631**	**120,297**	8,996,572	10,127,500
Operating loss (**)	-	-	(9,044,471)	(9,044,471)
Profit before tax	**1,010,631**	**120,297**	**(47,899)**	**1,083,029**
Income tax expense	-	-	(1,295,728)	(1,295,728)
Profit for the year	**1,010,631**	**120,297**	**(1,343,627)**	**(212,699)**
Segment assets	31,124,566	205,427	59,817,393	91,147,386
Subsidiaries	-	-	-	-
Total assets	**31,124,566**	**205,427**	**59,817,393**	**91,147,386**
Segment liabilities	18,320,990	25,449,283	35,718,028	79,488,301
Equity	-	-	11,659,085	11,659,085
Total liabilities	**18,320,990**	**25,449,283**	**47,377,113**	**91,147,386**

(*) Operating income includes net interest income, net fee and commission income and other income items presented in the consolidated statement of profit or loss.

(**) Operating loss includes salaries and employee benefits, provision for possible loan losses - net of recoveries, depreciation and amortisation and other expense items presented in the consolidated statement of profit or loss.

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

5. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash and cash equivalents	807,119	1,174,595
Loans and advances to banks (with original maturity of less than 3 months)	11,225,350	13,615,534
Unrestricted balances with the central bank	4,547,772	2,872,603
Receivables from reverse repurchase transactions	2,810,043	741,900
IFRS 9 allowances	1,653	9,341
Total cash and cash equivalents in the consolidated statement of financial position	**19,391,937**	**18,413,973**
Blocked loans and advances to banks and other financial institutions	(167,666)	(109,198)
Loans and advances to banks (with original maturity of more than 3 months)	-	-
Interest accruals on cash and cash equivalents	(10,113)	(3,045)
Cash and cash equivalents in the consolidated statement of cash flows	**19,214,158**	**18,301,730**

As at 31 December 2023, the deposits with banks which are blocked at financial institutions for the interest rate swaps and credit default swaps entered into by the Group is 167,450 (31 December 2022: 109,034).

6. BALANCES WITH CENTRAL BANK

a) Unrestricted balances with central bank

	31 December 2023	31 December 2022
Demand deposits-TL	3,592,547	1,497,667
Demand deposits-FC	955,225	1,374,936
Total	**4,547,772**	**2,872,603**

b) Reserve deposits with central bank

	31 December 2023	31 December 2022
Foreign currency reserve	3,466,544	5,886,285
Total	**3,466,544**	**5,886,285**

Reserve deposits are kept as blockage in Central Bank of Turkey (CBRT) for foreign currency liabilities. The banks operating in Turkey keep reserve deposits for Turkish currency and foreign currency liabilities in TL and foreign currencies at the rates of 0.0% - 30.0% and 5.0% - 30.0%, respectively as per the Communiqué no.2005/1 "Reserve Deposits" of the CBRT (31 December 2022: 3.0% - 8.0% and 5.0% - 26.0% respectively).

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

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2023 and 2022, financial assets at fair value through profit or loss comprised the following:

	31 December 2023		31 December 2022	
	Carrying value	**Effective interest rate (%)**	**Carrying value**	**Effective interest rate (%)**
Eurobonds issued by the Turkish Government	102,803	5.00-8.00	63,754	4.59-9.27
Government bonds in TL	-	-	9,529	7.72
Other	15,435	7.25-8.00	11,443	7.94
Total	**118,238**		**84,726**	

As at 31 December 2023, there are no financial assets at fair value through profit or loss given as collateral under repurchase agreements (31 December 2022: None).

As at 31 December 2023, there are no government securities kept at İstanbul Takas ve Saklama Bankası Anonim Şirketi (Takasbank - Istanbul Clearing and Custody Incorporation) and at Capital Markets Board of Turkey for legal requirements and as a guarantee for stock exchange and money market operations (31 December 2022: None).

8. DERIVATIVE FINANCIAL ASSETS / LIABILITIES HELD FOR TRADING

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments of the Group mainly include foreign currency forwards, cross currency interest rate swaps, foreign currency options and credit default swaps.

The table below shows the favourable (assets) and unfavourable (liabilities) fair values of derivative financial instruments together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

The fair value of derivative financial instruments is calculated by using forward exchange rates at the reporting date and option pricing models. In the absence of reliable forward rate estimations in a volatile market, current market rate is considered to be the best estimate of the present value of the forward exchange rates.

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

8. DERIVATIVE FINANCIAL ASSETS / LIABILITIES HELD FOR TRADING *(Continued)*

	31 December 2023								
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Derivatives financial instruments held for trading purpose:									
Forward purchase contract	65,075	87,249	9,329,250	3,166,936	2,650,964	3,052,425	458,925	-	-
-Forward sale contract	-	-	8,730,128	3,123,238	2,515,128	2,725,152	366,610	-	-
Currency swap purchase	363,075	319,458	28,037,049	14,529,355	8,227,005	480,832	762,625	3,908,868	128,364
Currency swap sale	-	-	27,982,882	14,567,118	8,322,734	488,609	-	4,478,552	125,869
Interest swap purchase	-	-	8,356,246	-	1,996,000	1,875,000	900,000	1,996,780	1,588,466
Interest swap sale	-	-	8,356,246	-	1,996,000	1,875,000	900,000	2,322,519	1,262,727
Put option purchase	1,823,113	12,334	8,044,991	2,151,688	3,437,989	2,048,480	406,834	-	-
Put option sale	-	-	6,572,222	1,770,075	2,838,225	1,566,833	397,089	-	-
Total	**2,251,263**	**419,041**	**105,409,014**	**39,308,410**	**31,984,045**	**14,112,331**	**4,192,083**	**12,706,719**	**3,105,426**

	31 December 2022								
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Derivatives financial instruments held for trading purpose:									
Forward purchase contract	218,672	4,547	6,055,339	1,812,738	1,990,650	1,769,463	482,488	-	-
Forward sale contract	-	-	5,727,830	1,786,720	1,893,325	1,627,325	420,459	-	-
Currency swap purchase	249,036	283,184	20,650,453	14,588,370	2,014,833	-	65,471	3,777,442	204,337
Currency swap sale	-	-	20,898,283	14,605,597	2,012,714	-	61,618	4,010,354	207,999
Interest swap purchase	-	-	3,045,939	98,864	823,865	1,071,024	329,546	-	722,641
Interest swap sale	-	-	3,045,939	98,864	823,865	1,071,024	329,546	-	722,641
Put option purchase	820,548	220,806	17,999,413	4,515,345	10,732,825	2,157,357	593,886	-	-
Put option sale	-	-	17,580,316	4,313,088	10,576,780	2,075,964	614,484	-	-
Total	**1,288,256**	**508,537**	**95,003,512**	**41,819,586**	**30,868,857**	**9,772,157**	**2,897,498**	**7,787,796**	**1,857,618**

9. INVESTMENT SECURITIES

Financial assets at fair value through other comprehensive income

	31 December 2023		31 December 2022	
	Amount	Effective interest rate (%)	Amount	Effective interest rate (%)
Eurobonds issued by the Turkish Government	1,351,279	25.91-30.04	1,311,559	7.72-9.02
Foreign currency denominated bonds	2,277,538	(0.80)-7.18	2,674,087	(0.83)-5.22
Equity instruments	93,399	-	89,286	-
Other	76,143	-	95,314	-
Total	**3,798,359**		**4,170,246**	

The movement of financial assets at fair value through other comprehensive income is as follows:

	1 January – 31 December 2023	1 January – 31 December 2022
Balance at beginning of period	**4,170,246**	**3,727,706**
Index difference	(1,639,341)	(1,458,443)
Foreign currency differences on monetary assets	706,025	619,274
Purchases during the period	3,965,165	1,989,241
Disposals through sales and redemptions	(2,934,559)	(67,460)
Changes in amortised cost	(469,177)	(640,072)
Balance at the end of period	**3,798,359**	**4,170,246**

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

9. INVESTMENT SECURITIES (Continued)

Carrying value of financial assets at FVOCI given as collateral under repurchase agreements and for other banking transactions under the normal course of the banking operations are as follows:

	31 December 2023	31 December 2022
Deposited at financial institutions for repurchase transactioı	-	587,592
Collaterals	2,490,907	2,217,112
Other	1,307,452	1,365,542
Total	**3,798,359**	**4,170,246**

Financial assets measured at amortised cost

	31 December 2023		31 December 2022	
	Amount	**Effective interest rate (%)**	**Amount**	**Effective interest rate (%)**
Debt instruments:				
Foreign currency denominated bonds	3,377,002	0.46-8.28	2,668,453	(0.66)-8.30
TL denominated government bonds	-	-	2,873,625	10.01-10.25
Total	**3,377,002**		**5,542,078**	

The movement of financial assets measured at amortised cost is as follows:

	1 January – 31 December 2023	1 January – 31 December 2022
Balance at beginning of period	**5,542,078**	**8,809,126**
Index difference	(2,178,614)	(3,446,522)
Foreign currency differences on monetary assets	880,063	432,281
Purchases during the period	1,141,992	859,452
Disposals through sales and redemptions	(1,974,152)	(1,153,831)
Changes in amortised cost	(15,125)	59,048
Changes in allowance for impairment	(19,240)	(17,476)
Balance at the end of period	**3,377,002**	**5,542,078**

Carrying value of financial assets measured at amortised cost given as collateral under repurchase agreements and for other banking transactions under the normal course of the banking operations are as follows:

	31 December 2023	31 December 2022
Deposited at financial institutions for repurchase transactions	-	953,490
Collaterals	-	1,257,539
Other	3,377,002	3,331,049
Total	**3,377,002**	**5,542,078**

As at 31 December 2023, there are no financial assets measured at amortised cost collateralised against repurchase agreements (31 December 2022: TL 957,780).

