

Yapı ve Kredi Bankası A.Ş.

**Publicly announced consolidated financial statements and
related disclosures at December 31, 2022 together with
independent auditor's report**

**(Convenience translation of publicly announced consolidated financial statements and audit report
originally issued in Turkish, See Note I. of Section three)**

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH
(See Note I of Section Three)
INDEPENDENT AUDITOR'S REPORT**

To the General Assembly of Yapı ve Kredi Bankası A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Yapı ve Kredi Bankası A.Ş. (the "Bank"), and its subsidiaries (collectively referred to as the "Group") which comprise the statement of consolidated balance sheet as at 31 December 2022, consolidated statements of profit and loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

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

2. Basis for Opinion

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

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the key audit matter was addressed in the audit
<p>Expected credit losses for loans and receivables</p> <p>The Group has total expected credit losses for loans and receivables amounting to TL 37.028.518 thousand in respect to total loans and receivables amounting to TL 661.218.031 thousand which represent a significant portion of the Group's total assets in its consolidated financial statements as at 31 December 2022.</p> <p>Explanations and notes related to expected credit losses for loans and receivables are presented in Section Three Part 7.3 and 8, Section Four Part 2, Section Four Part 3.3, Section Five Part 1.7 in the accompanying consolidated financial statements as at 31 December 2022.</p> <p>The Group recognizes provision for impairment in accordance with "TFRS 9 Financial Instruments" ("TFRS 9") requirements and the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 numbered 29750. The Group exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment.</p> <p>To determine expected credit losses as of 31 December 2022 the Group determines stage classification of loans by identifying significant increase in credit risk with quantitative and qualitative assessments disclosed in Section Three Part 8 in the accompanying consolidated financial statements and identification of default events disclosed in Section Four Part 2 in the accompanying consolidated financial statements.</p>	<p>With respect to stage classification of loans and receivables and calculation of expected credit losses, we have assessed policy, procedure and management principles of the Group within the scope of our audit. We tested the design and the operating effectiveness of relevant systems and processes implemented in accordance with these principles.</p> <p>We checked appropriateness of matters considered in methodology applied by the Group with TFRS 9 for calculation of the provision amount through stage classification of loans and receivables. For forward looking assumptions made by the Group's management in its expected credit losses calculations, we held discussions with management, evaluated the assumptions using publicly available information. Regarding expected credit losses methodology; we have assessed and tested model segmentation, lifetime probability of default model, exposure at default model, loss given default model and the approaches to reflecting reasonable and supportable forward looking expectations (including macroeconomic factors) with our financial risk experts. Our procedures also included the following:</p> <ul style="list-style-type: none"> • Together with our financial risk experts, we evaluated and tested reasonableness of the changes in the expected credit loss allowance methodology and the performance of the impairment models used.

Key Audit Matters	How the key audit matter was addressed in the audit
<p>Expected credit losses for loans and receivables (Continued)</p> <p>The Group uses complex models that requires data to be derived from multiple systems for determining significant increase in credit risk and calculation of TFRS 9 expected credit losses. These models contain judgement and estimations in regard to forward looking estimations, scenarios of macro-economic conditions and weighing of scenarios based on expert opinion.</p> <p>Information used in the individually or collectively assessment of expected credit loss such as historical loss experiences, current conditions and macroeconomic expectations should be supportable and appropriate.</p> <p>Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences, development and weighting of macro-economic scenarios; the significance of the loans and receivables balances; the classification of loans and receivables as per their credit risk (staging) and the importance of determination of the associated expected credit loss. Timely and correct identification of default event and significant increase in credit risk and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans and receivables. Therefore, this area is considered as key audit matter.</p>	<ul style="list-style-type: none"> • We have checked selected models used in determination of provisions for various credit portfolios with our financial risk experts by reperforming on a sample selection basis. • For a sample of exposures, we checked the accuracy of determining Exposure at Default, including the consideration of prepayments and repayments in the cash flows and the resultant arithmetical calculations. • We checked the calculation of the Loss Given Default (LGD) used by the Group in the expected credit losses calculations, and tested collaterals, recovery and costs in addition to arithmetical calculations. • For a selected sample, we checked expected credit losses determined based on individual assessment per Group's policy by means of supporting data and evaluated appropriateness via communications with management. • We checked key data sources for data used in expected credit losses calculations. We tested reliability and completeness of the data used in expected credit losses calculations with our information systems specialists. • We checked accuracy of resultant expected credit losses calculations. • To assess appropriateness of the Group's determination of staging for credit risk, identification of impairment and timely and appropriate provisioning for impairment we have performed loan review procedures based on a selected sample. • We evaluated the adequacy of the disclosures made in the consolidated financial statements regarding the provision for impairment of loans and receivables.

Key Audit Matters	How the key audit matter was addressed in the audit
<p>Valuation of Pension Fund obligations</p> <p>The Group has booked provision amounting to TL 2.945.243 for Pension Fund Liabilities in the accompanying consolidated financial statements as at 31 December 2022. Explanations on Valuation of Pension Obligations are presented in the section five part 2.6.3 in the accompanying consolidated financial statements.</p> <p>Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı (Pension Fund) is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). The President is authorized to determine the transfer date. The total obligation of the fund is estimated using separate methods and assumption for benefits to be transferred and for non-transferrable benefits. The calculation of the pension obligations requires significant judgement and technical expertise in choosing appropriate assumptions. Calculation of Pension Fund liabilities include estimates and uncertain assumptions such as transferrable social benefits, discount rates, salary increases, economic and demographic assumptions.</p> <p>The Bank's management uses external actuaries for the purpose of valuations of Pension Fund obligations.</p> <p>During our audit, above mentioned fundamental assumption and estimates used in calculations of Pension Fund obligations, uncertainty of the transfer date, technical interest rate determined by the law and significant impact from differentiation of these assumptions were taken into consideration, and this area is considered as key audit matter.</p>	<p>Within our audit we tested on a sample basis the accuracy of the employee data supplied by the Bank management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets.</p> <p>We checked whether significant changes in actuarial assumptions used in calculation, employee benefits in the period, plan assets and liabilities, and whether significant changes in laws and regulations related to valuations exist.</p> <p>Through use of our actuarial specialist, we assessed the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability.</p> <p>We evaluated the adequacy of the disclosures made in the consolidated financial statements of the Bank regarding the Pension Fund.</p>

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

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

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

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

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

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

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other Responsibilities Arising From Regulatory Requirements

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

Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Didem Demer Kaya, SMMM
Partner

Istanbul, 2 February 2023

Convenience translation of publicly announced consolidated year end financial statements and audit report originally issued in Turkish, See Note I. of Section three

**THE CONSOLIDATED YEAR END FINANCIAL REPORT OF
YAPI VE KREDİ BANKASI A.Ş. AS OF DECEMBER 31, 2022**

Address : Yapı Kredi Plaza D-Blok
Levent, 34330, İstanbul
Telephone number : 0212 339 70 00
Fax number : 0212 339 60 00
Web Site : www.yapikredi.com.tr
E-Mail : financialreports@yapikredi.com.tr

The consolidated financial report for the year end which is prepared in accordance with the “Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” as regulated by the Banking Regulation and Supervision Agency includes the following sections.

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITOR’S REPORT

Investments in subsidiaries and associates, whose financial statements have been consolidated in these consolidated financial statements are as follows.

Subsidiaries	Associates
1. Yapı Kredi Finansal Kiralama A.O.	1. Banque de Commerce et de Placements S.A.
2. Yapı Kredi Faktoring A.Ş.	2. Allianz Yaşam ve Emeklilik A.Ş.
3. Yapı Kredi Yatırım Menkul Değerler A.Ş.	
4. Yapı Kredi Portföy Yönetimi A.Ş.	
5. Yapı Kredi Holding B.V.	
6. Yapı Kredi Bank Nederland N.V.	
7. Stichting Custody Services YKB	
8. Yapı Kredi Bank Azerbaijan CJSC	

Although Yapı Kredi Diversified Payment Rights Finance Company (the Structured Entity) is not a subsidiary of the Bank, it has been included in the consolidation since the Bank has 100% control.

The accompanying consolidated financial statements, related disclosures and footnotes which have been independently audited and presented in this report are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, the related statements and guidances, and in compliance with the financial records of the Bank, and unless stated otherwise, presented in **thousands of Turkish Lira** (TL).

Y. Ali KOÇ Chairman of the Board of Directors	Gökhan ERÜN Executive Director and CEO	Demir KARAASLAN Chief Financial Officer	Barış SAVUR Financial Reporting and Accounting Executive Vice President
--	---	--	--

Dr. Ahmet ÇİMEN ÖZLU Chairman of the Audit Committee	Mehmet TIRNAKLI Member of the Audit Committee	Nevin İPEK Member of the Audit Committee
---	--	---

Contact information of the personnel in charge of the addressing of questions about this financial report:

Name-Surname / Title : Tuğçe ÖZYAZGAN / Head of Financial Reporting
Telephone Number : 0212 339 98 57
Fax Number : 0212 339 61 05

Section one – General information		
1.	History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status,	1
2.	Explanation about the Parent Bank's capital structure, shareholders holding directly or indirectly, collectively or individually, the management and controlling power and changes in current year, if any and explanations on the controlling group of the Bank	1
3.	Explanations regarding the board of directors, members of the audit committee, chief executive officer and executive vice presidents and their areas of responsibility and shares if any	2
4.	Information on the individual and corporate shareholders having control shares of the Parent Bank	3
5.	Summary information on the Parent Bank's activities and service types	3
6.	Differences between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods	3
7.	The existing or potential, actual or legal obstacles on the immediate transfer of shareholder's equity between the Bank and its subsidiaries or reimbursement of liabilities	3
Section two - Consolidated financial statements		
1.	Consolidated balance sheet (Statement of Financial Position)	4
2.	Consolidated off-balance sheet commitments	6
3.	Consolidated statement of profit or loss	7
4.	Consolidated statement of profit or loss and other comprehensive income	8
5.	Consolidated statement of changes in shareholders' equity	9
6.	Consolidated statement of cash flows	11
7.	Profit distribution	12
Section three – Accounting policies		
1.	Explanations on basis of presentation	13
2.	Explanations on strategy of using financial instruments and foreign currency transactions	14
3.	Information on consolidation principles	15
4.	Explanations on forward and option contracts and derivative instruments	16
5.	Explanations on interest income and expense	18
6.	Explanations on fee and commission income and expense	18
7.	Explanations on financial assets	18
8.	Explanations on impairment of financial assets	22
9.	Explanations on offsetting financial assets	24
10.	Explanations on sales and repurchase agreements and securities lending transactions	25
11.	Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets	25
12.	Explanations on goodwill and other intangible assets	25
13.	Explanations on property and equipment	26
14.	Explanations on leasing transactions	26
15.	Explanations on provisions, contingent asset and liabilities	27
16.	Explanations on obligations related to employee benefits	27
17.	Explanations on taxation	28
18.	Explanations on borrowings	29
19.	Explanations on issuance of share certificates	30
20.	Explanations on bill of guarantees and acceptances	30
21.	Explanations on government grants	30
22.	Profit reserves and profit distribution	30
23.	Earnings per share	30
24.	Related parties	30
25.	Explanations on operating segments	30
26.	Explanations on other matters	30
Section four- Financial Position and Risk Management		
1.	Explanations on consolidated equity	31
2.	Explanations on consolidated credit risk	35
3.	Explanations on consolidated risk management	43
4.	Explanations on consolidated currency risk	73
5.	Explanations on consolidated interest rate risk	75
6.	Explanations on share certificates position risk from banking book	76
7.	Explanation on consolidated liquidity risk management and liquidity coverage ratio	76
8.	Explanations on leverage ratio	82
9.	Explanations on the presentation of financial assets and liabilities at fair values	83
10.	Explanations on hedge accounting	84
11.	Explanations on the activities carried out on behalf of others and fiduciary transactions	87
12.	Explanations on consolidated operating segments	87
13.	Explanations on fees for services received from independent auditor	88
Section five - Explanations and notes related to consolidated financial statements		
1.	Explanations and notes related to consolidated assets	89
2.	Explanations and notes related to consolidated liabilities	104
3.	Explanations and notes related to consolidated off-balance sheet accounts	110
4.	Explanations and notes related to consolidated income statement	113
5.	Explanations and notes related to consolidated statement of changes in shareholders' equity	117
6.	Explanations and notes related to consolidated statement of cash flows	118
7.	Explanations and notes related to Group's risk group	119
8.	Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Parent Bank	120
9.	Explanations and notes related to subsequent events	120
Section six – Other explanations		
1.	Other explanations on the Parent bank's operations	121
Section seven – Independent auditor's report		
1.	Explanations on independent auditor's report	121
2.	Explanations and notes prepared by independent auditor	121

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Section One

General Information

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

Yapı ve Kredi Bankası A.Ş. ("the Bank", "Yapı Kredi" or "the Parent Bank"), was established and started operations on September 9, 1944 with the permission of the Council of Ministers No. 3/6710 as a private capital commercial bank authorised to perform all banking, economic, financial and commercial activities which are allowed by the laws of the Turkish Republic. The statute of the Bank has not changed since its incorporation.

2. Explanation about the Parent Bank's capital structure, shareholders holding directly or indirectly, collectively or individually, the management and controlling power and changes in current year, if any and explanations on the controlling Group of the Bank:

The Parent Bank's publicly traded shares are traded on the Borsa Istanbul ("BIST") since 1987. As of December 31, 2022, 32,03% of the shares of the Bank are publicly traded (December 31, 2021 - 32,03%). 40,95% of the shares out of the remaining 67,97% is owned by Koç Finansal Hizmetler A.Ş. ("KFS") which is owned by Koç Group, 27,02% is owned by Koç Holding A.Ş.

KFS was established on March 16, 2001 to combine Koç Group finance companies under one organisation and it became the main shareholder of Koçbank in 2002. On October 22, 2002, Koç Group established a strategic partnership with UniCredit Group ("UCG") over KFS.

In 2005, the Bank's shares that were owned by Çukurova Group Companies and the Saving Deposits Insurance Fund ("SDIF") were purchased by Koçbank. In 2006, Koçbank purchased additional shares of the Bank from BIST and an investment fund and, during the same year, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. As a result of the merger and the share transfer procedures in 2007 and of a capital increase by TL 920 million in 2008, KFS shares in the Parent Bank increased to 81,80%. KFS shares increased to 81,90% with the capital increase by TL 4,1 billion in 2018.

As of November 30, 2019, Koç Group and UCG have reached a deal to exchange their shares in the Parent Bank and KFS.

Accordingly, all the shares of KFS, which is currently a joint venture, are transferred to Koç Group. Besides, after the shares are transferred, KFS holds 40,95%, UCG holds 31,93% directly and Koç Group holds a total of 49,99% directly and indirectly of the Parent Bank shares and became controlling shareholder.

In addition, as of February 6, 2020, UniCredit also announced the placement of an 11,93% shares in Parent Bank to institutional investors. The transaction has been completed on February 13, 2020. As a result UCG holds directly 20,00% of the Parent Bank shares.

In year 2021, UCG completed the sale of 2,00% shares in stock market and for the sale of remaining 18,00% shares UCG came to an agreement with Koç Group as per the Share Sale and Purchase Agreement relating to the sale of the Parent Bank publicly disclosed on November 30, 2019. Accordingly, it has been announced that Koç Group used its right of first offer for the sale of the Parent Bank shares which are planned to be sold by UCG on November 9, 2021. The sale of the relevant shares was completed on April 1, 2022, and Koç Holding A.Ş.'s share ratio increased from 9.02% to 27.02%.

In 2006 and 2007, with the acquisition of Yapı Kredi and its subsidiaries, KFS Group launched structural reorganisation and the following subsidiaries is still under the control of group were legally merged:

Merging entities		Merger date	Merged entity
Yapı Kredi	Koçbank	October 2, 2006	Yapı Kredi
Yapı Kredi Finansal Kiralama A.O. (“Yapı Kredi Leasing”)	Koç Leasing	December 25, 2006	Yapı Kredi Leasing
Yapı Kredi Faktoring A.Ş. (“Yapı Kredi Faktoring”)	Koç Faktoring	December 29, 2006	Yapı Kredi Faktoring
Yapı Kredi Portföy Yönetimi A.Ş. (“Yapı Kredi Portföy”)	Koç Portföy	December 29, 2006	Yapı Kredi Portföy
Yapı Kredi Yatırım Menkul Değerler A.Ş. (“Yapı Kredi Menkul”)	Koç Yatırım	January 12, 2007	Yapı Kredi Menkul
Yapı Kredi Bank Nederland N.V. (“Yapı Kredi NV”)	Koçbank Nederland N.V.	July 2, 2007	Yapı Kredi NV

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3. Explanations regarding the board of directors, members of the audit committee, Chief Executive Officer and executive vice presidents, and their areas of responsibility and shares if any:

As of December 31, 2022 the Parent Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows:

Board of Directors Members:

Name	Responsibility
Y. Ali KOÇ	Chairman
Levent ÇAKIROĞLU	Vice Chairman
Gökhan ERÜN	Executive Director and CEO
A. Ümit TAFTALI	Member
Ahmet ÇİMENÖĞLU	Independent Member
Ahmet Fadıl AŞHABOĞLU	Member
Kemal UZUN	Member
Mehmet TIRNAKLI	Independent Member
Melih POYRAZ	Member
Nevin İPEK	Independent Member
Polat ŞEN	Member
Virma SÖKMEN	Independent Member

Audit Committee Members:

Name	Responsibility
Ahmet ÇİMENÖĞLU	Chairman
Mehmet TIRNAKLI	Member
Nevin İPEK	Member

General Manager:

Name	Responsibility
Gökhan ERÜN	Executive Director and CEO

Assistant General Managers:

Name	Responsibility
Abdullah GEÇER	Internal Audit
Akif Cahit ERDOĞAN	Commercial and SME Banking Management
Cemal Aybars SANAL	Legal Management
Demir KARAASLAN	Financial Planning and Administration
Mehmet Erkan AKBULUT	Credits
Mehmet Erkan ÖZDEMİR	Compliance, Internal Control and Risk Management / Consumer Relations Coordination Officer
Muharrem Kaan ŞAKUL	Corporate Banking
Özden ÖNALDI	Human Resources and Internal Services Management
Saruhan YÜCEL	Treasury Management
Serkan ÜLGEN	Retail Banking
Uğur Gökhan ÖZDİNÇ	Technology, Data and Process Management
Yakup DOĞAN	Limitless Banking

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

4. Information on the individual and corporate shareholders having control shares of the Parent Bank:

Name/Commercial title	Share amounts (nominal)	Share Percentage (%)	Paid-in capital (nominal)	Unpaid portion
Koç Finansal Hizmetler A.Ş.	3.459.065.642,23	40,95	3.459.065.642,23	-
Koç Holding A.Ş.	2.282.666.574,00	27,02	2.282.666.574,00	-

Koç Finansal Hizmetler A.Ş. is owned by Koç Group and Temel Ticaret ve Yatırım A.Ş..

5. Summary information on the Parent Bank's activities and service types:

The Parent Bank's activities summarized in the section 3 of the articles of association are as follows:

The Parent Bank's purpose and subject matter in accordance with the Banking Law, regulations and existing laws include:

- The execution of all banking activities,
- The execution of all economic and financial activities which are allowed by the regulation,
- The execution of the representation, attorney and agency activities related to the subjects written above,
- The purchase and sale of share certificates, bonds and all the capital market instruments, in accordance with Capital Market Law and regulations.

In case of necessity for performing activities which are useful and required but that are not specified in the articles of association, a Board of Directors' proposal is to be presented to the General Assembly. With the approval of the General Assembly the proposal becomes applicable, subject to the approvals required by law.

As of December 31, 2022, the Parent Bank has 800 branches operating in Turkey and 1 branch in overseas (December 31, 2021 - 803 branches operating in Turkey, 1 branch in overseas).

As of December 31, 2022, the Parent Bank has 15.431 employees (December 31, 2021 - 15.452 employees). The Parent Bank together with its consolidated subsidiaries is referred to as the "Group" in these consolidated financial statements. As of December 31, 2022 the Group has 16.339 employees (December 31, 2021 - 16.313 employees).

6. Differences between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods:

According to Communiqué of the Preparation Consolidated Financial Statements and Turkish Accounting Standards, Banque de Commerce et de Placements SA, the associate of the Bank is consolidated through "Equity Method" in the accompanying consolidated financial statements of the Group. Allianz Yaşam ve Emeklilik A.Ş., on which the Bank has indirect participation, is also consolidated through "Equity Method" in the consolidated financial statements of the Group.

Yapı Kredi Kültür Sanat Yayıncılık Tic. ve San. A.Ş., Enternasyonal Turizm Yatırım A.Ş., Yapı Kredi Teknoloji A.Ş. and Yapı Kredi Finansal Teknolojiler A.Ş., which are subsidiaries of the Bank, are not consolidated into the Bank's consolidated financial statements in accordance with Communiqué on Preparation of Consolidated Financial Statements since these entities are not financial institutions.

All other subsidiaries are fully consolidated.

7. The existing or potential, actual or legal obstacles on the immediate transfer of shareholder's equity between the Bank and its subsidiaries or reimbursement of liabilities:

None.

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of December 31, 2022 and December 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Section two - Consolidated financial statements

1. Consolidated balance sheet (Statement of Financial Position)

				Current Period (31.12.2022)		Prior Period (31.12.2021)		
		Note (Section Five)	TL	FC	Total	TL	FC	Total
I.	FINANCIAL ASSETS (Net)		117.836.904	176.266.279	294.102.783	78.322.335	134.733.909	213.056.244
1.1	Cash and Cash Equivalents	1.1	45.589.087	148.987.880	194.576.967	30.957.326	124.664.036	155.621.362
1.1.1	Cash and Balances with Central Bank		35.736.573	117.094.330	152.830.903	22.667.186	97.081.055	119.748.241
1.1.2	Banks	1.4	7.534.842	32.310.175	39.845.017	6.546.138	27.858.220	34.404.358
1.1.3	Money Markets	1.4.3	2.461.599	53.158	2.514.757	1.809.366	-	1.809.366
1.1.4	Provisions for Expected Losses (-)		143.927	469.783	613.710	65.364	275.239	340.603
1.2	Financial Assets Measured at Fair Value Through Profit Or Loss	1.2	1.517.569	753.326	2.270.895	336.837	464.817	801.654
1.2.1	Government debt securities		-	365.229	365.229	27.044	179.601	206.645
1.2.2	Share certificates		1.485.674	-	1.485.674	305.324	-	305.324
1.2.3	Other financial assets		31.895	388.097	419.992	4.469	285.216	289.685
1.3	Financial Assets Measured at Fair Value Through Other Comprehensive Income							
1.3.1	Government debt securities	1.5,1.6	60.478.890	17.992.601	78.471.491	27.776.504	7.021.006	34.797.510
1.3.2	Share certificates		58.487.789	17.909.169	76.396.958	27.628.275	6.124.117	33.752.392
1.3.3	Other financial assets		166.527	9.295	175.822	84.348	6.727	91.075
1.4	Derivative Financial Assets	1.3	10.250.958	8.532.472	18.783.430	19.251.668	2.584.050	21.835.718
1.4.1	Derivative financial assets measured at fair value through profit or loss		6.592.888	4.832.545	11.425.433	15.765.272	2.537.958	18.303.230
1.4.2	Derivative financial assets measured at fair value through other comprehensive income		3.658.070	3.699.927	7.357.997	3.486.396	46.092	3.532.488
II.	FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		521.425.110	271.189.316	792.614.426	279.337.496	230.607.609	509.945.105
2.1	Loans	1.7	432.058.729	196.129.681	628.188.410	243.014.131	179.791.830	422.805.961
2.2	Receivables From Leasing Transactions (Net)	1.12	7.370.420	13.177.733	20.548.153	4.625.250	10.813.078	15.438.328
2.3	Factoring Receivables		10.183.485	2.297.983	12.481.468	3.601.971	2.516.259	6.118.230
2.4	Financial Assets Measured at Amortised Cost	1.8	96.448.465	72.377.792	168.826.257	48.102.592	48.184.220	96.286.812
2.4.1	Government debt securities		96.117.661	67.511.505	163.629.166	47.771.788	44.145.002	91.916.790
2.4.2	Other financial assets		330.804	4.866.287	5.197.091	330.804	4.039.218	4.370.022
2.5	Provisions for Expected Losses (-)		24.635.989	12.793.873	37.429.862	20.006.448	10.697.778	30.704.226
III.	ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	1.17	1.036.253	49.452	1.085.705	1.330.318	24.619	1.354.937
3.1	Held for Sale Purposes		1.036.253	49.452	1.085.705	1.330.318	24.619	1.354.937
3.2	Related to Discontinued Operations		-	-	-	-	-	-
IV.	INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES							
4.1	Investments in Associates (net)	1.9	725.731	2.871.962	3.597.693	471.403	2.050.744	2.522.147
4.1.1	Consolidated based on Equity Method		693.415	2.871.962	3.565.377	464.103	2.050.744	2.514.847
4.1.2	Unconsolidated		654.969	2.871.962	3.526.931	425.657	2.050.744	2.476.401
4.2	Subsidiaries (Net)	1.10	38.446	-	38.446	38.446	-	38.446
4.2.1	Unconsolidated Financial Subsidiaries		32.316	-	32.316	7.300	-	7.300
4.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
4.3	Joint Ventures (Net)	1.11	32.316	-	32.316	7.300	-	7.300
4.3.1	Consolidated based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated		-	-	-	-	-	-
V.	PROPERTY AND EQUIPMENT (Net)	1.13	9.908.108	201.662	10.109.770	4.901.575	72.581	4.974.156
VI.	INTANGIBLE ASSETS [Net]	1.14	1.270.101	89.886	1.359.987	2.056.723	64.485	2.121.208
6.1	Goodwill		-	-	-	979.493	-	979.493
6.2	Other		1.270.101	89.886	1.359.987	1.077.230	64.485	1.141.715
VII.	INVESTMENT PROPERTY (Net)	1.15	-	-	-	-	-	-
VIII.	CURRENT TAX ASSETS		42.522	-	42.522	-	1.580	1.580
IX.	DEFERRED TAX ASSETS	1.16	5.409.021	-	5.409.021	3.820.176	-	3.820.176
X.	OTHER ASSETS	1.18	44.254.844	31.690.263	75.945.107	11.109.977	31.915.376	43.025.353
TOTAL ASSETS			701.908.194	482.358.820	1.184.267.014	381.350.003	399.470.903	780.820.906

The accompanying explanations and notes form an integral part of these consolidated financial statements.