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

10. LOANS AND RECEIVABLES

	31 December 2023						
	Amount				Effective interest rate (%)		
	TL	FC	FC Indexed	Total	TL	FC	FC indexed
Corporate loans	23,595,009	24,521,545	-	48,116,554	0.00-90.00	4.92-19.08	-
Consumer loans	137,766	-	-	137,766	7.20-58.80	-	-
Credit cards	45,942	890	-	46,832	43.92	-	-
Factoring receivables	2,499,984	-	-	2,499,984	21.48-57.36	-	-
Total performing loans	**26,278,701**	**24,522,435**		**50,801,136**			
Non-performing loans	-	-	-	763,749	-	-	-
Allowance for:	-	-	-	-	-	-	-
Individually impaired loans	-	-	-	(589,118)	-	-	-
Collectively impaired loans	-	-	-	(251,660)	-	-	-
Loans and receivables, net	**26,278,701**	**24,522,435**		**50,724,107**			

	31 December 2022						
	Amount				Effective interest rate (%)		
	TL	FC	FC Indexed	Total	TL	FC	FC indexed
Corporate loans	26,501,242	22,561,441	8,710	49,071,393	0.00-61.17	0.00-14.50	6.04
Consumer loans	394,826	-	414	395,240	0.00-46.40	-	6.03
Credit cards	235,243	13	-	235,256	16.32	0.00	-
Factoring receivables	2,211,238	-	-	2,211,238	22.42-44.39	-	-
Total performing loans	**29,342,549**	**22,561,454**	**9,124**	**51,913,127**			
Non-performing loans	-	-	-	1,368,653	-	-	-
Allowance for:	-	-	-	-	-	-	-
Individually impaired loans	-	-	-	(954,459)	-	-	-
Collectively impaired loans	-	-	-	(290,944)	-	-	-
Loans and receivables, net	**29,342,549**	**22,561,454**	**9,124**	**52,036,377**	-	-	-

"Loans and receivables" captions in the statement of financial position include the following:

	31 December 2023	31 December 2022
Loans and receivables measured at amortised cost	43,011,669	51,057,823
Factoring receivables	2,499,984	2,223,957
Less: impairment loss allowance	(840,778)	(1,245,403)
Loans and receivables at FVTOCI	6,053,232	-
Total loans and receivables	**50,724,107**	**52,036,377**

Valuation techniques considered in the valuation work and any possible changes in the basic assumptions may affect the carrying value of the related asset. For discounted cash flows method, significant unobservable inputs are EBITDA, growth rate and weighted average cost of capital. The estimated fair value of the asset would increase if growth rate and EBITDA are higher and decrease if the weighted average cost of capital is higher. Trading multiples and transaction multiples for the companies operating in the same sector are the other valuation techniques for pricing the assets. Transaction multiples for the companies operating in the same sector are based on similar transactions based on geographical features, industry, size, target market and other factors. Transaction multiples are derived by dividing the enterprise values of the companies to EBITDAs. The estimated fair value of the asset would increase if the multiples were higher and decrease if multiples were lower.

The specific allowance for possible loan losses is comprised of amounts for specifically identified as being impaired and non-performing loans and receivables plus a further amount considered adequate to cover the inherent risk of loss present in the lending relationships presently performing in accordance with agreements made with borrowers.

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

10. LOANS AND RECEIVABLES (Continued)

Movements in the reserve for possible loan losses:

	1 January – 31 December 2023	1 January – 31 December 2022
Reserve at beginning of the period/year	**1,245,403**	**2,469,096**
Index Difference	(489,573)	(1,014,714)
Adjustment from adoption of IFRS 9	-	-
Adjusted balance at 1 January 2019	755,830	1,454,382
Provision for possible loan losses, net of recoveries	53,601	229,932
Provision for possible loan losses	604,252	915,885
Recoveries	(550,651)	(685,953)
Provision, net of recoveries	**53,601**	**229,932**
Loans written-off during the period/year	(616)	(461,127)
Foreign currency differences on monetary assets	31,963	22,216
Reserve at end of the period/year	**840,778**	**1,245,403**

The movement of loss allowances per asset class for loans and receivables as of 31 December 2023 is as follows:

	31 December 2023			
Loans and receivables	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balances at 1 January 2023	98,422	78,150	579,257	755,829
Additions	427,049	59,119	118,084	604,252
Disposals	(341,502)	(58,327)	(150,822)	(550,651)
Debt sales	-	-	-	-
Write offs	-	-	(616)	(616)
Transfer to stage 1	3,375	(3,375)	-	-
Transfer to stage 2	(10,751)	10,751	-	-
Transfer to stage 3	(101)	(14,650)	14,751	-
Effects of movements in exchange rates	6,839	3,395	28,464	38,698
Balances at the end of the period	**183,331**	**75,063**	**589,118**	**847,512**

The credit quality analysis of loans and receivables excluding factoring receivables, including related income accruals, is as follows as at 31 December 2023 and 2022:

	31 December 2023		
	Stage 1	**Stage 2**	**Stage 3**
Stage 1: Low-fair risk	46,793,341	-	-
Stage 2: Watch list	-	399,576	-
Stage 3.1: Substandard	-	-	29,711
Stage 3.2: Doubtful	-	-	115,902
Stage 3.3: Loss	-	-	424,357
Total loans	46,793,341	399,576	569,970
Income accrual on loans	1,118,222	12,850	193,779
Loss allowance	(176,597)	(75,063)	(589,118)
Total carrying amount	**47,734,966**	**337,363**	**174,631**

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

10. LOANS AND RECEIVABLES (Continued)

	31 December 2022		
	Stage 1	Stage 2	Stage 3
Stage 1 : Low-fair risk	48,043,662	-	-
Stage 2 : Watch list	-	489,054	-
Stage 3.1: Substandard	-	-	15,316
Stage 3.2: Doubtful	-	-	103,552
Stage 3.3: Loss	-	-	876,937
Total loans	48,043,662	489,054	995,805
Income accrual on loans	1,147,675	21,498	372,848
Loss allowance	(162,173)	(128,772)	(954,459)
Total carrying amount	**49,029,164**	**381,780**	**414,194**

11. FACTORING RECEIVABLES

As at 31 December 2023 and 2022, short-term and long-term factoring receivables included in the loans and receivables are as follows:

	31 December 2023	31 December 2022
Short-term	2,481,603	2,214,764
Long-term	18,381	9,193
Total	**2,499,984**	**2,223,957**

12. PROPERTY AND EQUIPMENT

Movements of property and equipment as at and for the year ended 31 December 2023 and 2022 are as follows:

	Buildings	Motor vehicles	Right of use assets	Furniture, office equipment and leasehold improvements	Total
Cost					
Opening balance, 1 January 2022	**781,470**	**3,002**	**562,477**	**743,231**	**2,090,180**
Additions	18,272	-	145,129	103,049	266,450
Disposals	-	(63)	-	(187,536)	(187,599)
Effect of movements in exchange rates	-	-	-	-	-
Revaluation	322,846	-	-	-	322,846
Closing balance, 31 December 2022	**1,122,588**	**2,939**	**707,606**	**658,744**	**2,491,877**
Opening balance, 1 January 2022	1,122,588	2,939	707,606	658,744	2,491,877
Additions	17,815	-	163,071	144,945	325,831
Disposals	-	(332)	(7,641)	(25,761)	(33,734)
Effect of movements in exchange rates	-	-	-	-	-
Revaluation	287,244	-	-	-	287,244
Closing balance, 31 December 2023	**1,427,647**	**2,607**	**863,036**	**777,928**	**3,071,218**
Accumulated depreciation					
Opening balance, 1 January 2022	-	3,002	168,377	625,756	797,135
Additions	-	-	10,288	7,927	18,215
Disposals	-	(63)	-	-	(63)
Revaluation	-	-	-	-	-
Closing balance, 31 December 2022	**-**	**2,939**	**178,665**	**633,683**	**815,287**
Opening balance, 1 January 2022	**-**	**2,939**	**178,665**	**633,683**	**815,287**
Additions	-	-	266,520	24,254	**290,774**
Disposals	-	(332)	-	(118,654)	**(118,986)**
Effect of movements in exchange rates	-	-	-	-	**-**
Closing balance, 31 December 2023	**-**	**2,607**	**445,185**	**539,283**	**987,075**
Net carrying value					
1 January 2022	781,470	-	394,100	117,475	1,293,045
31 December 2022	1,122,588	-	528,941	25,060	1,676,589
31 December 2023	1,427,647	-	417,851	238,645	2,084,143

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

13. INTANGIBLE ASSETS

Movements of intangible assets as at and for the year ended 31 December 2023 and 2022 are as follows:

	Software	Other intangibles	Total
Cost			
Opening balance, 1 January 2022	**196,826**	**-**	**196,826**
Additions	85,461	-	85,461
Disposals	-	-	-
Closing balance, 31 December 2022	**282,287**	**-**	**282,287**
Opening balance, 1 January 2023	**282,287**	**-**	**282,287**
Additions	66,644	-	66,644
Disposals	-	-	-
Closing balance, 31 December 2023	**348,931**	**-**	**348,931**
Accumulated amortisation			
Opening balance, 1 January 2022	97,200	-	97,200
Additions	13,044	-	13,044
Disposals	-	-	-
Closing balance, 31 December 2022	**110,244**	**-**	**110,244**
Opening balance, 1 January 2023	110,244	-	110,244
Additions	27,493	-	27,493
Disposals	-	-	-
Closing balance, 31 December 2023	**137,737**	**-**	**137,737**
Net carrying value			
1 January 2022	99,626	-	99,626
31 December 2022	172,043	-	172,043
31 December 2023	211,194	-	211,194

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

14. NON-CURRENT ASSETS HELD FOR SALE

Movements of Non-Current Assets Held For Sale as at and for the year ended 31 December 2023 and 2022 are as follows:

	Non-Current Assets For Sale	Total
Cost		
Opening balance, 1 January 2022	1,225,199	1,225,199
Additions	41,300	41,300
Disposals	(219,756)	(219,756)
Closing balance, 31 December 2022	1,046,743	1,046,743
Opening balance, 1 January 2023	1,046,743	1,046,743
Additions	36,322	36,322
Disposals	(146,828)	(146,828)
Closing balance, 31 December 2023	936,237	936,237
Accumulated depreciation		
Opening balance, 1 January 2022	1,106	1,106
Additions	-	-
Disposals	(9)	(9)
Closing balance, 31 December 2022	1,097	1,097
Opening balance, 1 January 2023	1,097	1,097
Additions	-	-
Disposals	-	-
Closing balance, 31 December 2023	**1,097**	**1,097**
Net carrying value		
1 January 2022	1,224,093	1,224,093
31 December 2022	1,045,646	1,045,646
31 December 2023	935,140	935,140

15. OTHER ASSETS

	31 December 2023	31 December 2022
Transfer cheques	111,731	407,007
Collateral for leveraged operations	358,728	173,478
Prepaid expenses	24,394	29,288
Credit card payments	501,587	200,932
Advances given	17	2,239
Collateral for OTC operations	841	70,475
Other	172,077	94,292
Total	**1,169,375**	**977,711**

Assets held for sale

An asset (or a disposal group) classified as asset held for sale is measured at lower of the carrying amount and fair value less costs to sell. 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 should be actively marketed at a price consistent with its fair value.