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of December 31, 2022 and December 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1. Consolidated balance sheet (Statement of Financial Position)

			Current Period (31/12/2022)				Prior Period (31/12/2021)		
			Note (Section Five)	TL	FC	Total	TL	FC	Total
LIABILITIES									
I.	DEPOSITS	2.1	385.622097	319.873342	705.495439	145.690033	274.238025		419.928058
II.	BORROWINGS	2.3.1	11.019.098	83.097.300	94.116.398	5.608.235	67.313.729		72.921.964
III.	MONEY MARKETS		32.894.807	7.400.223	40.295.030	51.101.208	4.785.265		55.886.473
IV.	MARKETABLE SECURITIES ISSUED (Net)	2.3.3	11.945.667	37.405.141	49.350.808	8.565.483	33.011.528		41.577.011
4.1	Bills		11.280.086	2.031.595	13.311.681	7.168.860	-		7.168.860
4.2	Asset backed Securities		-	4.940.364	4.940.364	-	5.998.334		5.998.334
4.3	Bonds		665.581	30.433.182	31.098.763	1.396.623	27.013.194		28.409.817
V.	FUNDS		-	-	-	-	-		-
5.1	Borrower Funds		-	-	-	-	-		-
5.2	Other		-	-	-	-	-		-
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE									
VI.	THROUGH PROFIT OR LOSS	2.3.4	687.777	35.771.646	36.459.423	658.578	24.649.644		25.308.222
VII.	DERIVATIVE FINANCIAL LIABILITIES	2.2	8.037.193	5.931.870	13.969.063	13.963.588	4.372.195		18.335.783
7.1	Derivative liabilities measured at fair value through profit or loss		8.004.843	5.931.870	13.936.713	13.963.588	3.689.002		17.652.590
	Derivative liabilities measured at fair value through other comprehensive income		32.350	-	32.350	-	683.193		683.193
7.2									
VIII.	FACTORING PAYABLES		-	-	-	-	-		-
IX.	LEASE PAYABLES (Net)	2.5	1.848.072	127.841	1.975.913	1.305.221	41.909		1.347.130
X.	PROVISIONS	2.6	10.263.964	1.318.492	11.582.456	5.066.350	1.006.893		6.073.243
10.1	Provisions for Restructuring		-	-	-	-	-		-
10.2	Provisions for Employee Benefits	2.6.1	3.282.906	7.457	3.290.363	1.115.950	4.733		1.120.683
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-		-
10.4	Other Provisions	2.6.3	6.981.058	1.311.035	8.292.093	3.950.400	1.002.160		4.952.560
XI.	CURRENT TAX LIABILITIES	2.7	5.820.028	121.994	5.942.022	3.185.236	22.937		3.208.173
XII.	DEFERRED TAX LIABILITIES		-	22.735	22.735	-	14.818		14.818
LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)									
XIII.	OPERATIONS (Net)	2.8	-	-	-	-	-		-
13.1	Held for Sale		-	-	-	-	-		-
13.2	Related to Discontinued Operations		-	-	-	-	-		-
XIV.	SUBORDINATED DEBT	2.9	725.201	38.663.031	39.388.232	808.921	38.633.078		39.441.999
14.1	Loans		-	16.059.998	16.059.998	-	11.144.441		11.144.441
14.2	Other Facilities		725.201	22.603.033	23.328.234	808.921	27.488.637		28.297.558
XV.	OTHER LIABILITIES	2.4	46.913.782	12.493.774	59.407.556	25.876.639	7.412.187		33.288.826
XVI.	SHAREHOLDERS' EQUITY	2.10	123.809.650	2.452.289	126.261.939	64.445.892	(956.686)		63.489.206
16.1	Paid in Capital		8.447.051	-	8.447.051	8.447.051	-		8.447.051
16.2	Capital Reserves		2.165.691	-	2.165.691	2.145.565	-		2.145.565
16.2.1	Share premium		556.937	-	556.937	556.937	-		556.937
16.2.2	Share Cancellation Profits		-	-	-	-	-		-
16.2.3	Other Capital Reserves		1.608.754	-	1.608.754	1.588.628	-		1.588.628
	Other accumulated comprehensive income that will not be reclassified in profit or loss		1.956.972	9.299	1.966.271	1.051.056	8.689		1.059.745
16.3	Other accumulated comprehensive income that will be reclassified in profit or loss		15.856.039	2.484.397	18.340.436	8.165.275	(923.968)		7.241.307
16.4	Profit Reserves		40.997.717	(41.407)	40.956.310	32.506.215	(41.407)		32.464.808
16.5.1	Legal Reserves		1.747.175	-	1.747.175	1.544.526	-		1.544.526
16.5.2	Statutory reserves		-	-	-	-	-		-
16.5.3	Extraordinary Reserves		39.243.443	(41.407)	39.202.036	30.954.950	(41.407)		30.913.543
16.5.4	Other Profit Reserves		7.099	-	7.099	6.739	-		6.739
16.6	Profit or loss		54.384.643	-	54.384.643	12.129.712	-		12.129.712
16.6.1	Prior years' profits or losses		1.639.954	-	1.639.954	1.639.954	-		1.639.954
16.6.2	Current period net profit or loss		52.744.689	-	52.744.689	10.489.758	-		10.489.758
16.7	Minority interest		1.537	-	1.537	1.018	-		1.018
TOTAL LIABILITIES			639.587.336	544.679.678	1.184.267.014	326.275.384	454.545.522		780.820.906

The accompanying explanations and notes form an integral part of these consolidated financial statements.

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of December 31, 2022 and December 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2. Consolidated off-balance sheet commitments

		Current Period (31/12/2022)			Prior Period (31/12/2021)		
	Note (Section Five)	TL	FC	Total	TL	FC	Total
A. Off-balance sheet commitments (I+II+III)		598.898.078	842.894.388	1.441.792.466	365.764.287	616.870.947	982.635.234
I. Guarantees and warranties	3.1.2.1	99.977.185	143.814.354	243.791.539	41.095.605	119.821.502	160.917.107
1.1. Letters of guarantee	3.1.2.2	88.883.239	92.489.465	181.372.704	40.320.133	78.649.489	118.969.622
1.1.1. Guarantees subject to state tender law		1.399.840	1.363.690	2.763.530	772.497	986.476	1.758.973
1.1.2. Guarantees given for foreign trade operations		27.620.393	90.217.924	117.838.317	7.443.228	77.362.485	84.805.713
1.1.3. Other letters of guarantee		59.863.006	907.851	60.770.857	32.104.408	300.528	32.404.936
1.2. Bank acceptances		-	864.879	864.879	-	545.822	545.822
1.2.1. Import letter of acceptance		-	864.879	864.879	-	545.822	545.822
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		327.114	32.872.689	33.199.803	71.417	26.248.539	26.319.956
1.3.1. Documentary letters of credit		327.114	32.867.948	33.195.062	71.417	26.247.806	26.319.223
1.3.2. Other letters of credit		-	4.741	4.741	-	733	733
1.4. Prefinancing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Securities issue purchase guarantees		-	-	-	-	-	-
1.7. Factoring guarantees		-	3.888	3.888	-	9.651	9.651
1.8. Other guarantees		10.766.832	9.553.300	20.320.132	704.055	7.649.943	8.353.998
1.9. Other warranties		-	8.030.133	8.030.133	-	6.718.058	6.718.058
II. Commitments		240.615.994	69.021.644	309.637.638	111.608.609	39.202.642	150.811.251
2.1. Irrevocable commitments	3.1.1	223.708.638	36.562.938	260.271.576	108.431.948	122.640.820	231.072.768
2.1.1. Asset purchase and sale commitments		1.733.733	33.384.992	35.118.725	6.450.608	13.345.662	19.796.270
2.1.2. Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting commitments		51.038.011	2.453.898	53.491.909	26.475.410	352.100	26.827.510
2.1.5. Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for cheques		5.482.867	-	5.482.867	4.306.427	-	4.306.427
2.1.8. Tax and fund liabilities from export commitments		449	-	449	595	-	595
2.1.9. Commitments for credit card limits		136.756.258	-	136.756.258	58.777.036	-	58.777.036
2.1.10. Commitments for credit cards and banking services promotions		43.402	-	43.402	46.457	-	46.457
2.1.11. Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12. Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13. Other irrevocable commitments		28.653.918	724.048	29.377.966	12.375.415	511.110	12.886.525
2.2. Revocable commitments		16.907.356	32.458.706	49.366.062	3.176.661	24.993.770	28.170.431
2.2.1. Revocable loan granting commitments		16.907.356	32.139.482	49.046.838	3.176.661	24.818.505	27.995.166
2.2.2. Other revocable commitments		-	319.224	319.224	-	175.265	175.265
III. Derivative financial instruments		258.304.899	630.058.390	888.363.289	213.060.073	457.846.803	670.906.876
3.1. Derivative financial instruments for hedging purposes		28.910.141	93.889.994	122.800.135	38.510.802	75.948.169	114.458.971
3.1.1. Transactions for fair value hedge		270.141	4.747.536	5.017.677	270.802	3.232.998	3.503.800
3.1.2. Transactions for cash flow hedge		28.640.000	89.142.458	117.782.458	38.240.000	72.715.171	110.955.171
3.1.3. Transactions for foreign net investment hedge		-	-	-	-	-	-
3.2. Trading transactions		229.394.758	536.168.396	765.563.154	174.549.271	381.898.634	556.447.905
3.2.1. Forward foreign currency buy/sell transactions		13.518.027	17.221.478	30.739.505	10.600.793	15.792.434	26.393.227
3.2.1.1. Forward foreign currency transactions-buy		12.690.957	3.178.448	15.869.405	7.840.899	5.224.872	13.065.771
3.2.1.2. Forward foreign currency transactions-sell		827.070	14.043.030	14.870.100	2.759.894	10.567.562	13.327.456
3.2.2. Swap transactions related to foreign currency and interest rates		159.881.223	363.392.172	523.273.395	150.776.801	277.645.782	428.422.583
3.2.2.1. Foreign currency swap-buy		5.018.738	133.689.633	138.708.371	4.091.265	94.725.056	98.816.321
3.2.2.2. Foreign currency swap-sell		102.529.485	37.799.517	140.329.002	60.309.636	37.752.706	98.062.342
3.2.2.3. Interest rate swap-buy		26.166.500	95.951.511	122.118.011	43.187.950	72.584.010	115.771.960
3.2.2.4. Interest rate swap-sell		26.166.500	95.951.511	122.118.011	43.187.950	72.584.010	115.771.960
3.2.3. Foreign currency, interest rate and securities options		47.884.306	63.887.163	111.771.469	500.032	13.094.173	13.594.205
3.2.3.1. Foreign currency options-buy		47.748.901	5.573.894	53.322.795	339.490	4.102.550	4.442.040
3.2.3.2. Foreign currency options-sell		135.405	53.338.749	53.474.154	160.542	4.450.370	4.610.912
3.2.3.3. Interest rate options-buy		-	3.890.663	3.890.663	-	3.395.525	3.395.525
3.2.3.4. Interest rate options-sell		-	1.083.857	1.083.857	-	1.145.728	1.145.728
3.2.3.5. Securities options-buy		-	-	-	-	-	-
3.2.3.6. Securities options-sell		-	-	-	-	-	-
3.2.4. Foreign currency futures		1.303.006	1.217.241	2.520.247	600.295	534.725	1.135.020
3.2.4.1. Foreign currency futures-buy		1.015.119	229.092	1.244.211	568.563	40.879	609.442
3.2.4.2. Foreign currency futures-sell		287.887	988.149	1.276.036	31.732	493.846	525.578
3.2.5. Interest rate futures		-	-	-	-	-	-
3.2.5.1. Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2. Interest rate futures-sell		-	-	-	-	-	-
3.2.6. Other		6.808.196	90.450.342	97.258.538	12.071.350	74.831.520	86.902.870
B. Custody and pledges received (IV+V+VI)		1.537.205.735	583.697.705	2.120.903.440	684.370.062	337.233.352	1.021.603.414
IV. Items held in custody		253.387.513	57.908.696	311.296.209	126.853.678	34.983.507	161.837.185
4.1. Customer fund and portfolio balances		170.680.657	19.001.079	189.681.736	66.693.304	9.000.959	75.694.263
4.2. Investment securities held in custody		13.557.096	37.775.004	51.332.100	18.583.316	24.875.500	43.458.816
4.3. Checks received for collection		54.920.770	115.121	55.035.891	32.989.150	70.173	33.059.323
4.4. Commercial notes received for collection		14.170.846	747.138	14.917.984	8.529.764	840.142	9.369.906
4.5. Other assets received for collection		-	215.011	215.011	-	156.893	156.893
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		58.144	55.343	113.487	58.144	39.840	97.984
4.8. Custodians		-	-	-	-	-	-
V. Pledges received		1.236.921.247	218.585.378	1.455.506.625	531.413.045	274.336.128	805.749.173
5.1. Marketable securities		134.030.581	527.277	134.557.858	863.295	1.439	864.734
5.2. Guarantee notes		21.997.777	1.901.842	23.899.619	569.678	706.217	1.275.895
5.3. Commodity		5.912	-	5.912	5.912	-	5.912
5.4. Warrants		-	-	-	-	-	-
5.5. Properties		471.940.839	2.545.435	474.486.274	187.413.174	43.010.602	230.423.776
5.6. Other pledged items		608.946.138	213.577.502	822.523.640	342.560.986	230.594.613	573.155.599
5.7. Pledged items-depository		-	33.322	33.322	-	23.257	23.257
VI. Accepted independent guarantees and warranties		46.896.975	307.203.631	354.100.606	26.103.339	27.913.717	54.017.056
Total off-balance sheet commitments (A+B)		2.136.103.813	1.426.592.093	3.562.695.906	1.050.134.349	954.104.299	2.004.238.648

The accompanying explanations and notes form an integral part of these consolidated financial statements.

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of December 31, 2022 and 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3. Consolidated statement of profit or loss

Income and expense items		Note (Section Five)	Current Period (01/01/2022 - 31/12/2022)	Prior Period (01/01/2021 - 31/12/2021)
I.	INTEREST INCOME	4.1	133.298.907	54.084.352
1.1	Interest on Loans	4.1.1	69.141.269	37.589.124
1.2	Interest Received from Reserve Deposits		255.955	815.720
1.3	Interest Received from Banks	4.1.2	1.586.633	560.608
1.4	Interest Received from Money Market Transactions		160.898	38.147
1.5	Interest Received from Marketable Securities Portfolio	4.1.3	58.125.296	13.207.832
1.5.1	Financial Assets Measured at Fair Value Through Profit or Loss		52.715	25.616
1.5.2	Financial Assets Measured at Fair Value Through Other Comprehensive Income		19.222.743	4.395.485
1.5.3	Financial Assets Measured at Amortised Cost		38.849.838	8.786.731
1.6	Financial Lease Income		2.049.814	1.122.644
1.7	Other Interest Income		1.979.042	750.277
II.	INTEREST EXPENSE (-)	4.2	54.040.436	30.348.799
2.1	Interest on Deposits	4.2.6	32.831.617	15.475.065
2.2	Interest on Funds Borrowed	4.2.1	4.921.711	2.467.356
2.3	Interest expense on money market transactions	4.2.4	5.096.328	6.608.620
2.4	Interest on Securities Issued	4.2.3	9.079.306	5.587.578
2.5	Interest on Lease Payables		235.929	154.058
2.6	Other Interest Expense		1.875.545	56.122
III.	NET INTEREST INCOME/EXPENSE (I - II)		79.258.471	23.735.553
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		15.740.654	8.045.770
4.1	Fees and Commissions Received		21.841.199	10.957.088
4.1.1	Non-cash Loans		2.112.838	1.200.675
4.1.2	Other		19.728.361	9.756.413
4.2	Fees and Commissions Paid		6.100.545	2.911.318
4.2.1	Non-cash Loans		35.806	18.993
4.2.2	Other		6.064.739	2.892.325
V	DIVIDEND INCOME	4.3	88.694	17.251
VI.	TRADING PROFIT/LOSS (Net)	4.4	10.201.691	895.375
6.1	Trading Gains/Losses on Securities		2.603.204	194.515
6.2	Derivative Financial Transactions Gains/Losses	4.5	18.707.366	21.354.800
6.3	Foreign Exchange Gains/Losses		(11.108.879)	(20.653.940)
VII.	OTHER OPERATING INCOME	4.7	3.741.079	2.316.538
VIII.	GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)		109.030.589	35.010.487
IX.	ALLOWANCE FOR EXPECTED CREDIT LOSSES (-)	4.6	16.003.154	10.198.148
X.	OTHER PROVISION EXPENSES (-)	4.6	364.615	112.179
XI.	PERSONNEL EXPENSES (-)		9.853.390	4.804.319
XII.	OTHER OPERATING EXPENSES (-)	4.8	13.851.191	6.140.696
XIII.	NET OPERATING PROFIT/LOSS (VII-IX-X-XI-XII)		68.958.239	13.755.145
XIV.	SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-
XV.	PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		235.529	138.629
XVI.	NET MONETARY POSITION GAIN/LOSS		-	-
XVII.	PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+...+XVI)	4.9	69.193.768	13.893.774
XVIII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	4.10	16.448.467	3.403.758
18.1	Current Tax Provision		20.934.300	3.882.761
18.2	Expense effect of deferred tax (+)		-	-
18.3	Income effect of deferred tax (-)		4.485.833	479.003
XIX.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)		52.745.301	10.490.016
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1	Income from assets held for sale		-	-
20.2	Profit from sale of associates, subsidiaries and joint ventures		-	-
20.3	Other income from discontinued operations		-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1	Expenses on assets held for sale		-	-
21.2	Losses from sale of associates, subsidiaries and joint ventures		-	-
21.3	Other expenses from discontinued operations		-	-
XXII.	PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX - XXI)		-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
23.1	Current tax provision		-	-
23.2	Expense effect of deferred tax (+)		-	-
23.3	Income effect of deferred tax (-)		-	-
XXIV.	NET PROFIT/ LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-
XXV.	NET PROFIT/LOSS (XIX+XXIV)	4.11	52.745.301	10.490.016
25.1	Group's profit/loss		52.744.689	10.489.758
25.2	Minority shares	4.12	612	258
	Earnings/(loss) per share (full TL)		0,0624	0,0124

The accompanying explanations and notes form an integral part of these consolidated financial statements.

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of December 31, 2022 and 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

4. Consolidated statement of profit or loss and other comprehensive income

	Current Period (31/12/2022)	Prior Period (31/12/2021)
I. PROFIT (LOSS)	52.745.301	10.490.016
II. OTHER COMPREHENSIVE INCOME	12.005.655	5.930.871
2.1 Other comprehensive income that will not be reclassified to profit or loss	906.526	(469.083)
2.1.1. Gains (losses) on Revaluation of Property, Plant and Equipment	3.748.858	-
2.1.2. Gains (losses) on Revaluation of Intangible Assets	-	-
2.1.3. Gains (losses) on Remeasurements of Defined Benefit Plans	(2.908.791)	(563.432)
2.1.4. Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	608	(20.525)
2.1.5. Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	65.851	114.874
2.2. Other Comprehensive Income That Will Be Reclassified to Profit or Loss	11.099.129	6.399.954
2.2.1. Exchange Differences on Translation	2.830.610	3.923.750
2.2.2. Valuation and/or Reclassification Profit or Loss from Financial Assets Measured at Fair Value Through Other Comprehensive Income	8.571.529	1.557.520
2.2.3. Income (loss) Related with Cash Flow Hedges	4.248.889	4.144.880
2.2.4. Income (loss) Related with Hedges of Net Investments in Foreign Operations	(1.651.384)	(2.772.550)
2.2.5. Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	70.500	-
2.2.6. Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	(2.971.015)	(453.646)
III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	64.750.956	16.420.887

The accompanying explanations and notes form an integral part of these consolidated financial statements.

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated statement of changes in shareholders' equity as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

5. Consolidated statement of changes in shareholders' equity

Current Period (31/12/2022)					Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit or Loss			Other Accumulated Comprehensive Income That Will Be Reclassified In Profit or Loss								
Changes in shareholder's equity	Paid in capital	Share premium	Share certificate cancellation profits	Other capital reserves	1	2	3	4	5	6	Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total equity except minority interest	Minority Interest	Total shareholders' equity
I. Balance at the beginning of the period	8.447.051	556.937	-	1.588.628	1.877.188	(837.989)	20.546	7.867.243	1.433.581	(2.059.517)	32.464.808	1.639.954	10.489.758	63.488.188	1.018	63.489.206
II. Adjustment in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I+II)	8.447.051	556.937	-	1.588.628	1.877.188	(837.989)	20.546	7.867.243	1.433.581	(2.059.517)	32.464.808	1.639.954	10.489.758	63.488.188	1.018	63.489.206
IV. Total comprehensive income (loss)	-	-	-	-	3.035.201	(2.129.283)	608	2.830.610	6.337.488	1.931.031	-	-	52.744.689	64.750.344	612	64.750.956
V. Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	1.363	-	-	-	-	-	-	(979.493)	-	-	(978.130)	-	(978.130)
XI. Profit distribution	-	-	-	18.763	-	-	-	-	-	-	9.470.995	-	(10.489.758)	(1.000.000)	(93)	(1.000.093)
11.1. Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	(1.000.000)	(1.000.000)	(93)	(1.000.093)
11.2. Transfers to legal reserves	-	-	-	18.763	-	-	-	-	-	-	9.470.995	-	(9.489.758)	-	-	-
11.3. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (III+IV+.....+X+XI)	8.447.051	556.937	-	1.608.754	4.912.389	(2.967.272)	21.154	10.697.853	7.771.060	(128.486)	40.956.310	1.639.954	52.744.689	126.260.402	1.537	126.261.939

1. Tangible assets revaluation reserve,
2. Accumulated gains / losses on remeasurements of defined benefit plans,
3. Other comprehensive income of associates and joint ventures accounted for using equity method that will not be reclassified to profit or loss,
4. Exchange differences on translation reserve,
5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income,
6. Accumulated gains or losses on cash flow hedges, other comprehensive income of associates and joint ventures accounted for using equity method that will be reclassified to profit or loss and net investment hedges.

The accompanying explanations and notes form an integral part of these consolidated financial statements.

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated statement of changes in shareholders' equity as of December 31, 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

5. Consolidated statement of changes in shareholders' equity

Prior Period (31/12/2021)					Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit or Loss			Other Accumulated Comprehensive Income That Will Be Reclassified In Profit or Loss								
Changes in shareholder's equity	Paid in capital	Share premium	Share certificate cancellation profits	Other capital reserves							Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total equity except minority interest	Minority Interest	Total shareholders' equity
					1	2	3	4	5	6						
I. Balance at the beginning of the period	8.447.051	556.937	-	1.440.212	1.875.000	(387.243)	41.071	3.943.493	187.668	(3.289.808)	28.033.706	1.639.954	5.079.518	47.567.559	807	47.568.366
II. Adjustment in accordance with TAS 8																
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I+II)	8.447.051	556.937	-	1.440.212	1.875.000	(387.243)	41.071	3.943.493	187.668	(3.289.808)	28.033.706	1.639.954	5.079.518	47.567.559	807	47.568.366
IV. Total comprehensive income (loss)					2.188	(450.746)	(20.525)	3.923.730	1.245.913	1.230.291	-	-	10.489.758	16.420.629	258	16.420.887
V. Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	78	-	-	-	-	-	-	(78)	-	-	-	-	-
XI. Profit distribution	-	-	-	148.338	-	-	-	-	-	-	4.431.180	-	(5.079.518)	(500.000)	(47)	(500.047)
11.1. Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	(500.000)	(500.000)	(47)	(500.047)
11.2. Transfers to legal reserves	-	-	-	148.338	-	-	-	-	-	-	4.431.180	-	(4.579.518)	-	-	-
11.3. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (III+IV+.....+X+XI)	8.447.051	556.937	-	1.588.628	1.877.188	(837.989)	20.546	7.867.243	1.433.581	(2.059.517)	32.464.808	1.639.954	10.489.758	63.488.188	1.018	63.489.206

1. Tangible assets revaluation reserve,
2. Accumulated gains / losses on remeasurements of defined benefit plans,
3. Other comprehensive income of associates and joint ventures accounted for using equity method that will not be reclassified to profit or loss,
4. Exchange differences on translation reserve,
5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income,
6. Accumulated gains or losses on cash flow hedges, other comprehensive income of associates and joint ventures accounted for using equity method that will be reclassified to profit or loss and net investment hedges.

The accompanying explanations and notes form an integral part of these consolidated financial statements.