As at 31 December 2023, TL 210,780 (31 December 2022: TL 358,133) of the other assets is comprised of foreclosed real estates acquired by the Bank against its impaired receivables.

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

16. DEPOSITS

Deposits from banks

	31 December 2023				31 December 2022			
	Amount		Effective interest rate (%)		Amount		Effective interest rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
Demand	4	254	-	-	3	257	-	-
Time	254,126	2,794,132	23.69	5.74	67,331	-	19.95	-
Total	**254,130**	**2,794,386**			**67,334**	**257**		

Deposits from customers

	31 December 2023				31 December 2022			
	Amount		Effective interest rate (%)		Amount		Effective interest rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
Saving:								
Demand	248,354	8,401,774	-	-	307,084	8,233,225	-	-
Time	15,800,153	15,358,624	1.00-51.00	0.01-8.00	21,227,036	15,676,968	5.00-26.00	0.01-4.00
	16,048,507	**23,760,398**			**21,534,120**	**23,910,193**		
Commercial and other deposits:								
Demand	1,102,205	4,451,917	-	-	2,351,773	5,660,278	-	-
Time	9,168,402	13,205,137	0.01-51.00	0.01-5.2	8,800,719	6,539,247	0.01-26.00	0.05-4.40
	10,270,607	**17,657,054**			**11,152,492**	**12,199,525**		
Total	**26,319,114**	**41,417,452**			**32,686,612**	**36,109,718**		

The Parent Bank decided on implementing its strategy to avoid any possible currency risks originating from its consolidated subsidiary, Anadolubank NV, as of 1 May 2018, to the extent that foreign exchange denominated net asset value of Anadolubank Nederland NV and Euro denominated term deposit accounts of Anadolubank as a protective measure against currency risks would be correlated consequently with protective measures against net investment risk. Any relevant changes on financial debts related to currency volatilities are being kept on the Parent Bank's books under equity as other accumulated comprehensive income and expenses that are to be booked as profit or loss.

The amounts relating to items designated as hedging instruments at 31 December 2023 and 2022 were as follows.

		Nominal amount	Carrying amount: Assets	Carrying amount: Liabilities	Line item in the statement of financial position where the hedging instrument is included	Change in fair value used for calculating hedge ineffectiveness for 2023	Change in the value of the hedging instrument recognised in OCI
2022	Foreign currency denominated deposits	EUR 100 million	-	1,993,490	Deposits	(484,820)	(484,820)
2023	Foreign currency denominated deposits	EUR 108 million	-	3,517,981		(1,365,012)	(1,365,012)

Other money market deposits

	31 December 2023				31 December 2022			
	Amount		Effective interest rate (%)		Amount		Effective interest rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
Obligations under repurchase agreements and Interbank Money Markets Borrowings:								
Due to banks	94,784	-	-	-	612,098	1,885,673	7.65	0.7-5.20
Other	-	-	-	-	-	-	-	-
Total	**94,784**	**-**	**--**	**-**	**612,098**	**1,885,673**	**-**	**-**

As at 31 December 2023, there are no carrying values of underlying financial assets at fair value through profit or loss collateralised against repurchase agreements (31 December 2022: None). There is no financial asset measured at amortised cost collateralised against repurchase agreements as of 31 December 2023 (31 December 2022: TL 957,780) and there is no financial asset at FVOCI collateralised against repurchase agreements (31 December 2022: TL 587,592).

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

17. FUNDS BORROWED

	31 December 2023				31 December 2022			
	Amount		Effective interest rate (%)		Amount		Effective interest rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
Short-term(*)	1,953,816	14,459	16.00-24.24	8.90-10.38	1,989,669	1,122,346	16.00-2	0.28-2.85
Medium/long term(*)	-	57,235		9.32	6,467	1,126,429	16.	(0.50)-3.10
Total	**1,953,816**	**71,694**			**1,996,136**	**2,248,775**		

(*) Borrowings are presented considering their original maturities and factoring payables are excluded.

Repayment plans of funds borrowed are as follows:

	31 December 2023	31 December 2022
2024	1,968,275	3,771,387
2025	5,270	473,524
2026	51,965	-
Total	**2,025,510**	**4,244,911**

18. DEBT SECURITIES ISSUED

As of 31 December 2023, the Group has not issued debt securities (31 December 2022: TL 0).

19. OBLIGATIONS FROM LEASING TRANSACTIONS

As of 1 January 2019, IFRS 16 Leases standard is started to be applied, and the difference between lease transactions and operating transactions ended. Lease transactions have been started to be displayed by the tenants under the Liabilities from Leasing Transactions item.

As of 31 December 2023, the Group's liabilities arising from leasing transactions are as follows:

	31 December 2023		31 December 2022	
	Gross	Net	Gross	Net
Less than 1 year	68,933	55,766	58,323	53,124
Between 1-4 years	114,872	93,383	64,751	50,959
More than 4 years	228,627	129,921	231,842	122,330
Total	**412,432**	**279,070**	**354,916**	**226,413**

20. OTHER LIABILITIES AND PROVISIONS

	31 December 2023	31 December 2022
Transfer orders	64,956	641,774
Collections from guarantee cheques	214,033	148,006
Reserve for employee severance indemnity and vacation	146,523	224,900
- Employee severance indemnity	*91,832*	*158,381*
- Vacation pay liability	*54,691*	*66,519*
Taxes other than on income	127,796	123,313
Collateral for leveraged operations	187,281	45,037
Assignment fee	44,547	62,871
Payables due from credit cards	212,566	248,651
Personnel bonuses	20,067	70,510
Provision for lawsuits	23,702	464,875
From loan commissions	70,911	94,028
Other various provisions	33,553	39,781
Other	448,237	422,729
Total	**1,594,172**	**2,586,475**

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

20. OTHER LIABILITIES AND PROVISIONS (Continued)

The movement of employee severance indemnity is as follows:

	1 January – 31 December 2023	1 January – 31 December 2022
Net liability at the beginning of the year	158,381	109,269
Index difference	(62,261)	(42,750)
Payments during the period	(91,616)	(20,567)
Actuarial losses	55,910	85,466
Changes during the period	31,418	26,963
Total	**91,823**	**158,381**

IAS 19 requires that all actuarial gains and losses to be recognised immediately in other comprehensive income in accordance with the change in IAS 19.

The movement of vacation pay liability is as follows:

	1 January – 31 December 2023	1 January – 31 December 2022
Total provision at the beginning of the year	67,512	59,598
Index difference	(26,539)	(23,317)
Paid during the year	(32,046)	(6,105)
Total expense recognised in the profit or loss	45,764	37,336
Total	**54,691**	**67,512**

21. INCOME TAXES

According to the Article 32 of the Corporate Tax Law No. 5520, announced in the Official Gazette dated 21 June 2006, the corporate tax rate is 20% in Turkey. However, the corporate income tax rate has been applied as 22% for 3 the years between 2018-2020 regarding to the "Law on Amendment of Certain Tax Laws and Some Other Laws" numbered 7061 and published in the Official Gazette on 5 December 2017. With Article 11 of the Law No. 7316 on the Procedure for Collection of Public Claims and Amending Certain Laws, which was published in the Official Gazette dated 22 April 2021 and numbered 31462, and with the Provisional Article 13 added to the Corporate Tax Law No. 5520, the Corporate Tax rate applied as 25% for the corporate earnings of the 2021 taxation period and will be applied 23% for the corporate earnings of the 2022 taxation period. The corporate tax rate has been determined as 25% with the amendment made in the temporary 13th article of the Law. This amendment is applied for the corporate profits of the taxation period starting from 1 January 2022, starting from the declarations that must be submitted as of 1 July 2022. This rate is applied to tax base which is calculated by adding certain non-deductible expenses for tax purposes and deducting certain exemptions (like dividend income) and other deductions on accounting income. If there is no dividend distribution, no further tax charges are made.

With the Law No. 7456, which was published in the Official Gazette dated 15 July 2023 and numbered 32249 additional Motor Vehicle Tax emerged to compensate the economic losses caused by the earthquakes that occurred on 6/2/2023 and Amending Certain Laws and the Decree Law No. 375. With the 21st article of the Law No. 5520, the phrase "20%" in the first paragraph of the 32nd article has been changed to "25%", and the phrase "25%" has been changed to "30%". This amendment is applicable to income generated in 2023 and all following tax periods, beginning with the returns due on October 1, 2023.

Pursuant to the Repetitive Article 298 of the Tax Procedure Law No. 213, the inflation adjustment requirement for the financial statements has occurred depending on the fact that the increase in the price index in the 2021 accounting period is more than 100% in the last three accounting periods, including the current period, and more than 10% in the current accounting period. However, with the Provisional Article 33 added to the Tax Procedure Law with the Law No. 7352, the financial statements should be prepared regardless of whether the conditions for the inflation adjustment within the scope of the repetitive article 298 are met in the 2021 and 2022 accounting periods and the 2023 accounting period temporary tax periods, including the temporary tax periods. Accordingly, the financial statements for the 2021 will not be subject to inflation adjustment in accordance with the TPL, and the financial statements dated 31 December 2023 will be subject to inflation adjustment regardless of whether the inflation adjustment conditions have been met, and the profit/loss difference arising from the inflation adjustment will be shown in the retained earnings and will not be subjected tax calculation.