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of December 31, 2022 and 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

6. Consolidated statement of cash flows

	Notes (Section Five)	Current Period (31/12/2022)	Prior Period (31/12/2021)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		38.665.176	13.228.725
1.1.1 Interest received		85.855.948	41.835.252
1.1.2 Interest paid		(47.477.789)	(29.294.713)
1.1.3 Dividend received		88.694	17.251
1.1.4 Fees and commissions received		21.841.199	10.957.088
1.1.5 Other income		16.931.804	(2.888.847)
1.1.6 Collections from previously written-off loans and other receivables		5.153.298	2.768.290
1.1.7 Cash Payments to personnel and service suppliers		(19.720.513)	(10.522.722)
1.1.8 Taxes paid		(18.860.696)	(3.192.554)
1.1.9 Other	6.3	(5.146.769)	3.549.680
1.2 Changes in operating assets and liabilities subject to banking operations		1.520.647	14.573.295
1.2.1 Net (increase) decrease in financial assets measured at fair value through profit or loss		(1.647.423)	(150.952)
1.2.2 Net (increase) decrease in due from banks		(40.957.665)	(59.469.735)
1.2.3 Net (increase) decrease in loans		(225.181.766)	(133.371.573)
1.2.4 Net (increase) decrease in other assets		(32.002.260)	(21.438.919)
1.2.5 Net increase (decrease) in bank deposits		3.350.257	2.053.622
1.2.6 Net increase (decrease) in other deposits		278.035.348	153.253.469
1.2.7 Net increase(decrease) in financial liabilities measured at fair value through profit or loss		12.502.769	13.366.967
1.2.8 Net increase (decrease) in funds borrowed		5.398.869	53.148.804
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	6.3	2.022.518	7.181.612
I. Net cash provided from banking operations		40.185.823	27.802.020
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities		(46.349.985)	(22.777.703)
2.1 Cash paid for the purchase of associates, subsidiaries and joint ventures		(25.016)	(26.660)
2.2 Cash obtained from the sale of associates, subsidiaries and joint ventures		1.040.675	18.270
2.3 Cash paid for the purchase of tangible and intangible asset		(1.612.407)	(792.206)
2.4 Cash obtained from the sale of tangible and intangible asset		706.819	471.232
2.5 Cash paid for the purchase of financial assets measured at fair value through other comprehensive income		(36.339.903)	(8.737.759)
2.6 Cash obtained from the sale of financial assets measured at fair value through other comprehensive income		12.377.339	7.845.958
2.7 Cash paid for the purchase of financial assets at amortised cost		(31.057.183)	(23.581.751)
2.8 Cash obtained from sale of financial assets at amortised cost		8.559.691	2.025.213
2.9 Other		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flows from financing activities		4.435.208	15.382.724
3.1 Cash obtained from funds borrowed and securities issued		35.102.143	35.947.885
3.2 Cash outflow from funds borrowed and securities issued		(29.189.667)	(19.628.371)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(1.000.093)	(500.047)
3.5 Payments for lease liabilities		(477.175)	(436.743)
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	6.3	27.521.017	31.328.014
V. Net increase/decrease in cash and cash equivalents		25.792.063	51.735.055
VI. Cash and cash equivalents at beginning of the period	6.1	103.318.275	51.583.220
VII. Cash and cash equivalents at end of the period	6.1	129.110.338	103.318.275

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of December 31, 2022 and 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

7. Profit distribution^{(1),(2)}

	Current Period	Prior Period
	(31/12/2022)	(31/12/2021)
I. Distribution of current year income		
1.1 Current year income	68.313.534	13.485.694
1.2 Taxes and duties payable (-)	15.568.845	2.995.936
1.2.1 Corporate tax (income tax)	20.149.630	3.257.106
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	(4.580.785)	(261.170)
A. Net income for the year (1.1-1.2)	52.744.689	10.489.758
1.3 Prior year losses (-)	-	-
1.4 First legal reserves (-)	-	144.884
1.5 Other statutory reserves (-)	-	-
B. Net income available for distribution [(A)+(1.3+1.4+1.5)]	52.744.689	10.344.874
1.6 First dividend to shareholders (-)	-	422.353
1.6.1 To owners of ordinary shares	-	422.353
1.6.2 To owners of privileged shares	-	-
1.6.3 To owners of preferred shares	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 Dividends to personnel (-)	-	-
1.8 Dividends to board of directors (-)	-	-
1.9 Second dividend to shareholders (-)	-	577.647
1.9.1 To owners of ordinary shares	-	577.647
1.9.2 To owners of privileged shares	-	-
1.9.3 To owners of preferred shares	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 Second legal reserves (-)	-	57.765
1.11 Statutory reserves (-)	-	-
1.12 Extraordinary reserves	-	9.268.346
1.13 Other reserves	-	-
1.14 Special funds	-	18.763
II. Distribution of reserves	-	-
2.1 Appropriated reserves	-	-
2.2 Second legal reserves (-)	-	-
2.3 Dividends to shareholders (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of privileged shares	-	-
2.3.3 To owners of preferred shares	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 Dividends to personnel (-)	-	-
2.5 Dividends to board of directors (-)	-	-
III. Earnings per share		
3.1 To owners of ordinary shares (Full TL)	0,0624	0,0124
3.2 To owners of ordinary shares (%)	-	-
3.3 To owners of privileged shares	-	-
3.4 To owners of privileged shares (%)	-	-
IV. Dividend per share		
4.1 To owners of ordinary shares (Full TL)	-	0,0012
4.2 To owners of ordinary shares (%)	-	11,8385
4.3 To owners of privileged shares	-	-
4.4 To owners of privileged shares (%)	-	-

(1) Profit Distribution Statement has been prepared according to unconsolidated financial statements of the Parent Bank.

(2) Regarding profit distribution, the authorized body of the Bank is the General Assembly and the annual general assembly meeting has not been held as of the date of preparation of these financial statements. Since the dividend distribution proposal for 2022 has not yet been prepared by the Board of Directors, only the distributable profit is stated in the profit distribution table.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Section Three - Accounting policies

1. Explanations on basis of presentation:

The Parent Bank maintains its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 ("Banking Act"), which is effective from November 1, 2005, the Turkish Commercial Code ("TCC") and Turkish Tax Legislation.

The consolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision Agency ("BRSA") which refers to "Turkish Financial Reporting Standards ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" and changes and notes to this communiqué published in the Official Gazette No. 28337 dated June 28, 2012.

The accompanying consolidated financial statements and notes to these financial statements are expressed in thousands of Turkish Lira (TL), unless otherwise stated.

The financial statements of subsidiaries operating abroad have been prepared in accordance with legislations and regulations of the country in which they are operating, however in order to provide fair presentation according to TFRS, necessary adjustments and reclassifications are reflected to those financial statements.

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis (restated for the changes in the general purchasing power of TL until December 31, 2004), except for financial assets and liabilities measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, derivative financial assets/liabilities, buildings and art objects and paintings in tangible assets. Besides, the carrying values of assets carried at amortized cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

The accounting policies and valuation principles employed for the preparation of consolidated financial statements are in compliance with TFRS requires the use of certain accounting estimates by the Group management to exercise its judgment on the assets and liabilities on the balance sheet and contingent assets and liabilities as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are explained in the related notes and reflected to the income statement.

The preparation and fair presentation of the financial statement and used principles of valuation in accordance with "Accounting and Reporting Legislation" published in the regulation, communiqué, interpretations and circular published by BRSA and If no specific regulation has been made by BRSA, it has been determined and applied according to the principles of TFRS.

The social and economic measures have been taken to reduce the negativity of COVID-19 epidemic, which was spread globally in the first half of 2020, in our country as in other countries where the epidemic is effective.

The Group has reflected the possible effects of the COVID-19 outbreak on the estimates and judgments used in the preparation of the financial statements. The estimates and assumptions used in the calculation of expected credit losses are explained in the explanations on the impairment of financial assets.

Interest rate benchmark reform London Interbank Offered Rate (LIBOR) is the most widely referenced benchmark interest rate across the globe for derivatives, bonds, loans and other floating rate instruments; however, for the USD indexed products, the regulator's transition process of the market from LIBOR and certain other benchmark rates to alternative risk-free, or nearly risk-free, rates that are based on actual overnight transactions still continues. Derivatives, floating rate notes, loans and other financial contracts whose terms extend beyond the relevant discontinuation date, and that refer to certain benchmark rates (including LIBOR) as the reference rate, will be impacted.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

In Turkey, Turkish Lira Overnight Reference Rate ("TLREF") is created in order to meet the need of Turkish Lira short-term reference rate that can be used as an underlying or a benchmark in financial products, debt instruments and different types of financial contracts. The Group completed the necessary infrastructure development and started to trade TLREF indexed products in 2021.

As of December 31, 2022, the Group largely completed the necessary infrastructure development for USD Libor indexed derivatives, money market transactions, bonds, loan products and risk management systems in order to take the transition to alternative benchmark interest rates that are based on actual overnight transactions. Following the system developments, it is anticipated that for the new traded floating rate instruments alternative benchmark interest rates are going to be used. For the existing transactions, it is planned to take transition to alternative benchmark interest rates in case there is a request from counter banks or customers. In the light of analysis, related transition will have no material impact on financial statements.

POA published the Phase 1, Amendments to TAS 39, TFRS 9 and TFRS 7 in December 2019 and Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7 and TFRS 16 in December 2020. The Phase 1, Amendments and The Phase 2, Amendments provide some specific reliefs on hedge accounting transactions and address issues that arise upon replacing the existing interest rate benchmark with the alternative interest rates and introduces additional disclosure requirements. There is no hedge relation discontinued due to this reform.

Interest rate contracts are used in hedge transactions to manage exposure to interest rate risk of assets and liabilities. The hedging instruments designated to manage these risks reference LIBOR in multiple jurisdictions and have been affected by the reform as the markets transition to alternative risk free or nearly risk-free rates by 2021 and beyond.

The Phase 2 Amendments provide two key reliefs :

- Modifications made as a direct result of the reform on an economically equivalent basis are reflected prospectively in the effective interest rate rather than as an immediate gain or loss.
- If qualifying criteria are met, hedging relationships that are directly impacted by the reform would be able to continue hedge accounting upon transition to alternative interest rates.

On January 20, 2022, POA made a statement on the Implementation of Financial Reporting in High Inflation Economies within the scope of TFRS, Financial Reporting Standard for Large and Medium Sized Enterprises. Accordingly, it has been stated that businesses applying TFRS do not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29 Financial Reporting in High Inflation Economies. In 2022, as of the reporting date, there has not been any further announcement regarding this issue; therefore, inflation adjustments have not been applied on the financial statements dated December 31, 2022 in accordance with TAS 29.

Additional paragraph for convenience translation into English:

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

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

The general strategy of the Group in using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Group is deposits. The Group can also sustain a lengthened liability structure by using long-term foreign currency borrowings from foreign financial institutions. Funds obtained from deposits and other sources are invested in quality financial assets in order to keep currency, interest rate and liquidity risks within the limits determined by the asset-liability strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed in accordance with the risk limits accepted by the Group and the related legal limits. Derivative instruments are mainly utilised for liquidity needs and for mitigating currency and interest rate risks. The position of the Group as a result of foreign currency activities is being held at minimum levels and the currency risk exposure is monitored within limits determined levels by the Board of Directors under the context of Banking Act.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Foreign currency denominated monetary assets and liabilities are translated with the Parent Bank exchange rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognised in the income statement under the account of "Foreign exchange gains or losses", except for valuation differences arising from foreign currency participations, subsidiaries and foreign currency non-performing loans.

The Group hedges part of the currency translation risk of net investments in foreign operations through currency borrowings. The effective portion of the foreign exchange difference of these financial liabilities is recognised in "Other accumulated comprehensive income that will be reclassified in profit or loss" in equity.

In order to eliminate the inconsistency in the recognition, the Group, might classify its financial liabilities as the financial liabilities classified at fair value through profit/loss upon the initial recognition.

3. Information on consolidation principles:

3.1. Consolidation principles applied:

The consolidated financial statements have been prepared in accordance with the procedures listed in the "Communiqué related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks" published in the Official Gazette No. 26340 dated November 8, 2006 and "TFRS 10-Consolidated Financial Statements"

3.1.1. Consolidation principles of subsidiaries:

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

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

Subsidiaries are consolidated with full consolidation method by considering the results of their activities and the size of their assets and shareholders' equity. Financial statements of the related subsidiaries are included in the consolidated financial statements from the date control is transferred to the Group and they are taken out of consolidation scope when control no longer exists. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been consolidated line by line with the balance sheet, income statement and off balance sheet of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary's capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the entities included in consolidation have been eliminated. In the consolidated balance sheet and income statement, minority interest has been presented separately from the shares of the Group shareholders.

The subsidiaries included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	Incorporation (City/ Country)	Main activities	Effective rates (%) December 31, 2022	Direct and indirect rates December 31, 2022
Yapı Kredi Leasing	Istanbul/Turkey	Leasing	99.99	99.99
Yapı Kredi Faktoring	Istanbul/Turkey	Factoring	99.96	99.96
Yapı Kredi Menkul	Istanbul/Turkey	Investment Management	99.98	99.98
Yapı Kredi Portföy	Istanbul/Turkey	Portfolio Management	99.95	99.97
Yapı Kredi Holding B.V.	Amsterdam/Netherlands	Financial Holding	100.00	100.00
Yapı Kredi Bank N.V.	Amsterdam/Netherlands	Banking	100.00	100.00
Yapı Kredi Azerbaijan	Baku /Azerbaijan	Banking	100.00	100.00
Stichting Custody Services YKB	Amsterdam/Netherlands	Custody services	100.00	100.00
Yapı Kredi Diversified Payment Rights Finance Company ⁽¹⁾	George Town/ Cayman Islands	Special Purpose Company	-	-

(1) It is a special purpose entity established for securitization transactions and is included in the consolidation although it is not a subsidiary of the Parent.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.1.2. Consolidation principles of associates:

The associates are entities in which the Parent Bank participates in their capital and has significant influence on them, although the Parent Bank has no capital or management control, is established in domestic and abroad. The related associates are consolidated with equity method.

Significant influence refers to the participation power on the constitution of the financial and management policies of the participated associate.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in an associate from the changes in the participated associate's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount.

The associates included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	(City/ Country)	Main activities	Effective rates % December 31, 2022	Direct and indirect rates % December 31, 2022
Banque de Commerce et de Placements S.A.	Geneva/Switzerland	Banking	30,67	30,67
Allianz Yaşam ve Emeklilik A.Ş.	Istanbul/Turkey	Insurance	20,00	20,00

3.1.3. Transactions with minority shareholders:

The Group applies a policy of treating transactions with minority interests as transactions within the Group. The difference between the acquisition cost and net asset acquired is recognised under equity. Disposals from minority interests are also considered as equity transactions and result in changes in the equity of the Group.

3.1.4. Presentation of unconsolidated subsidiaries, associates and joint ventures in consolidated financial statements:

Turkish Lira denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at cost value, less any impairment, in accordance with "TAS 27 - Individual Financial Statements" in the consolidated financial statements.

Foreign currency denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at their original foreign currency costs translated into Turkish Lira using the exchange rates prevailing at the transaction date less impairment, if any.

When the cost of associates, subsidiaries and joint ventures is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

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

The Group's derivative transactions mostly include foreign currency money and interest rate swaps, forward foreign exchange purchase and sale transactions and options.

Derivative instruments are measured at fair value on initial recognition and subsequently re-measured at their fair values. As a result, the fair value of derivatives is reflected as net liability or net asset on a contract by contract basis. The accounting method of the income or loss arising from derivative instruments depends on whether the derivative is being used for hedging purposes or not and depends on the type of item being hedged.

At the transaction date, the Group documents the relationship between hedging instruments and hedged items, together with the risk management policies and the strategies on hedging transactions. Besides, the Group regularly documents the effectiveness of the hedging instruments in offsetting the changes in the fair value of the hedged items.

Changes in the fair value of derivative instruments subject to fair value hedges are recognized under profit or loss accounts together with the variation in the fair value of hedged items. The changes of fair value of derivative transactions for fair value hedge are classified in "Derivative Financial Transactions Gains/Losses" account. In the balance sheet, changes in the fair value of hedged assets and liabilities, during the period in which the hedge is effective, are shown with the related assets and liabilities.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

The ineffective portion of the mentioned hedging transactions is reflected to the income statement. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortized cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized in profit or loss accounts. Fair value adjustments are recognized directly in the income statement in an event of repayment and/or unwinding and/or the recognition of the hedged item.

The Parent Bank hedges its cash flow risk arising from foreign currency and Turkish Lira floating interest rate liabilities by using interest rate and currency swaps. The effective portion of the fair value changes of the hedging instruments are recorded in in "Other accumulated comprehensive income that will be reclassified in profit or loss" under shareholders' equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items (interest expense) impact the income statement.

In case the cash flow hedge accounting is discontinued due to the expiry, realization for sale of the hedging instrument, or due to the results of the effectiveness test the amounts accounted under shareholders' equity are transferred to the profit or loss accounts as these cash flows of the hedged item are realized (considering the original maturity of the hedging instrument).

Some of the trading purpose derivative transactions, even though they provide effective economic hedges under the Group's risk management policy, do not qualify for hedge accounting under the specific rules in "TFRS 9- Financial Instruments" and are therefore treated as "Derivative financial assets measured at fair value through profit or loss".

"Derivative financial assets measured at fair value through profit or loss" are measured at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account "Derivative financial assets measured at fair value through profit or loss" and if the fair value difference is negative, it is disclosed under "Derivative financial liabilities measured at fair value through profit or loss". Fair value changes are recorded under "Derivative Financial Transactions Gains/ (Losses)" in the income statement.

The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Parameters used for the valuation of the option portfolio of the Parent Bank are determined by market risk management and the confirmation of the accuracy of fair value calculations are monitored periodically by market risk management.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts as their contractual values. Embedded derivatives are separated from the host contract and accounted as derivative instruments according to "TFRS – 9 Financial Instruments"; in case, (i) the related embedded derivative's economic features and risks are not closely related to the host contract, (ii) another instrument that has the same contract conditions with the embedded derivative satisfies the definition of a derivative instrument and (iii) the hybrid instrument is not carried at fair value through profit or loss.

Credit derivatives are capital market tools designed to transfer credit risk from one party to another.

As of December 31, 2022, the Parent Bank's credit derivatives portfolio included total return swaps.

Credit linked notes are bonds that have repayments depending on a credit event or the credit risk evaluation of a reference asset or asset pool. Depending on whether the reference assets are included in the balance sheet of the issuer or the owner of the assets, these transactions can be accounted by the party assuming the credit risk as insurance or as an embedded derivative. As per the Bank's management evaluation, the embedded derivatives included in the credit linked notes are separated from the host contracts in accordance with "TFRS 9 - Financial Instruments" and recorded and evaluated as credit default swaps. The bond itself (host contract) is valued in accordance with the valuation principles of the category it is classified.

Total return swaps are contracts, in which the seller commits to pay the contract value for all cash flows of the reference assets of the seller and the changes of the market values of these reference assets to the buyer during the contract maturity and bear all the decreases in the market value of the these reference assets. The Bank uses the total return swaps to generate long term funding.

Market risks of these products are monitored using the Parent Bank's internal modeling system for the Value-at-Risk and basis points sensitivity analysis; the liquidity risks are monitored using the short term liquidity report on daily and the long term liquidity report on monthly basis.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

According to the regulations of BRSA, those currency exchange transactions realized at value date in the initial phase of currency swaps are recorded and followed as irrevocable commitments in off-balance sheet accounts until the value date.

A Credit Valuation Adjustment (CVA) is applied to the Bank's over-the-counter derivative exposures to take into account the counterparty's risk of default when measuring the fair value of the derivative. CVA is the mark-to-market cost of protection required to hedge credit risk from counterparties in the Bank's over-the-counter derivatives portfolio. The Bank calculates CVA based on collective provisioning methodology calculated in accordance with Turkish Financial Reporting Standards, "TFRS – 9 Financial Instruments", comprising the product of Exposure, Probability of Default (PD) and Loss Given Default (LGD). CVA is calculated based on the exposure of each counterparty.

Within the scope of TFRS 13 Fair Value Measurement standard; (i) if there is a significant decrease in the volume or level of activity for that asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities); (ii) when the transaction or quoted price does not represent fair value; and / or (iii) when a price for a similar asset requires significant adjustment to make it comparable to the asset being measured, or (iv) when the price is stale, the Bank makes an adjustment to the transactions or quoted prices and reflects this adjustment to the fair value measurement. In this context, the Bank determines the point within the range that is most representative of fair value under current market conditions.

5. Explanations on interest income and expense:

Interest income and expenses are recognized in the income statement on an accrual basis by using the effective interest method periodically.

Retrospective rediscount calculation and foreign exchange evaluation is performed for non-performing loans, and accrued interest and rediscounts as of transfer to non-performing loan accounts are accounted under loan accrual/rediscount accounts as per Uniform Chart of Accounts ('UCA'). The Bank ceases accruing interest after non-performing loan classification. In place of that, interest amount representing the time value of future collections is recognized under interest income instead of provision expense.

6. Explanations on fee and commission income and expenses:

Fees and commissions received as a result of the service agreements or arising from negotiating or participating in the negotiation of a transaction on behalf of a third party are recognized either in the period when the transaction is realized or deferred based on the type of the underlying transaction. Other commission income and fees from various banking services are recorded as income at the time of realization.

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15 "Revenue from Contract with Customers".

7. Explanations on financial assets:

As of January 1, 2018, the Group has applied TFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)
- Financial assets measured at amortised cost

According to TFRS 9 classification of financial assets is based on two criteria; business model under which the financial asset is being managed and contractual cash flows representing solely payments of principal and interest of the financial asset. This evaluation incorporates whether there is any clause that may change timing or amount of contractual cash flows of the financial asset.

Classification of financial assets reflects the business model of how the Group manages the assets in order to generate cash flows. Bank's business model may be to collect solely the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

The Parent Bank owns Consumer Price Indexed (CPI) Government Bonds which are classified under "Fair value through other comprehensive income" and "measured at amortised cost" securities portfolio. The reference indices used in calculating the actual coupon payment amounts of these assets are based on the Consumer Price Index (CPI) of prior two months.

Assessment of the business model

The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not a single instrument basis approach for classification and should be determined on a higher level of aggregation.

During the assessment of the business model for management of financial assets, all relevant evidences at the assessment date have been taken into consideration. Such relevant evidence includes below:

- How the performance of the portfolio is evaluated and reported to the Group's management;
- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets with duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

If cash flows are realised in a way that is different from the expectations on the date of the assessment of the business model, that does not give rise to a prior period error in the financial statements nor does it change the classification of the remaining financial assets held in that business model as long as all relevant information that was available at the time of business model assessment were. However, when the business model is assessed for newly originated or newly purchased financial assets, it must be considered information about how cash flows were realised in the past, along with all other relevant information. The business models are divided into three categories. These categories are defined below:

- Business model whose objective is to hold assets in order to collect contractual cash flows

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. That is, the Group manages the assets held within the portfolio to collect those particular contractual cash flows.

Although the objective of Group's business model may be to hold financial assets in order to collect contractual cash flows, the Group does not need to hold all of those instruments until the maturity. Thus Group's business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur or are expected to occur in the future.

The business model may be to hold assets to collect contractual cash flows even if the Group sells financial assets when there is an increase in the assets' credit risk. The Group considers reasonable and supportable information, including forward looking information in order to determine whether there has been an increase in the assets' credit risk. Regardless of their frequency and value, sales due to an increase in the assets' credit risk are not inconsistent with a business model whose objective is to hold financial assets to collect contractual cash flows because the credit quality of financial assets is relevant to the Group's ability to collect contractual cash flows

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

- A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

The Group may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In this type of business model, the Group's management has made a decision on both collecting contractual cash flows and selling financial assets are necessary for achieving the objective of the business model. There are various objectives that may be consistent with this type of business model. For example, the objective of the business model may be to manage liquidity needs on daily basis, to maintain a particular interest yield profile or to match the duration of the financial assets to the duration of the liabilities funding those assets. To achieve such an objective, the Group will both collect contractual cash flows and sell financial assets.

Compared to a business model whose objective is to hold financial assets to collect contractual cash flows, this business model will typically involve greater frequency and value of sales. This is because selling financial assets is integral to achieving the business model's objective instead of being only incidental to it.

- Other business models

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

A portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Group is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).
- When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss.

7.1. Financial assets measured at fair value through profit or loss:

Financial assets, which are classified as "Financial assets measured at fair value through profit or loss", are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer's margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from active market transactions, it is assumed that the fair value cannot be measured reliably and fair values are calculated by alternative models. All gains and losses arising from these valuations are recognized in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

The principles regarding the accounting of derivative financial instruments are explained in detail in Note 4 of this section.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

7.2. Financial assets measured at amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortised cost. These financial assets are initially recognized at total of acquisition and transaction cost. After their initial recognition they are carried at "Amortized cost" using the "Effective interest method".

7.3. Loans:

Loans are financial assets raised through lending without having the intention to trade in the short term. Loans are non derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted on active market. Loans are recognized initially at cost including transaction costs (which reflect fair values) and subsequently carried at the amortized cost using the "effective interest method". The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

Retail, commercial and corporate loans included in cash loans are accounted for with their original maturities in accounts which are mentioned in the Uniform Chart of Accounts ('UCA'). Foreign currency indexed loans are initially measured at local currency accounts with the foreign exchange rate prevailing at date of the initial recognition and re-valued with the relevant foreign currency rates prevailing at the date of the financial statements. Increase or decrease in the value of the principal amount of the loan due to changes in foreign exchange rates is accounted in the related income and expense accounts. Repayment amounts are translated with the foreign exchange rates prevailing at the repayment dates and the valuation differences are accounted for in foreign exchange gain/loss accounts.

The Parent Bank provides provision for expected credit losses based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published in the Official Gazette No. 29750 dated June 22, 2016 and in line with "TFRS 9 - Financial Instruments". In this context, the management estimates are determined, on the basis of the prudence principle and Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

As of December 31, 2022, the Bank has classified loans in accordance with the TFRS 9 standard and reflected them in its financial statements. In this context; the Group has evaluated many reasonable and supportable qualitative and quantitative data by taking into account the negative impact of COVID-19 in assessing whether there is a significant increase in credit risk in the classification of loans according to stages and determining the moment when the default situation occurs. It has classified the loans according to their stages according to its best judgment under the current conditions.

The Parent Bank has taken into account the possible difficulties in the cash flows or payments of customers due to uncertainties regarding the COVID 19 epidemic process within the scope of TFRS 9 while calculating the expected credit loss for the loans classified according to their stages in the scope above.

Provision expenses are deducted from the net income of the year. If there is a subsequent collection from a receivable that was already provisioned in previous years, the recovery amount is classified under "Other operating income". The write off policy is described in the explanations and notes related to assets, fifth section.

7.4. Financial assets measured at fair value through other comprehensive income:

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI).

Financial assets measured at fair value through other comprehensive income are subsequently re-measured at fair value. When fair values based on market prices cannot be observed reliably, the financial assets at fair value through other comprehensive income are carried at fair values determined by using alternative models. "Unrealized gains and losses" arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders' equity as "Other accumulated comprehensive income that will be reclassified in profit or loss", until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. Interest and dividends received from financial assets at fair value through other comprehensive income are recorded in interest income and dividend income as appropriate.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Interest income on financial assets at fair value through other comprehensive income are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of financial assets at fair value through other comprehensive income before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under "Profit/losses from capital market transactions".

7.5. Equity instruments off fair value through other comprehensive income:

At initial recognition, Group can make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an equity instrument within the scope of TFRS 9. Such election is made on an instrument basis. Fair value differences recognized in other comprehensive income are not transferred to profit or loss in the following periods and transferred to prior years' profit/loss. The equity instruments measured at fair value through other comprehensive income, are not subject to impairment calculation.

8. Explanations on impairment of financial assets:

The Parent Bank assesses the expected credit losses ("ECL") related with its debt instrument assets carried at amortised cost and at fair value through other comprehensive income, with the exposure arising from loan commitments and financial guarantee contracts on a forward-looking basis. The Parent Bank recognises a loss allowance for such losses at each reporting date. The measurement of expected credit losses reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement of the expected credit loss allowance:

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and at fair value through other comprehensive income is an area that requires the use of advanced models and significant assumptions about future economic conditions and credit behaviour.