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

21. INCOME TAXES (Continued)

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated 5 December 2017 and numbered 30261. Article 5 entitled "Exceptions" of the Corporate Tax Law has been amended in Article 89 of the Law. In accordance with (a) clause in the first paragraph of the Article, the exemption of 75% applied to gains from the sales of lands and buildings held by the entities for two full years has been reduced to rate of 50%. This regulation has been effective from 5 December 2017. On the grounds of the Law 7456 which was published in the Official Gazette dated July 15, 2023 and numbered 32249, the tax exemption on profits from the sales of immovables has been terminated starting from July 15, 2023. For immovables that had been part of a company's assets before July 15, 2023, the exemption rate on profits arising from their sales has been set to 25%. According to the Turkish Corporate Tax Law, losses can be carried forward for up to five years to offset against future taxable income. However, they cannot be carried back to offset profits from prior periods.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

There is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-30 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Tax applications for foreign branches and foreign operations

The principal tax rates (%) of the tax authorities in each country as of 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023	**31 December 2022**
Netherlands	25.8%	25.8%

As of 31 December 2023, and 31 December 2022, major components of income tax expense:

	2023	**2022**
Current income taxes:		
Current income tax charge	(496,442)	(702,150)
Deferred taxes:		
Relating to origination and reversal of temporary differences	(955,299)	(593,578)
Income tax expense	**(1,451,741)**	**(1,295,728)**

The current income tax charges and prepaid taxes are detailed below:

	31 December 2023	**31 December 2022**
Current income tax charge	496,442	702,150
Income tax paid in advance	(455,185)	(473,587)
Income tax (assets)/liabilities	**41,257**	**228,563**

Deferred Taxes

Taxes on income for the year also comprise deferred taxes. Deferred income tax is provided, using the liability method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liability and asset are recognised when it is probable that the future economic benefits resulting from the reversal of temporary differences will flow to or from the Bank. Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised. Currently enacted or substantively enacted tax rates are used to determine deferred taxes on income. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes.

As the tax rate used in the calculation of deferred tax assets and liabilities; 30% for temporary timing differences was used. (31 December 2022: 25%).

Individual consolidated subsidiaries offset deferred tax asset and deferred tax liability if the deferred tax asset and deferred tax liability relate to income taxes levied by the same taxation authority. Subsidiaries that have deferred tax assets position are not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

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

21. INCOME TAXES (Continued)

As at 31 December 2023 and 2022, deferred tax assets and liabilities are attributable to the following items:

	31 December 2023		31 December 2022	
	Deferred tax Assets/ (Liabilities)		Deferred tax Assets/ (Liabilities)	
	Asset	Liability	Asset	Liability
Valuation difference of derivative financial instruments	-	(616,761)	-	(142,321)
Differences in the measurement of the debt securities	-	(33,392)	-	(77,097)
Personnel bonuses	-	-	17,301	-
Reserve for employee severance indemnity and vacation	43,309	-	55,571	-
Valuation of financial assets at FVOCI	103,552	-	77,455	-
Loan loss provisions	-	-	-	-
Property and equipment	-	(179,486)	-	(351,641)
Other	139,759	(15,061)	96,755	-
Total deferred tax assets/(liabilities)	**286,620**	**(844,700)**	**247,082**	**(571,059)**
Offsetting	(286,620)	286,620	(247,082)	247,082
Deferred tax assets/(liabilities)	**-**	**(558,080)**	**-**	**(323,977)**

	1 January – 31 December 2023	1 January – 31 December 2022
Deferred tax asset / (liability) at 1 January	**(323,977)**	**88,020**
Deferred tax recognised in profit or loss	(955,299)	(593,743)
Deferred tax recognised in equity	721,196	181,746
Deferred tax asset / (liability) at 31 December	**(558,080)**	**(323,977)**

A reconciliation of income tax expense applicable to profit from operating activities before income taxes at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 31 December 2023 and 2022 were as follows:

	2023	2022
Net profit from ordinary activities before income taxes and non-controlling interest	**2,438,545**	**1,800,218**
Taxes on income per statutory tax rate	526,075	378,768
Disallowable expenses	12,693	5,894
Effect of inflation adjustment	912,973	911,066
Income tax expense	**1,451,741**	**1,295,728**

For the year ended 31 December 2023 the effective tax rate is 59.53% (2022: 71.98%).

22. CAPITAL AND RESERVES

Share capital

	31 December 2023	31 December 2022
Number of common shares, TL 0.01 (in full TL), par value authorised, issued and outstanding 110,000 millions	8,898,570	8,898,570

As at 31 December 2023 and 2022, the authorised nominal share capital of the Bank amounted to TL 1,100,000.

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

22. CAPITAL AND RESERVES (Continued)

As at 31 December 2023 and 2022, the composition of shareholders and their respective percentage of ownership can be summarised as follows:

	31 December 2023			31 December 2022		
	Share capital	**Inflation Adjustment**	**%**	**Share capital**	**Inflation Adjustment**	**%**
Habaş Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AŞ	915,364	7,405,391	83.22	915,364	7,405,391	83.22
Mehmet Rüştü Başaran	167,992	1,358,811	15.27	167,992	1,358,811	15.27
Other shareholders	16,644	134,368	1.51	16,644	134,368	1.51
Nominal value	**1,100,000**	**8,898,570**	**100.00**	**1,100,000**	**8,898,570**	**100.00**
Total						

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation. As at 31 December 2023 and 2022, the amounts of translation reserve of the Bank are TL 3,566,943 and TL 2,682,349 respectively.

Fair value reserve

The fair value reserve comprises the effective portion of the cumulative net change in the fair value of financial assets at fair value through other comprehensive income net change in the fair value of FVOCI as at 31 December 2021 until the assets are derecognized or impaired. As at 31 December 2023 and 2022, the amounts of fair value reserve of the Bank are TL (305,166) and TL (182,828) respectively.

Hedging reserve

The Parent Bank decided on implementing its strategy to avoid any possible currency risks originating from its consolidated subsidiary, Anadolubank NV, as of 1 May 2018, to the extent that foreign exchange denominated net asset value of Anadolubank Nederland NV and Euro denominated term deposit accounts of Anadolubank as a protective measure against currency risks would be correlated consequently with protective measures against net investment risk. Any relevant changes on financial debts related to currency volatilities are being kept on the Parent Bank's books under equity as other accumulated comprehensive income and expenses that are to be booked as profit or loss.

As of 31 December 2023, the nominal amount of transactions of Anadolubank Netherlands for hedging the risk of changes in fair value is TL (1,983,223).

Other reserves and legal reserves

Other reserves consist of the revaluation of property and equipment and actuarial difference in total of TL 466,705 (31 December 2022: Revaluation of property and equipment which is amounted to TL (93,860).

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code and amounted to TL 1,066,894 (31 December 2022: TL 988,285). The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

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

22. CAPITAL AND RESERVES (Continued)

Non-controlling interests

As at 31 December 2023, non-controlling interests amount to TL 32,867 (31 December 2022: TL 31,790).

23. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group is controlled by Habaş Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AŞ which owns 83.22% (31 December 2022: 83.22%) of ordinary shares, and included in Habaş Group of companies. For the purpose of these consolidated financial statements, shareholders and Habaş Group companies are referred to as related parties. Related parties also include individuals that are principal owners and management and members of the Group's Board of Directors and their families. In the course of conducting its banking business, the Group conducted various business transactions with related parties on commercial terms.

The following significant balances exist and transactions have been entered into with related parties:

Outstanding balances

	31 December 2023	**31 December 2022**
Cash loans	1,278,759	672,282
Non-cash loans	67,837	173,239
Deposits taken	12,653,066	8,416,096
Derivative financial assets	3,379,285	3,052,011

Transactions

	1 January – 31 December 2023	**1 January – 31 December 2022**
Interest income	72,050	37,992
Interest expense	665,434	180,482

Directors' remuneration

For the year ended 31 December 2023, the key management and the members of the Board of Directors received remuneration and fees amounting to TL 145,740 (31 December 2022: TL 112,095).

24. INTEREST INCOME / EXPENSES

	1 January – 31 December 2023	**1 January – 31 December 2022**
Interest on loans and receivables	8,337,972	9,523,718
Interest on marketable securities	532,994	680,946
Financial assets at FVTPL	13,767	22,323
Financial assets at FVOCI	319,659	104,896
Financial assets measured at amortized cost	199,568	553,727
Interest on loans and advances to banks and other financial institutions	620,658	172,306
Interest on other money market placements	251,365	90,617
Other interest income	779,388	16,861
Total interest income	**10,522,377**	**10,484,448**

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

24. INTEREST INCOME / EXPENSES (Continued)

	1 January – 31 December 2023	1 January – 31 December 2022
Interest on deposits	8,380,229	5,614,519
Interest on other money market deposits	98,691	231,737
Interest on funds borrowed	570,718	290,323
Interest on securities issued	-	-
Interest on finance lease expenses	40,553	37,649
Other interest expenses	30,513	112,418
Total interest expenses	**9,120,704**	**6,286,646**

25. FEE AND COMMISSION INCOME / EXPENSES

	1 January – 31 December 2023	1 January – 31 December 2022
From non-cash loans	199,251	147,582
Other	2,368,666	981,956
From cash loans	1,471,839	*559,496*
From individual loan application	256,180	*92,767*
Other	*640,647*	*329,693*
Fee and commission income	**2,567,917**	**1,129,538**

	1 January – 31 December 2023	1 January – 31 December 2022
Credit card commissions	137,254	56,679
Credit card exchange commissions	-	-
Foreign correspondents’ commissions	14,842	21,145
EFT commissions	106,394	27,426
Istanbul stock exchange commissions	69,647	31,780
Credit bureau commissions	-	-
ATM commissions	1,935	1,878
Securities commissions	6,871	6,658
Other	102,250	15,249
Fee and commission expenses	**439,193**	**160,815**

26. SALARIES AND EMPLOYEE BENEFITS

	1 January – 31 December 2023	1 January – 31 December 2022
Staff costs:		
Wages and salaries	1,358,642	989,190
Cost of defined contribution plan (employer’s share of social security premiums)	204,708	153,374
Other fringe benefits	201,780	121,248
Provision for employee termination benefits and unused vacation accruals	27,419	125,557
Total	**1,792,549**	**1,389,369**

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

26. SALARIES AND EMPLOYEE BENEFITS (Continued)

The number of employees during the year is:

	1 January – 31 December 2023	1 January – 31 December 2022
The Bank	1,547	1,671
Subsidiaries	178	174
Total	**1,725**	**1,845**

27. OTHER EXPENSES

	1 January – 31 December 2023	1 January – 31 December 2022
Saving Deposit Insurance Fund Premium	53,974	58,839
Communication expenses	65,423	59,203
Chartered accountants	82,337	79,643
Maintenance expenses	56,810	44,770
Energy costs	42,524	52,109
Cleaning service expenses	29,716	21,320
Transportation expenses	23,947	1,552
BRSA participation fee	8,854	9,909
Advertising expenses	72,573	67,849
Office supplies	9,575	1,203
Operating lease charges	9,695	4,849
Litigation and court expenses	507,451	457,457
Other	548,167	130,503
Total	**1,511,046**	**989,206**

28. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business activities, the Bank and its subsidiaries undertake various commitments and incur certain contingent liabilities that are not presented in the consolidated financial statements. Commitments and contingent liabilities comprise the following:

	31 December 2023	31 December 2022
Letters of guarantee	12,367,175	11,194,646
Letters of credit	2,852,313	1,911,104
Acceptance credits	74,195	70,526
Other guarantees	2,394,111	3,026,050
Total non-cash loans	**17,687,794**	**16,202,326**
Credit card limit commitments	324,611	351,406
Other commitments	7,041,562	7,016,486
Total	**25,053,967**	**23,570,218**

28. COMMITMENTS AND CONTINGENCIES (Continued)

Litigations

In the normal course of its operations, the Group faces with legal disputes, claims and complaints. The necessary provision, if any, for those cases are provided based on management estimates and professional advice.