These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition. Impairment shall be recognized on outstanding amounts in each category, as follows:

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk will be recorded in the amount of 12-month expected credit losses.

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset will be transferred to this stage. Impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount.

Life-time expected credit loss is calculated on an individual or collective basis for the financial assets in stage 2 and stage 3.

General provisions represent ECLs for the first stage and the second stage, specific provisions represent ECLs for the third stage.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

The Parent Bank has developed specific models for calculating the expected loss; such models are based on the parameters of PD, LGD and EAD and on the effective interest rate. In particular:

- The PD (Probability of Default), represents the customer's probability of more than 90 days delay, within 12-months;
- The LGD (Loss Given Default), represents the percentage of the estimated loss, and thus the expected rate of recovery, at the date of occurrence of the default event of the credit exposure;
- The EAD (Exposure at Default), represents the measure of the exposure at the time of the event of default of the credit exposure;
- The Effective interest rate is the discount rate that expresses of the time value of money.

Such parameters are calculated starting from the corresponding parameters used for IRB preparation purposes, with specific adjustments in order to ensure consistency between accounting and regulatory treatment despite different regulatory requirements.

The main adjustments aimed at:

- Removal of prudency principal used for IRB preparation phase;
- Introducing "point-in-time" adjustments to replace "through-the-cycle" adjustments required for IRB preparation phase (TFRS-9 parameters developed over these parameters.);
- With reference to lifetime PD, through-the-cycle PD curves obtained by adjusting observed cumulated default rates were calibrated in order to reflect point-in-time on portfolio default rates.

Recovery rate incorporated into through-the-cycle LGD was adjusted in order to remove prudency principle and to reflect the most updated trend of recovery rates discounted at effective interest rate or at its best approximation.

The lifetime EAD has been obtained by converting the 1 year regulatory or managerial model to life-time, removing margin of prudency and including the expected discounted cash flow.

The Stage Allocation model is a key aspect of the new accounting model required to calculate expected credit losses which is aimed at transferring credit exposures from Stage 1 to Stage 2.

With reference to the quantitative component of the model for stage allocation, the Parent Bank has adopted a statistical approach based on a quantiles regression whose objective is to define a threshold in terms of maximum variation acceptable between the PD at the time of origination and the PD assessed at the reporting date.

The Stage Allocation model was based on a combination of relative and absolute elements. The main elements were:

- Comparison, for each transaction, between the PD measured at the time of recognition and PD as at the reporting date, both calculated according to internal models, through thresholds set in a way considering all key variables of each transaction that can affect the Bank's expectation of PD changes over time;
- Absolute elements such as the backstops required by law;
- Additional internal evidence

Significant increase in credit risk

In the assessment of significant increase in credit risk quantitative and qualitative assessments are made;

Quantitative Assessment:

As a result of quantitative assessment, related financial asset is classified as stage 2 (Significant Increase in Credit Risk) when any of the following criteria are satisfied.

As of reporting date:

- Lifetime expected credit losses shall be recognized on a transaction base, when more than 30 days past due status is passed. The Parent Bank can abandon this estimation when it has reasonable and supportable information about customers contractual repayments.
- In case a loan has been restructured, it will be followed up under Stage 2 during the follow-up period mentioned in the related regulations. The loan can be transferred back to Stage 1 at end of the follow-up period if there is no significant deterioration.
- Provisions on non-funded non cash loans are evaluated as significant increase in credit risk.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Qualitative Assessment:

The probability of significant increase in credit risk under qualitative assessment is based on the comparison of probability of default of a loan in the origination and as of reporting date.

The Group uses distribution regression on segment basis in order to calculate the thresholds used in defining the significant increase in credit risk.

Financial instruments defined as low risk for TFRS 9 are;

- Receivables from Central Bank of the Republic of Turkey;
- Loans with counterparty of Treasury of the Republic of Turkey
- The issued securities or guaranteed marketable securities from central banks of the countries where Group's subsidiaries, as associates are resident;
- Bank placements;
- Other money market transactions;
- Transactions of Group's associates and subsidiaries

Forward Looking Information:

Forward-looking macroeconomic information is incorporated into credit risk parameters during assessment of significant increase in credit risk and expected credit loss calculation.

For the calculation of expected credit loss, Bank uses macroeconomic estimation method which is developed during creation of various scenarios. Macroeconomic variables prevailing during these estimates are gross domestic product (GDP), unemployment rate and foreign trade balance.

When expected credit losses are estimated in accordance with the forward looking macroeconomic information, the Bank evaluates three scenarios (base, pessimistic and optimistic) with various weights based. Within the scope of the effects of COVID-19 on Expected Credit Loss calculations, the weight of base scenario has been reduced and pessimistic scenario has been increased at the same rate. The Bank has reviewed the macroeconomic model used in the process and has been the subject of provision calculations using the data considered to reflect the current situation in the best way. On the other hand, researches have been carried out on the sectors affected by COVID-19, the effects that belonged to the period which COVID-19 was the most effective, were segregated on a sectoral basis and analyzed whether in which direction the Borsa Istanbul Index data differed from the cumulative index data and this differentiation is reflected in the probability of default values on a sectoral basis. The Bank made no change in its current approach in current period.

In the light of macroeconomic expectations, the Parent Bank reflected the calculations made to its financial statements considering the probability of default values and the possible changes in the exposure at default. In this context, the Bank has measured the effect of the change in macroeconomic data used in the calculation of expected credit loss such as gross domestic product, unemployment rate and foreign trade deficit, on the non performing loans under different scenarios and reflected the increase coefficient, which was considered to be the most accurate, to its provision calculations by projecting it on the loan parameters within the range of NPL ratio obtained throughout the calculations. The Parent Bank reflected the possible effects of the COVID-19 and estimation of cash flows with reasonable and supportable information used in calculating the expected loan loss provision for the loans subject to individual assessment. This preferred approach will be revised in the coming reporting periods, considering the impact of the outbreak, the credit portfolio and changes in future expectations.

9. Explanations on offsetting financial assets:

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

10. Explanations on sales and repurchase agreements and securities lending transactions:

Securities subject to repurchase agreements ("Repo") are classified as "Financial assets at fair value through profit or loss", "Financial assets measured at fair value through other comprehensive income" and "Financial assets measured at amortised cost" according to the investment purposes of the Group and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Money market funds" in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the "Effective interest method". Interest expense on repo transactions are recorded under "Interest expense on money market transactions" in the income statement.

Funds given against securities purchased under agreements to resell ("reverse repo") are accounted under "Receivables from money markets" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method.

The Group has no securities lending transactions.

11. Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets:

According to the "TFRS-5 Non-current Assets Held for Sale and Discontinued Operations" a tangible asset (or a group of assets to be disposed) classified as "Asset held for resale" is measured at lower of carrying value and fair value less costs to sell. An asset (or a group of assets to be disposed) is regarded as "Asset held for resale" only when the sale is highly probable and the asset (or a group of assets to be disposed) 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 in the market at a price consistent with its fair value.

A discontinued operation is a part of the Group's business classified as sold or held for sale. The operating results of the discontinued operations are disclosed separately in the income statement.

12. Explanations on goodwill and other intangible assets:

12.1. Goodwill:

The excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised. The acquirer also recognises assets that are capable of being individually identified and separately recognised, intangible assets (e.g. credit card brand value, deposit base and customer portfolio) and contingent liabilities at fair value, irrespective of whether the asset had been recognised by the acquiree before the business combination, if it can be distinguished from the goodwill and if the asset's fair value can be measured reliably.

As explained in Note 2, Section 1, in 2006, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. Within the scope of TFRS 3 - Business Combinations standard, the goodwill arising from the merger was subject to annual impairment test in accordance with the requirement of TAS 36 - Impairment of Assets. As of 31 December 2022, the goodwill was fully impaired and directly recognized in profit reserves under the statement of shareholders' equity.

12.2. Other intangible assets:

Other intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated amortization and the provision for impairment.

The Group evaluates the possibility of existence of impairment of intangible assets at the end of each reporting period. If there is an evidence of impairment, the Group estimates a recoverable amount in accordance with the "TAS 36-Impairment of Assets". The recoverable amount is the higher of net sales price or the value in use. When the book value of another intangible asset exceeds the recoverable amount, the related asset is considered to be impaired. If there is no evidence of impairment, there is no need to estimate the recoverable amount.

Intangibles are amortized over their estimated useful lives using the straight-line method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilise the economic benefit from the asset.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

13. Explanations on property and equipment:

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement in accordance with "TAS 16-Property, Plant and Equipment". Subsequently, properties and equipments, except art objects, paintings and buildings, are carried at cost less accumulated depreciation and provision for impairment.

The Group adopted fair value accounting method for its buildings since March 31, 2015 in tangible assets in accordance with "TAS 16-Property, Plant and Equipment".

The depreciation rate for buildings is 2-4%; for movables and movables acquired under financial leasing depreciation is calculated over estimated useful life by using the straight-line method.

The depreciation charge for items remaining in property and equipment for less than a full accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

In accordance with "TAS 36-Impairment of Assets", where the carrying amount of an asset is greater than its estimated "recoverable amount", it is written down to its "recoverable amount" and the provision for impairment is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales proceeds.

Expenditures for the repair and maintenance of property and equipment are recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalised on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

14. Explanations on leasing transactions:

The Group performs leasing transactions in the capacity of the lessee and lessor.

14.1. Accounting of leasing operations according to lessor:

The Group has adopted "TFRS 16 - Leases" in the accounting of leasing transactions.

In accordance with "TFRS 16 - Leases", the Group calculates "right-of-use" amount using the present value of the lease payments of fixed asset at the beginning of the leasing period and recognizes under "property and equipment". Unpaid leasing payments are calculated at their net present value and recognized under "lease payables" in liabilities. Lease payments are discounted using related borrowing rates.

Fixed assets that are subject to leasing is amortised on the basis of leasing period. Interest expense related to lease payables is classified under "interest on lease payables" under "interest expense" and exchange rate changes are classified under "foreign exchange gains/losses". Leasing payments are deducted from lease payables.

14.2. Accounting of leasing operations according to lessor:

Assets that are subject to financial leasing are reflected as a receivable equal to the net leasing amount in the consolidated financial statements. Interest income is earned to form a fixed periodical interest rate on net investment amount of the related leased asset by the lessor and the portion relating to subsequent periods is followed in the unearned interest income account.

14.2.1. Provision for doubtful lease receivables

The lease receivables provision for the impairment of investments in direct finance leases is established based on a credit review of the receivables portfolio. The Group has set this provision in accordance with the TFRS 9 rules.

Finance lease receivables and accounts receivables that cannot be recovered are written off and charged against the allowance for the impairment of lease and accounts receivables. Such receivables are written off after all the necessary legal proceedings have been completed and the amount of loss is finally determined. Recoveries of

amounts previously provided for are treated as a reduction from the provision for the impairment of the lease receivable and are recognized as income.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

15. Explanations on provisions, contingent assets and liabilities:

Provisions and contingent liabilities, except for the expected credit loss recognized for financial instruments within the scope of TFRS 9 standards, are accounted in accordance with "TAS – 37 Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions for contingent liabilities arisen from past events are recognised in the period of occurrence in accordance with the "Matching principle". A provision is recognised when it is probable that the contingent event will occur and a reliable estimate can be made. When a reliable estimate of the amount of obligation cannot be made, or it is not probable that an outflow of resources will be required to settle the obligation, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

16. Explanations on obligations related to employee benefits:

16.1. Employee termination benefits

Obligations related to severance pay and vacation rights are accounted for in accordance with "TAS 19- Employee Benefits" and are classified under "Provisions for employee benefits" account in the balance sheet. Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve for severance pay represents the present value of the estimated total liability for the future probable obligation of the Group determined by using certain actuarial assumptions. Actuarial gains and losses generated after January 1, 2013, are accounted for under equity in accordance with the revised "TAS 19- Employee Benefits" standard.

16.2. Pension rights

The Parent Bank's personnel are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı ("the Fund") which was established in accordance with the 20th temporary article of the Social Security Law No. 506. The technical financial statements of the Fund are audited in accordance with the Article 38 of the Insurance Supervision Law and the "Regulation Regarding the Actuaries" by a registered independent actuary.

Temporary article 23th paragraph 1 of the Banking Act published in the Official Gazette No 25983 dated November 1, 2005 stated that foundations like the Fund are to be transferred to the Social Security Institution ("SSI") within three years beginning from the publication date of the article.

The article of the Law related to the transfer was cancelled (pursuant to the application by the President on November 2, 2005) by the decision of Constitutional Court (decision no: E.2005/39, K. 2007/33 dated March 22, 2007) published in the Official Gazette No. 26479 dated March 31, 2007, and the effect of the law article was suspended from the date of the publication of the decision.

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated December 15, 2007, No 26731. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("GNAT") started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the "Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations" No 5754 ("the New Law") regulating the transfer of the funds were approved by the GNAT on April 17, 2008. The New Law was published in the Official Gazette No. 26870 dated May 8, 2008. With the new law, the banks' pension funds will be transferred to SSI within three years from the date of publication of the decree and this period can be extended for a maximum of two years with the decision of the Council of Ministers. The transfer period was extended for another two years with the decision of the Council of Ministers No. 2011/1559 published in the Official Gazette dated April 9, 2011. According to the "Amendment of Social Insurance and General Health Insurance Law No. 6283" published in the Official Gazette dated March 8, 2012, Council of Ministers was authorized to increase the two-year extension period mentioned

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

above to four years. According to the decision of The Council of Ministers dated February 24, 2014, the transfer date is set as May 2015. The Council of Ministers was authorized to determine the transfer date of pension funds in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated April 23, 2015 and numbered 29335. The president was authorized to determine the transfer date of pension funds in accordance with the last amendment by the Law No. 30473 published in the Official Gazette dated July 9, 2018.