As at 31 December 2023, there are 130 cases against the Group which have a probability to result against the Group with respect to information received from Law Departments of the Group. The total amount of these cases is TL 17,000 and provision amount for these cases is TL 11,813.

29. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

This note presents information about the Group's exposure to each of the below risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors monitors the effectiveness of the risk management system through the audit committee. Consequently, the Risk Management Department, which carries out the risk management activities and works independently from executive activities, report directly to the Board of Directors.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The risks are measured with the internationally accepted methodologies in compliance with local and international regulations, the Bank's structure, policy and procedures. They are effectively managed and assessed in a continuously growing manner. At the same time, studies for compliance with the international banking applications, such as Basel III, are carried out.

Audit Committee: The Audit Committee consists of two members of the Board of Directors who do not have any executive functions. The Audit Committee, established to assist the Board of Directors in its auditing and supervising activities, is responsible for:

- The supervision of the efficiency and effectiveness of the internal control, risk management and internal audit systems of the Bank, functioning of these systems as well as accounting and reporting systems within the framework of related procedures, and the integrity of information generated;
- The preliminary assessment on the selection process of independent audit firms and the systematic monitoring of the activities of these companies;
- The maintenance and coordination of the internal audit functions of corporations subject to consolidated internal audits.

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

29. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Credit risk is most simply defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Credit risk is defined as the probability of loss if the customer or counterparty fails to meet its obligations partially or completely on the terms set. Credit risk is considered in depth covering the counterparty risks arising from not only from future or option contracts but also credit risks originating from the transactions in Banking Law.

Exposure to credit risk

	Loans and receivables to customers		Other assets	
	2023	**2022**	**2023**	**2022**
Impaired	752,629	1,359,612	11,120	9,041
Individual allowance for impairment	(577,998)	(945,418)	(11,120)	(9,041)
Carrying amount	**174,631**	**414,194**	**-**	**-**
Past due but not impaired	52,615	79,177	-	-
Carrying amount	**52,615**	**79,177**	**-**	**-**
Neither past due nor impaired	50,655,163	51,534,594	-	-
Loans with renegotiated terms	100,091	299,356	-	-
Carrying amount	**50,755,254**	**51,833,950**	**-**	**-**
Collective allowance for impairment	(258,393)	(290,944)	-	-
Total carrying amount	**50,724,107**	**52,036,377**	**-**	**-**

Impaired loans and receivables

Impaired loans and receivables are loans and receivables for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements.

Past due but not impaired loans

Loans and receivables where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to temporary deterioration in the borrower’s financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Write-off policy

The Group writes off a loan / security balance (and any related allowances for impairment losses) when Group determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer’s financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure and the completion of the legal procedure. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status.

The Bank has written off the non-performing loans from the loan portfolio as of 31 December 2023 and subtracted which is amounted to TL 616. (31 December 2022 TL 484,374)

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

29. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Collateral policy

The Group holds collateral against loans and receivables to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2023 or 2022.

The breakdown of performing cash and non-cash loans and receivables to customers by type of collateral is as follows:

Cash loans	**31 December 2023**	**31 December 2022**
Secured loans:		
Secured by cash collateral	1,414,457	3,948,210
Secured by mortgages	3,625,479	3,618,384
Secured by government institutions or government securities	1,108	35,469
Guarantees issued by financial institutions	1,398	12,371
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	28,790,146	28,361,766
Unsecured loans	8,431,437	13,725,690
Total performing loans and receivables	**42,264,025**	**49,701,890**

Non-cash loans	**31 December 2023**	**31 December 2022**
Secured loans:		
Secured by mortgages	490,980	552,011
Secured by cash collateral	413,880	*568,005*
Secured by government institutions or government securities	12,974	-
Guarantees issued by financial institutions	540	*14,103*
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	*15,000,486*	*13,827,302*
Unsecured loans	1,768,934	1,240,905
Total non-cash loans	**17,687,794**	**16,202,326**

An estimate of the fair value of collaterals held against non-performing loans and receivables is as follows:

	31 December 2023	**31 December 2022**
Mortgages	103,334	315,487
Pledge on automobile	5,288	-
Total	**108,622**	**315,487**

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

29. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Sectorial and geographical concentration of impaired loans

The Bank and its subsidiaries monitor concentrations of credit risk by sector and by geographic location. An analysis of concentrations of non-performing loans is shown below:

	31 December 2023	31 December 2022
Service sector	247,472	420,677
Construction	196,435	405,691
Agriculture and stockbreeding	38,665	106,636
Textile	30,504	49,010
Consumer loans	137,766	124,160
Food	11,914	63,571
Metal and metal products	14,641	28,766
Durable consumption	2,652	55,262
Others	83,700	114,880
Total non-performing loans and receivables	**763,749**	**1,368,653**

	31 December 2023	31 December 2022
Turkey	678,705	1,282,907
Netherlands	85,044	85,746
Switzerland	-	-
Total non-performing loans and receivables	**763,749**	**1,368,653**

Sectorial break down of cash and non-cash loans

	31 December 2023				31 December 2022			
	Cash	Cash (%)	Non cash	Non-cash (%)	Cash	Cash (%)	Non-cash	Non-cash (%)
Agriculture	***1,323,460***	***2.61***	***100,589***	***0.57***	***1,348,538***	**2.60**	**211,424**	**1.30**
Farming and stockbreeding	*1,178,351*	*2.32*	*82,136*	*0.46*	*1,120,453*	*2.16*	*172,677*	*1.07*
Forestry	*77,993*	*0.15*	*11,825*	*0.07*	*161,069*	*0.31*	*28,623*	*0.18*
Fishing	*67,116*	*0.13*	*6,628*	*0.04*	*67,016*	*0.13*	*10,124*	*0.06*
Industry	***17,797,023***	***35.03***	***6,717,990***	***37.98***	***18,873,143***	**36.36**	**6,812,665**	**42.05**
Mining and quarrying	*883,595*	*1.74*	*133,801*	*0.76*	*1,023,032*	*1.97*	*227,504*	*1.40*
Manufacturing	*16,608,850*	*32.69*	*6,214,646*	*35.13*	*17,802,757*	*34.29*	*6,345,092*	*39.16*
Electricity, gas, water	*304,578*	*0.60*	*369,543*	*2.09*	*47,354*	*0.09*	*240,069*	*1.48*
Construction	***2,085,260***	***4.10***	***2,449,121***	***13.85***	***2,750,483***	**5.30**	**2,571,346**	**15.87**
Services	***27,247,068***	***53.63***	***7,937,040***	***44.87***	***25,936,600***	**49.96**	**6,069,779**	**37.46**
Wholesale and retail trade	*9,618,712*	*18.93*	*3,692,244*	*20.87*	*10,247,043*	*19.74*	*3,380,653*	*20.87*
Hotel and restaurant services	*309,441*	*0.61*	*43,147*	*0.24*	*161,412*	*0.31*	*69,282*	*0.43*
Transportation and communication	*2,169,883*	*4.27*	*287,829*	*1.63*	*2,129,659*	*4.10*	*381,125*	*2.35*
Financial institution	*12,099,642*	*23.82*	*3,528,151*	*19.95*	*10,939,442*	*21.07*	*1,911,456*	*11.80*
Real estate and rent services	*983,465*	*1.94*	*8,895*	*0.05*	*834,517*	*1.61*	*25,050*	*0.15*
Professional services	*457,972*	*0.90*	*226,332*	*1.28*	*550,233*	*1.06*	*214,221*	*1.32*
Educational services	*11,134*	*0.02*	*13,974*	*0.08*	*118,371*	*0.23*	*14,070*	*0.09*
Health and social services	*1,596,819*	*3.14*	*136,468*	*0.77*	*955,923*	*1.84*	*73,922*	*0.46*
Consumer loans	***137,766***	***0.27***	-	-	***395,239***	***0.76***	-	-
Credit card	***46,832***	***0.09***	-	-	***235,256***	***0.45***	-	-
Others	***2,163,727***	***4.27***	**483,054**	**2.73**	***2,373,868***	***4.57***	**537,111**	**3.32**
Total	**50,801,136**	**100.00**	**17,687,794**	**100.00**	**51,913,127**	**100.00**	**16,202,325**	**100.00**

29. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

In order to avoid the liquidity risk, the Group diversifies funding resources as customer deposits and foreign borrowings, considers the maturity mismatch between assets and liabilities and maintains liquid assets to guarantee sufficient liquidity during market fluctuations.

While the Group short term liquidity need is met mainly with deposits, its long term liquidity is provided through foreign funding sources such as syndication and securitization transactions. There are no significant idle liquidity resources.

Liquidity coverage ratio

The Bank makes use of liquidity stress tests in the internal measurement of liquidity risk. In liquidity gap analysis and liquidity stress scenarios, the Bank's compensation level of net cash outflows which are more likely to happen in short term are presented. Measurements regarding liquidity risk are performed by Risk Management Department and measurement results are reported regularly to performer units responsible of management of the related risk and top management and the Board of Directors.

Liquidity risk may occur as a result of funding long-term assets with short-term resources. Utmost care is taken to maintain the consistency between the maturities of assets and liabilities; strategies are used to acquire funds over longer terms. In order to avoid adversely affecting the Bank's liquidity risk profile on the funding side of concentrations that may occur, deposit and non-deposit debt concentration limits are used in an active way.

Liquidity risk exposure of the bank, depending on the basic strategy of the Bank is consistent with the resulting risk appetite with risk capacity determined within the limits anticipated by the legislation is a key priority.

The Bank, against a reduction in the huge levels may occur in liquidity sources it is essential to have adequate levels free liquid assets that can be sold in any case or pledged. The level of liquidity buffer consisting of liquid assets in question, expressed in liquidity risk limits are determined by the Board of Directors and is set in accordance with the Bank's liquidity risk tolerance. The Bank's Asset Liability Committee (ALCO) is responsible for determination of the required funding sources and maturities, revising the liquidity situation to determine the appropriate level of liquidity, within the limits approved by the Board of Directors.

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

29. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

		Total Unweighted Value (average) (*)		Total Weighted Value (average) (*)	
Current Period		**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUIDITY ASSETS					
1	High Quality Liquidity Assets			20,273,422	14,541,903
CASH OUTFLOWS					-
2	Retail and Small Business Customers' Deposits	35,843,726	19,823,872	3,384,832	1,972,367
3	Stable Deposits	3,990,815	200,390	199,541	10,019
4	Less Stable Deposits	31,852,911	19,623,482	3,185,291	1,962,348
5	Unsecured Fundings besides retail and small business customers' deposits	34,873,683	19,265,945	17,252,299	8,412,363
6	Operational Deposits	-	-	-	-
7	Non-Operational Deposits	31,897,008	18,787,466	14,311,163	7,933,898
8	Other unsecured fundings	2,976,675	478,479	2,941,136	478,465
9	Secured Fundings	-	-	-	-
10	Other Cash Outflows	334,891	3,311,467	334,891	3,311,467
11	Derivatives cash outflows and collateral outflows	334,891	3,311,467	334,891	3,311,467
12	Obligation related to structured financial products	-	-	-	-
13	Commitments related to debts to financial markets and other off-balance sheet obligations	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	1,109,501	1,109,501	55,475	55,475
15	Other irrevocable or conditionally revocable off-balance sheet obligations	15,810,307	3,999,060	1,384,824	512,072
16	**TOTAL CASH OUTFLOWS**			**22,412,321**	**14,263,744**
CASH INFLOWS		-	-	-	-
17	Secured Lending	860,791	-	-	-
18	Unsecured Lending	11,453,902	3,447,331	8,192,498	2,863,584
19	Other Cash Inflows	594,569	2,541,421	594,569	2,541,421
20	**TOTAL CASH INFLOWS**	**12,909,262**	**5,988,752**	**8,787,067**	**5,405,005**
					Total Adjusted Value
21	**TOTAL HQLA STOCK**			**20,273,422**	**14,541,903**
22	**TOTAL NET CASH OUTFLOW**			**13,625,255**	**8,858,740**
23	**LIQUIDITY COVERAGE RATIO (%)**			**148.79**	**164.15**

(*) It is the average calculated for the last three months of the consolidated liquidity coverage, calculated by taking a monthly simple arithmetic mean.

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

29. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

		Total Unweighted Value (average) (*)		Total Weighted Value (average) (*)	
Prior Period		**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUIDITY ASSETS					
1	High Quality Liquidity Assets			11,470,818	8,899,586
CASH OUTFLOWS					
2	Retail and Small Business Customers' Deposits	24,982,362	12,598,244	2,348,280	1,249,939
3	Stable Deposits	2,999,122	197,707	149,956	9,885
4	Less Stable Deposits	21,983,240	12,400,537	2,198,324	1,240,054
5	Unsecured fundings besides retail and small business customers' deposits	21,434,914	10,619,662	10,136,647	4,812,299
6	Operational Deposits	-	-	-	-
7	Non-Operational Deposits	19,784,259	10,106,431	8,519,219	4,299,068
8	Other unsecured fundings	1,650,655	513,231	1,617,428	513,231
9	Secured Fundings			97,983	97,983
10	Other Cash Outflows	126,794	3,132,898	126,794	3,132,898
11	Derivatives cash outflows and collateral outflows	126,794	3,132,898	126,794	3,132,898
12	Obligation related to structured financial products	-	-	-	-
13	Commitments related to debts to financial markets and other off-balance sheet obligations	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	342,526	342,526	17,126	17,126
15	Other irrevocable or conditionally revocable off-balance sheet obligations	8,890,715	2,313,302	785,100	293,505
16	**TOTAL CASH OUTFLOWS**			**13,511,930**	**9,603,750**
CASH INFLOWS					
17	Secured Lending	464,768	-	-	-
18	Unsecured Lending	10,621,434	7,144,730	8,845,904	6,872,002
19	Other Cash Inflows	294,784	2,315,649	294,784	2,315,649
20	**TOTAL CASH INFLOWS**	**11,380,986**	**9,460,379**	**9,140,688**	**9,187,651**
					Total Adjusted Value
21	**TOTAL HQLA STOCK**			**11,470,818**	**8,899,586**
22	**TOTAL NET CASH OUTFLOW**			**4,565,211**	**2,446,820**
23	**LIQUIDITY COVERAGE RATIO (%)**			**251.27**	**363.72**

(*) It is the average calculated for the last three months of the consolidated liquidity coverage, calculated by taking a monthly simple arithmetic mean.

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

29. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

	Current period		Prior period	
	TL+FC	**FC**	**TL+FC**	**FC**
Lowest	**163.90%**	**249.27%**	**121.50%**	**175.72%**
related month	30 November 2022	30 November 2022	30 November 2021	16 December 2021
Highest	**327.55%**	**503.29%**	**195.11%**	**377.26%**
related month	11 November 2022	30 December 2022	29 December 2021	29 December 2021

Liquidity coverage ratio aims to ensure banks maintain adequate levels of high quality liquid assets against net cash outflows. High quality liquid assets are mainly cash and cash equivalents, reserve requirements maintained at CBRT and marketable securities that are not subject to repurchase agreements or not given as collateral. 69% of the Bank's high quality assets are cash & cash equivalents and reserve requirements maintained at CBRT; 26% are marketable securities and 5% are cash. Besides, time deposits, derivatives, loans up to 1 month and non-cash loans are balance sheet accounts that are significant on the ratio. 80% of cash outflows are unsecured funding, 2% are secured funding and 18% are off-balance items.

Residual contractual maturities of monetary liabilities

31 December 2023	**Carrying amount**	**Gross Nominal outflow**	**Demand**	**Less than one month**	**1-3 months**	**3 months to 1 year**	**1-5 years**	**More than 5 years**
Deposits from banks	3,048,516	3,469,501	257	3,006,522	185,669	277,053	-	-
Deposits from customers	67,736,566	77,289,389	14,204,250	40,637,060	12,715,732	7,021,854	2,669,707	40,786
Obligations under repurchase agreements	-	-	-	-	-	-	-	-
Funds borrowed	2,025,510	2,490,089	-	286,379	-	1,676,801	526,909	-
Total	**72,810,592**	**83,248,979**	**14,204,507**	**43,929,961**	**12,901,401**	**8,975,708**	**3,196,616**	**40,786**

31 December 2022	**Carrying amount**	**Gross nominal outflow**	**Demand**	**Less than one month**	**1-3 months**	**3 months to 1 year**	**1-5 years**	**More than 5years**
Deposits from banks	67,591	67,631	260	67,371	-	-	-	-
Deposits from customers	68,796,330	79,543,280	16,552,359	38,671,299	17,046,108	5,686,114	1,558,694	28,705
Obligations under repurchase agreements	1,457,421	1,466,515	-	464,762	1,001,753	-	-	-
Funds borrowed	4,244,911	4,271,893	-	1,079,599	739,395	1,981,497	471,402	-
Total	**74,566,253**	**85,349,319**	**16,552,619**	**40,283,031**	**18,787,256**	**7,667,611**	**2,030,096**	**28,705**

The previous table shows the undiscounted cash flows on the Group's monetary liabilities on the basis of their earliest possible contractual maturity. The Group's expected cash flows on these instruments vary significantly from this analysis.

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

29. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

The table below analyses contractual maturities of derivative transactions:

	31 December 2023								
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Derivatives financial instruments held for trading purpose:									
Forward purchase contract	65,075	87,249	9,329,250	3,166,936	2,650,964	3,052,425	458,925	-	-
Forward sale contract	-	-	8,730,128	3,123,238	2,515,128	2,725,152	366,610	-	-
Currency swap purchase	363,075	319,458	28,037,049	14,529,355	8,227,005	480,832	762,625	3,908,868	128,364
Currency swap sale	-	-	27,982,882	14,567,118	8,322,734	488,609	-	4,478,552	125,869
Interest swap purchase	-	-	8,356,246	-	1,996,000	1,875,000	900,000	1,996,780	1,588,466
Interest swap sale	-	-	8,356,246	-	1,996,000	1,875,000	900,000	2,322,519	1,262,727
Put option purchase	1,823,113	12,334	8,044,991	2,151,688	3,437,989	2,048,480	406,834	-	-
Put option sale	-	-	6,572,222	1,770,075	2,838,225	1,566,833	397,089	-	-
Total	**2,251,263**	**419,041**	**105,409,014**	**39,308,410**	**31,984,045**	**14,112,331**	**4,192,083**	**12,706,719**	**3,105,426**

	,31 December 2022								
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Derivatives financial instruments held for trading purpose:									
Forward purchase contract	218,672	3,791	6,055,339	1,812,738	1,990,650	1,769,463	482,488	-	-
Forward sale contract	-	-	5,727,830	1,786,720	1,893,325	1,627,325	420,459	-	-
Currency swap purchase	249,036	283,184	20,650,453	14,588,370	2,014,833	-	65,471	3,777,442	204,337
Currency swap sale	-	-	20,898,283	14,605,597	2,012,714	-	61,618	4,010,354	207,999
Interest swap purchase	-	-	3,045,939	98,864	823,865	1,071,024	329,546	-	722,641
Interest swap sale	-	-	3,045,939	98,864	823,865	1,071,024	329,546	-	722,641
Put option purchase	820,548	221,562	17,999,413	4,515,345	10,732,825	2,157,357	593,886	-	-
Put option sale	-	-	17,580,316	4,313,088	10,576,780	2,075,964	614,484	-	-
Total	**1,288,256**	**508,537**	**95,003,512**	**41,819,586**	**30,868,857**	**9,772,157**	**2,897,498**	**7,787,796**	**1,857,618**

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risk

The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios mainly are held by the Treasury Department, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

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

29. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market risk (Continued)

Exposure to market risk – trading portfolios

The market risk arising from trading portfolio is monitored, measured and reported using Standardised Approach according to the legal legislation. The monthly market risk report and the weekly currency risk reports prepared using Standardised Approach are reported to BRSA.

The principal tool used to measure and control market risk exposure within the Bank's trading portfolios is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based upon a 99 percent confidence level and assumes a 1 day holding period. The VaR model used is based mainly on Monte Carlo simulation. Taking account of market data from the previous 252 days, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios and stress tests for market price movements. The VaR model used is based on and Monte Carlo simulation with using with Nelson Siegel method for yield curve and GARCH method for volatility. The VaR analysis of the Bank are not reported outside and used only by the top management.

The consolidated value at market risk as of 31 December 2023 calculated as per the statutory consolidated financial statements prepared for the BRSA reporting purposes within the scope of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no. 29511 dated 23 October 2015 is as follows:

		RWA
1	Indirect (Cash) Products	
2	Interest Rate Risk (general and specific)	2,153,638
3	Stock risk (general and specific)	80,800
4	Currency risk	714,412
	Commodity risk	-
5	Options	
6	Simplified Approach	-
7	Delta-Plus Method	94,363
8	Scenario Approach	-
9	Securitization	-
	Total	**3,043,213**

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

29. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market risk (Continued)

Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities. A summary of the Group's interest rate gap position is as follows:

31 December 2023	Less than one month	1-3 months	3-12 months	1 -5 years	Over 5 years	Non-interest	Carrying amount
Cash and balances with the Central Bank	6,497,857	-	-	-	-	2,323,577	8,821,434
Loans and advances to banks and other financial institutions	9,370,485	-	-	-	-	2,084,367	11,454,852
Receivables from reverse repurchase transactions	-	329	14,765	33,239	69,905	-	118,238
Financial assets at FVTPL	2,810,043	-	-	-	-	-	2,810,043
Financial assets at FVOCI	892,744	818,743	4,213,552	1,930,291	1,826,719	169,542	9,851,591
Loans and receivables	8,865,461	12,945,382	18,522,357	4,148,309	29,328	160,037	44,670,874
Financial assets measured at amortised cost	75,868	210,545	785,983	1,827,686	476,920	-	3,377,002
Other assets	524,767	939,826	786,670	-	-	4,410,040	6,661,303
Total assets	**29,037,225**	**14,914,825**	**24,323,327**	**7,939,525**	**2,402,872**	**9,147,563**	**87,765,337**
Deposits from banks	1,530,061	213,929	1,050,132	254,137	-	257	3,048,516
Deposits from customers	32,176,163	12,380,191	9,787,593	5,270,075	35,921	8,086,623	67,736,566
Obligations under repurchase agreements and interbank money market borrowings	94,784	-	-	-	-	-	94,784
Debt securities issued	-	-	-	-	-	-	-
Funds borrowed	969,721	630,390	365,711	5,270	-	54,408	2,025,500
Other liabilities, provisions and equity	178,739	168,345	118,548	96,640	92,485	14,205,214	14,859,971
Total liabilities	**34,949,468**	**13,392,855**	**11,321,984**	**5,626,122**	**128,406**	**22,346,502**	**87,765,337**
Net	**(5,912,243)**	**1,521,970**	**13,001,343**	**2,313,403**	**2,274,466**	**(13,198,939)**	**-**

31 December 2022	Less than one month	1-3 months	3-12 months	1 -5 years	Over 5 years	Non-interest	Carrying amount
Cash and balances with the Central Bank	5,152,255	-	-	-	-	4,781,229	9,933,484
Loans and advances to banks and other financial institutions	11,301,985	-	-	-	-	2,168,613	13,470,598
Receivables from reverse repurchase transactions	741,900	-	-	-	-	-	741,900
Financial assets at FVTPL		1,921	9,311	33,663	39,831		84,726
Financial assets at FVOCI	340,221	182,956	247,370	1,491,597	1,723,502	184,600	4,170,246
Loans and receivables	7,310,057	12,253,827	24,535,991	6,678,728	873,247	384,527	52,036,377
Financial assets measured at amortised cost	63,095	-	3,189,353	1,870,453	419,177	-	5,542,078
Other assets	294,336	497,817	438,904	57,199	-	3,879,721	5,167,977
Total assets	**25,203,849**	**12,936,521**	**28,420,929**	**10,131,640**	**3,055,757**	**11,398,690**	**91,147,386**
Deposits from banks	67,331	-	-	-	-	260	67,591
Deposits from customers	28,514,478	16,766,953	5,400,004	1,534,243	28,293	16,552,359	68,796,330
Obligations under repurchase agreements and interbank money market borrowings	1,482,912	859,892	154,967	-	-	-	2,497,771
Debt securities issued	-	-	-	-	-	-	-
Funds borrowed	2,024,417	38,690	1,708,280	473,445	-	79	4,244,911
Other liabilities, provisions and equity	467,341	128,352	281,175	127,425	88,411	14,448,080	15,540,783
Total liabilities	**32,556,478**	**17,793,887**	**7,544,426**	**2,135,113**	**116,704**	**31,000,778**	**91,147,386**
Net	**(7,352,629)**	**(4,857,366)**	**20,876,503**	**7,996,527**	**2,939,053**	**(19,602,088)**	**-**

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

29. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market risk (Continued)

The following table indicates the effective interest rates by major currencies for the major components of the consolidated statement of financial position for 2023 and 2022:

31 December 2023	**Euro %**	**USD %**	**TL %**
Cash and balances with Central Bank	-	-	-
Loans and advances to banks and other financial institutions	4.35	2.30	23.76
Financial assets at FVTPL	4.70	7.05	-
Money market placements	-	-	37.09
Financial assets at FVOCI	3.09	6.90	13.49
Loans and receivables to customers	7.08	8.18	33.49
Financial assets measured at amortised cost	3.27	6.05	-
Deposits from banks	7.05	10.27	23.69
Deposits from customers	2.89	3.90	37.41
Debt securities issued	-	-	-
Money market debts	-	-	-
Funds borrowed	9.15	3.24	35.00

31 December 2022	**Euro %**	**USD %**	**TL %**
Cash and balances with Central Bank	-	-	-
Loans and advances to banks and other financial institutions	0.48	3.62	10.17
Financial assets at FVTPL	5.26	8.04	7.72
Money market placements	-	4.30	8.82
Financial assets at FVOCI	(0.45)	8.08	8.59
Loans and receivables to customers	5.14	6.64	17.64
Financial assets measured at amortised cost	1.00	6.37	10.19
Deposits from banks	-	-	19.64
Deposits from customers	1.06	0.96	16.24
Debt securities issued	-	-	-
Money market debts	1.52	4.27	7.63
Funds borrowed	2.69	6.26	19.69

Interest rate sensitivity of the trading and non-trading portfolios

Interest rate risk in the banking book is evaluated considering the repricing risk, yield curve risk, basis risk and optionality, measured in compliance with the international standards and managed by risk mitigation through limits and hedging.

The interest rate sensitivity of assets, liabilities and off balance-sheet items are evaluated at the weekly Asset-Liability Committee meetings considering also the market developments.
The measurement process of interest rate risk resulting from banking book is established and managed by the Bank on a bank-only basis to include the interest rate positions defined as banking book and to consider the relevant repricing and maturity data.

Duration gaps, gaps by maturity buckets and sensitivity analysis are used in monitoring of repricing risk resulting from maturity mismatch. The duration gap and sensitivity analysis are carried out every two weeks period.

In the duration gap analysis, the present values of interest-rate-sensitive asset and liability items are calculated using yield curves developed from market interest rates. In case of instruments with no maturities assigned, the maturity is determined as per interest rate fixing periods and customer behaviours. Such results are supported by sensitivity and scenario analysis applied periodically for possible instabilities in the markets.

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

29. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market risk (Continued)

The interest rate risk resulted from 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. The capital level is maintained considering the interest rate risk resulted from the banking book.

The interest rate risk on the interest-rate-sensitive financial instruments of the trading portfolio is evaluated as part of the market risk.

As of 31 December 2023, the economic value differences resulted from interest rate instabilities calculated on a bank-only basis for the banking book according to the relevant legislation as per the standard shock method are as follows;

Type of currency	Shocks applied (+/- basis points)	Gains/losses	Gains/equity-Losses/equity
TL	(+) 500 bps	(52,389)	(%0.47)
TL	(-) 400 bps	42,393	%0.38
USD	(+) 200 bps	9,123	%0.08
USD	(-) 200 bps	(8,775)	(%0.08)
EUR	(+) 200 bps	33,894	%0.30
EUR	(-) 200 bps	(35,095)	(%0.31)
Total (of negative shocks)		**(1,477)**	**%0.01**
Total (of positive shocks)		**(9,371)**	**(%0.08)**

Currency risk

Currency risk arises when an entity's equity is under threat as a result of exchange rate fluctuations. Naturally, a bank doing business in multiple currencies would be exposed to currency risk unless these risks are properly hedged. Any sizeable transaction that would be causing currency risk is immediately hedged with a banking counterpart, or else smaller transactions are gathered until they form a sizeable amount for hedging.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated with the Bank's spot purchase rates and the differences are recorded as foreign exchange gain or loss in profit or loss except for foreign exchange gain/loss arising from the conversion of the net investments in subsidiaries in foreign countries into TL.

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limit on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Group's exposure to foreign currency exchange rate risk at 31 December 2023 and 2022, on the basis of the Group's assets and liabilities at carrying amounts, categorised by currency, is shown in the following table.

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

29. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market risk (Continued)

As at 31 December 2023	USD	Euro	Other currencies	Total
Assets:				
Cash and balances with the Central Bank	1,787,210	2,426,453	400,934	4,614,597
Loans and advances to banks and other financial institutions	754,862	10,438,131	73,784	11,266,777
Receivables from reverse repo transactions				-
Financial assets at FVOCI	7,086,627	1,323,601	-	8,410,228
Financial assets at FVTPL	117,086	1,152	-	118,238
Financial assets measured at amortised cost	606,231	2,770,771	-	3,377,002
Loans and receivables	7,623,298	8,985,250	1,701,610	18,310,158
Property and equipment	257	48,356	-	48,613
Other assets	31,675	31,246	11	62,932
Total assets	**18,007,246**	**26,024,960**	**2,176,339**	**46,208,545**
Liabilities:				
Deposits from other banks	1,506,256	1,288,095	29	2,794,380
Deposits from customers	18,195,852	21,886,673	1,334,933	41,417,458
Other money market deposits	-	-	-	-
Funds borrowed	58,133	13,561	-	71,694
Obligations from leasing transactions	258	42,169	-	42,427
Other liabilities and provisions	122,235	244,505	2,902	369,642
Total liabilities	**19,882,734**	**23,475,003**	**1,337,864**	**44,695,601**
Net position on the consolidated statement of financial position	**(1,875,488)**	**2,549,957**	**838,475**	**1,512,944**
Off-balance sheet position:				
Net notional amount of derivatives	1,762,381	(2,337,937)	(790,868)	(1,366,424)
Net position	**(113,107)**	**212,020**	**47,607**	**146,520**

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

29. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market risk (Continued)

As at 31 December 2022	USD	Euro	Other currencies	Total
Assets:				
Cash and balances with the Central Bank	4,998,800	1,948,908	1,328,714	8,276,422
Loans and advances to banks and other financial institutions	4,788,268	7,362,449	362,349	12,513,066
Receivables from reverse repo transactions	369,704	220,550	-	590,254
Financial assets at FVOCI	1,703,172	1,037,229	-	2,740,401
Financial assets at FVTPL	67,147	8,051	-	75,198
Financial assets measured at amortised cost	847,780	1,820,673	-	2,668,453
Loans and receivables	12,839,381	8,336,546	1,244,090	22,420,017
Property and equipment	269	17,473	-	17,742
Other assets	47,965	145,369	3	193,337
Total assets	**25,662,486**	**20,897,248**	**2,935,156**	**49,494,890**
Liabilities:				
Deposits from other banks	16	214	26	256
Deposits from customers	17,366,761	17,388,476	1,354,476	36,109,713
Other money market deposits	647,488	1,202,936	35,248	1,885,672
Funds borrowed	3,676	2,245,099	-	2,248,775
Obligations from leasing transactions	270	12,050	-	12,320
Other liabilities and provisions	115,628	152,387	359	268,374
Total liabilities	**18,133,839**	**21,001,162**	**1,390,109**	**40,525,110**
Net position on the consolidated statement of financial position	**7,528,647**	**(103,914)**	**1,545,047**	**8,969,780**
Off-balance sheet position:				
Net notional amount of derivatives	**(7,529,816)**	**(1,370,227)**	**(1,694,586)**	**(10,594,629)**
Net position	**(1,169)**	**(1,474,141)**	**(149,539)**	**(1,624,849)**

For the purposes of the evaluation of the table above, the figures represent the TL equivalent of the related hard currencies.

Exposure to currency risk sensitivity analysis

A 10 percent devaluation of the TL against the following currencies as at 31 December 2023 and 2022 would have increased/(decreased) equity and profit or loss (without tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2023		31 December 2022	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
USD	860,317	(11,311)	23,899	(117)
EUR	21,202	21,202	(147,436)	(147,414)
Other currencies	4,761	4,761	(14,953)	(14,953)
Total, net	**886,280**	**14,652**	**(138,490)**	**(162,484)**

(*) Equity effect also includes profit or loss effect of 10% devaluation of TL against related currencies.

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

29. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market risk (Continued)

Fair value information

The estimated fair values of financial instruments have been determined using available market information by the Group, and where it exists, appropriate valuation methodologies. However, during financial crisis, judgment is necessary requirement to interpret market data to determine the estimated fair value.

Management has estimated that the fair value of certain financial assets and liabilities are not materially different than their recorded values except for those of loans and advances to customers and investment securities. These financial assets and liabilities include loans and advances to banks, obligations under repurchase agreements, deposits from banks, and other short-term assets and liabilities that are of a contractual nature. Management believes that the carrying amount of these particular financial assets and liabilities approximates their fair value, partially due to the fact that it is practice to renegotiate interest rates to reflect current market conditions.

Fair values and carrying amounts of loans and receivables and financial assets measured at amortised cost as follows:

	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables	44,680,568	41,095,364	51,810,020	48,107,203
Financial assets measured at amortised cost - investment securities	13,228,593	13,262,976	9,712,324	9,656,789

Fair values of financial assets measured at amortised cost are determined as Level 1 and fair values of loans and receivables are determined as Level 2.

Fair values of financial assets measured at amortised cost are derived from market prices or in case of absence of such prices they are derived from prices of other marketable securities, whose interest rate, maturity date and other conditions are similar to securities held.

Fair values of long-term fixed interest rate loans are calculated by discounting cash flows with current market interest rates. For the loans with floating interest rate and short term loans with fixed interest rate, carrying value also represents fair value.

IFRS 7 – Financial Instruments requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not.

Classification of fair value measurement

Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Bank. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Fair value measurements using 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: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

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

29. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market risk (Continued)

Classification requires using observable market data if possible.

	31 December 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss:	-	-	-	-
Financial assets at fair value:	-	-	-	-
Debt instruments	102,803	181,070	-	283,873
Loans at fair value through profit or loss	-	-	-	-
Derivative financial assets held for trading	-	2,085,628	-	2,085,628
Financial assets at FVOCI	-	-	-	-
Debt instruments issued by Turkish government	3,628,817	-	-	3,628,817
Equity securities	-	79,458	13,941	93,399
Other	6,053,232	76,143	-	6,129,375
Total financial assets	**9,784,852**	**2,422,299**	**13,941**	**12,221,092**
Financial liabilities at fair value through profit or loss:				
Derivative financial liabilities held for trading	-	419,041	-	419,041
Total financial liabilities	**-**	**419,041**	**-**	**419,041**

	31 December 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss:				
Financial assets at fair value:				
Debt instruments	73,283	11,443	-	84,726
Loans at fair value through profit or loss				
Derivative financial assets held for trading	-	1,288,256	-	1,288,256
Financial assets at FVOCI	-	-	-	-
Debt instruments issued by Turkish government	3,985,646	-	-	3,985,646
Equity securities	-	66,315	22,971	89,286
Other	-	95,315	-	95,315
Total financial assets	**4,058,929**	**1,461,329**	**22,971**	**5,543,229**
Financial liabilities at fair value through profit or loss:				
Derivative financial liabilities held for trading	-	508,537	-	508,537
Total financial liabilities	**-**	**508,537**	**-**	**508,537**

As of 31 December 2023, the revaluation model effect, net of deferred tax, for real estates under property and equipment amounting to TL 716,731 was accounted under shareholders' equity (2022: TL 567,605).

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

29. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market risk (Continued)

Level 3 fair value measurements

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	Loans at fair value through profit or loss	Equity securities at FVOCI	Total
Balance at 1 January 2023	-	13,941	13,941
Revaluation	-	-	-
Sales/amortization	-	-	-
Balance at 31 December 2023	**-**	**13,941**	**13,941**

	Loans at fair value through profit or loss	Equity securities at FVOCI	Total
Balance at 1 January 2022	109,381	12,884	122,265
Revaluation	-	10,087	10,087
Sales/amortization	(109,381)	-	(109,381)
Balance at 31 December 2022	**-**	**22,971**	**22,971**

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The operational risk items in the Bank are determined in accordance with the definition of operational risk by considering the whole processes, products and departments. The control areas are set for operational risks within the Bank and all operational risks are followed by assigning the risks to these control areas. In this context, appropriate monitoring methodology is developed for each control area that covers all operational risks and control frequencies are determined.

The data and amount of operational losses, the Bank exposed to during its activities is collected and analysed regularly by Risk Management Department and reported to Board of Directors, Auditing Committee and senior management.

The Group calculated the value at operational risk in accordance with the "Computation of Value of Operational Risk" of the circular "Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette dated 1 November 2007, using gross profit of the last three years 2020, 2021 and 2022 Value at operational risk is amounting to TL 4,451,569 (31 December 2022: TL 4,519,416).

29. FINANCIAL RISK MANAGEMENT (Continued)

(f) Capital management – regulatory capital

The BRSA sets and monitors capital requirements for the Bank as a whole. The parent company and individual banking operations are directly supervised by their local regulators. In implementing current capital requirements, the BRSA requires the banks to maintain a prescribed ratio of minimum 8% of total capital to total value at credit, market and operational risks. The Bank and its affiliates' consolidated regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes paid-in capital, share premium, legal reserves, retained earnings, translation reserve and non-controlling interests after deductions for goodwill and certain cost items.
- Tier 2 capital, which includes qualifying subordinated liabilities, general provisions and the element of the fair value reserve relating to unrealised gain/(loss) on assets classified as financial assets at fair value through other comprehensive income.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Bank and its individually regulated operations have complied with externally imposed capital requirements throughout the year. There have been no material changes in the Bank's management of capital during the period.

The capital adequacy ratio is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the "Regulation")", "Regulation on Credit Risk Mitigation Techniques" and "Regulation on Calculation of Risk Weighted Amounts for Securitisations" published in the Official Gazette no.29511 dated 23 October 2015 and the "Regulation on Equities of Banks" published in the Official Gazette no.28756 dated 5 September 2013. In calculation of capital adequacy ratio, the data prepared from accounting records in compliance with the current legislation are used. Such accounting data is included in the calculation of credit and market risks subsequent to their designation as "trading book" and "banking book" according to the Regulation. The items classified as trading book and the items deducted from the equity are not included in the calculation of credit risk. In the calculation of risk weighted assets, the assets subject to amortisation or impairment, are taken into account on a net basis after being reduced by the related amortisations and provisions. In the calculation of the value at credit risk for the non-cash loans and commitments and the receivables from counterparties in such transactions are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are then multiplied by the rates stated in the Article 5 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

In the calculation of the value at credit risk for the derivative financial instruments and the credit derivatives classified in banking book, the receivables from counterparties are multiplied by the rates stated in the Appendix-2 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

As per the article 5 of the Regulation, the "counterparty credit risk" is calculated for repurchase transactions, securities and commodities borrowing agreements.

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

29. FINANCIAL RISK MANAGEMENT (Continued)

(f) Capital management – regulatory capital (Continued)

The Bank's and its subsidiaries' regulatory capital positions on a consolidated basis as of 31 December 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
Tier 1 capital	11,037,449	6,831,071
Tier 2 capital	288,682	197,383
Deductions from capital	(63)	(230)
Total regulatory capital	**11,326,068**	**7,028,224**
Risk-weighted assets	54,602,340	30,622,103
Value at market risk	4,433,538	3,043,212
Operational risk	4,451,569	2,742,815
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets, value at market risk and operational risk	17.39	18.76%
Total tier 1 capital expressed as a percentage of risk-weighted assets, value at market risk and operational risk	17.84	19.30%

30. EVENTS AFTER THE REPORTING PERIOD

None.

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