A commission (whose members are the representatives of the SSI, the Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, Saving Deposit Insurance Fund ("SDIF"), one member representing the Fund and one member representing the Fund members) is in charge of the calculation of the value of the payment that would need to be made to SSI to settle the obligation using a technical interest rate of 9,8% by law taking into consideration income and expenses by insurance branches of the funds and the excess of salaries and income paid by the funds over the salaries and income to be paid in accordance with the SSI arrangements which should not be less than SSI arrangements, related to the members of the Fund as of the date of the transfer including the members who have left the scheme.

In accordance with the New Law, after the transfer to SSI, any social rights and payments to Fund members and their beneficiaries which are not provided although they are included in the Fund Title Deed will continue to be provided by the Fund and the employers of the Fund members.

The Parent Bank accounts for a provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the New Law and in accordance with the "TAS 19- Employee Benefits" standard.

16.3. Short term benefits of employee:

Within the scope of "TAS 19- Employee Benefit", the Group measures the expected costs of accumulated paid leaves as expected payments it will make due to unused leave rights as at the end of the reporting date.

17. Explanations on taxation:

17.1. Current tax:

The corporate tax rate is 20% in accordance with the article number 32 of the New Corporate Tax Law no.5520 which is published in the official Gazette dated June 21, 2006 and numbered 26205. In accordance with the 11 and 14th articles of the Law numbered 7316 on "Amendment of Law on Collection Procedure of Public Receivables and Certain Laws" published in the Official Gazette dated April 22, 2021 and numbered 31462, starting from the declarations that must be submitted starting from July 1, 2021 and to be valid for the taxation period starting from January 1, 2021, corporate tax rate will be applied as 25% for enterprises' corporate income belonging to the taxation periods of 2021 and 23% for enterprises' corporate income belonging to the taxation periods of 2022. Standard corporate tax rate for financial sector is increased to 25% starting from the declarations as of July 1, 2022 and to be valid for the taxation periods of 2022 according to the Law numbered 7394 published in the Official Gazette No. 31810 dated April 15, 2022. Corporate tax rate business income tax in accordance with the laws of the institutions to be added as unacceptable the reduction of costs in the tax laws, exemptions and reductions to the tax base found as a result of the reduction that will be applied. Additional tax is not payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

Corporations are required to pay advance corporate tax quarterly on their corporate income. Advance tax is declared and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and 50% portion of the capital gains derived from immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five years.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Tax returns are required to be filled and delivered to the related tax office until the last evening of the fourth month following the balance sheet date and the accrued tax is paid same day. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Non-monetary items on the financial statements must have been restated for inflation according to the repeated article 298/A of Tax Procedure Law. In law numbered 7352 published on 29 January 2022 in the Official Gazette numbered 31734, 2021 and 2022 accounting periods including advance tax periods are deemed as the periods in which the requirements for inflation adjustment are not met.

Tax rates that are used in tax calculations before the exemptions by foreign subsidiaries by taking current tax regulations in their countries into consideration as of December 31, 2022 are as follows:

Netherlands	25,00%
Azerbaijan	20,00%

17.2. Deferred tax:

The Group calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "TAS 12-Income Taxes" and in accordance with BRSA's explanations and circulars and the tax legislation. The Group calculates deferred tax on deductible temporary differences, to the extent that future taxable income is estimated to be available. In the deferred tax calculation, the enacted tax rate is used as of the balance sheet date by estimating when the temporary differences will be taxable / deductible in accordance with the current tax legislation.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that future taxable profit will be available against which the deferred tax asset can be utilised.

Deferred tax assets and liabilities of subsidiaries subject to consolidation have been netted of in their standalone financial statements in accordance with "TAS 12-Income Taxes". The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

Tax effects of the transactions that are directly accounted under equity are also reflected to equity.

17.3. Transfer pricing:

The article no.13 of the Corporate Tax Law No.5520 describes the issue of transfer pricing under the title of "Disguised profit distribution" by way of transfer pricing (previously included as "Disguised profit" in the Corporate Tax Law No.5422). "The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing" published at November 18, 2007/26704, explains the application related issues on this topic effective from January 1, 2007, also taking into account the regulations in Article 41 of the Income Tax Law.

"Arm's length principle", which is the basis for the transfer pricing rule, is the pricing system to be followed for purchase or sale activities between related parties for any product or service transactions as if the transaction is realized with any other third party. According to this communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As discussed in the relevant section of this communiqué, the taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

18. Explanations on borrowings:

The financial liabilities classified at fair value through profit/loss, trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at "amortized cost" including costs of transactions using the "effective interest method".

The Group classifies some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition. For the related liabilities until the maturity, the Bank presents interest expenses paid and the difference between amortized cost and acquisition cost in

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

the interest expense, the difference between the fair value of the financial liabilities and amortized cost presents under the trading gain/(loss) in the income statement.

The Group utilises various hedging techniques to minimise the currency, interest rate and liquidity risks of its financial liabilities. No convertible bonds have been issued.

Also, Group obtains funds by issuing bonds and bills.

19. Explanations on issuance of share certificates:

When shares are issued above their nominal value, the excess over the nominal value is accounted under shareholders' equity as "Share premium".

20. Explanations on bill of guarantees and acceptances:

Bill of guarantees and acceptances are included in the "off-balance sheet commitments".

21. Explanations on government grants:

None (December 31, 2021 - None).

22. Profit reserves and profit distribution:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Legal reserves consist of first and second reserves as foreseen in the TCC. The TCC specifies that the first legal reserve is appropriated at the rate of 5% until the total reserve is equal to 20% of paid-in capital and that the second legal reserve is appropriated at the rate of 10% of distributions in excess of 5% of paid-in capital; however holding companies are not subject to this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate for accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

No dividend payments of the Parent Bank were announced after the balance sheet date.

23. Earnings per share:

Earnings per share disclosed in the income statement are calculated by dividing net profit/loss for the year to the weighted average number of shares outstanding during the period concerned.

	Current Period	Prior Period
Net Income/(loss) to be appropriated to ordinary shareholders	52.744.689	10.489.758
Weighted average number of issued ordinary shares (thousand)	844.705.128	844.705.128
Earnings per share (full TL)	0,0624	0,0124

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. These bonus shares are treated as issued shares in earnings per share computations. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year is adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

No bonus shares were issued during 2021 (2021 - None).

24. Related parties:

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/affiliated with them, associated companies and joint ventures and the Fund providing post employment benefits are considered and referred to as related parties in accordance with "TAS 24-Related Parties". The transactions with related parties are disclosed in detail in Note 7 of Section Five.

25. Explanations on operating segments:

Information about operating segments which are determined in line with "TFRS 8- Operating Segments" together with organizational and internal reporting structure of the Bank, are disclosed in Note 12 of Section Four.

26. Explanations on other matters:

None.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Section four - Information related to financial position of the Group

1. Explanations on consolidated equity:

The calculation of the own funds and the capital adequacy standard ratio are performed in accordance with the communiqués such as “Regulation Regarding the Measurement and Evaluation of Banks’ Capital Adequacy Ratio”, “Regulation Credit Risk Mitigation Techniques”, “Regulation on calculation of Risk-Weighted Amounts of Securitizations” and “Regulation Regarding Banks’ Shareholders’ Equity”.

The consolidated capital adequacy ratio of the Group is 19,95% (December 31, 2021 - 17,59%) and the Parent Bank is 21,34% (December 31, 2021- 18,67%)

1.1. Information related to capital adequacy ratio:

	Current Period	Prior Period
COMMON EQUITY TIER 1 CAPITAL		
Paid-up Capital	8.447.051	8.447.051
Share issue premiums	556.937	556.937
Retained earnings	42.548.922	34.038.657
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	28.852.512	13.531.428
Profit	54.384.643	12.129.712
Net profit of the period	52.744.689	10.489.758
Profit of the previous years	1.639.954	1.639.954
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	16.142	14.779
Minority interest	1.537	1.018
Common Equity Tier 1 capital before regulatory adjustments	134.807.744	68.719.582
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	106.062	90.038
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS	8.545.805	5.230.376
Improvement costs for operating leasing	204.739	133.380
Goodwill (net of related tax liability)	-	979.493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	1.208.874	1.029.561
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Cash-flow hedge reserve	5.116.918	2.328.663
Shortfall of provisions to expected losses	-	-
Securitisation gain on sale	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Investments in own shares	-	-
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-	-
Mortgage servicing rights (amount above 10% threshold)	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	34.725
Amount exceeding the 15% threshold (-) of the common equity Tier 1 in accordance with the second paragraph of the provisional article 2 in the regulation regarding the Banks’ Shareholders’ Equity	-	-
The amount above threshold for the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital	-	-
The amount above threshold for mortgage servicing rights	-	-
The amount above threshold for deferred tax assets arising from temporary differences	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-
Total regulatory adjustments to Common equity Tier 1	15.182.398	9.826.236
Common Equity Tier 1 capital (CET1)	119.625.346	58.893.346

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ADDITIONAL TIER 1 CAPITAL	Current Period	Prior Period
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-	-
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA	12.153.895	8.435.375
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-	-
Third parties' share in the Additional Tier I capital	-	-
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	-
Additional Tier 1 capital before regulatory adjustments	12.153.895	8.435.375
Additional Tier 1 capital: regulatory adjustments		
Investments in own Additional Tier 1 instruments	-	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period		
Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
Total regulatory adjustments to Additional Tier 1 capital	-	-
Total Additional Tier 1 capital	12.153.895	8.435.375
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	131.779.241	67.328.721
TIER 2 CAPITAL		
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	10.149.150	9.507.903
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-	-
Shares of Third Parties in Additional Tier I Capital	-	-
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	5.334.326	3.415.303
Tier 2 capital before regulatory adjustments	15.483.476	12.923.206
Tier 2 capital: regulatory adjustments		
Direct and indirect investments of the Bank on its own Tier 2 Capital (-)	-	-
Investments of the Bank to banks that invest on the Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Total regulatory adjustments to Tier 2 capital	-	-
Total Tier 2 capital	15.483.476	12.923.206
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	147.199.236	80.175.102
The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	12.111	41.724
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years ⁽¹⁾	-	-
National specific regulatory adjustments which shall be determined by the BRSA	51.370	35.101
Regulatory Adjustments which will be deducted from Total Capital during the transition period		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

OWN FUNDS	Current Period	Prior Period
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	146.592.166	79.566.364
Total Risk Weighted Assets ⁽²⁾	734.986.439	452.409.578
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio (%)	16,28	13,02
Tier 1 Capital Adequacy Ratio (%)	17,93	14,88
Capital Adequacy Ratio (%)	19,95	17,59
BUFFERS		
Institution specific buffer requirement of the Bank (a+b+c)	3,542	3,548
a)Capital conservation buffer requirement (%)	2,500	2,500
b)Bank's specific countercyclical buffer requirement (%)	0,042	0,048
c)Systemically important Bank buffer	1,000	1,000
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	11,776	8,518
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financials	422.947	317.593
Significant investments in the common stock of financials	3.526.931	2.476.401
Mortgage servicing rights (net of related tax liability)	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	9.782.385	5.927.430
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	3.411.544	2.579.796
Up to 1,25% of total risk-weighted amount of general provisions for receivables where the standard approach used	1.644.844	1.211.815
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	11.526.584	11.718.943
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	3.689.482	2.203.488

- (1) According to the "Regulation Regarding to changes on Regulation on Banks' Shareholders' Equity" published in Official Gazette No.30121 on July 11, 2017, related article has been abolished.
- (2) In the calculation of credit risk amount, spot purchase rates announced as of December 31, 2021 by Central Bank are used in accordance with the in accordance with the legislation of BRSA numbered 10188 dated April 28, 2022.

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.2. Information on debt instruments included in the calculation of equity:

	1	2	3	4	5	6
Lender (1,2), Issuer (3,4,5)	UNICREDIT SPA	UNICREDIT SPA	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	XS2286436451 / US984848AN12	XS1867595750 / US984848AL55	TRSYKKBK62914	TRSYKKBK92911
Governing law(s) of the instrument	BRSA / Austria Law	BRSA / Austria Law	English Law / Turkish Law	English Law / Turkish Law	BRSA / CMB / Turkish Law	BRSA / CMB / Turkish Law
Regulatory treatment						
Transitional Basel III rules	No	No	No	No	No	No
Eligible at stand-alone / consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated	Stand-alone -Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Bond	Bond	Bond	Bond
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	-	-	9.349	12.154	500	300
Par value of instrument	10.939	5.049	9.349	12.154	500	300
Accounting classification	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost	Liability – Subordinated Loans- amortised cost
Original date of issuance	January 9, 2013	December 18, 2013	January 22, 2021	January 15, 2019	July 3, 2019	October 3, 2019
Perpetual or dated	Dated	Dated	Dated	Perpetual	Dated	Dated
Original maturity date	10 years	10 years	10 years	-	10 years	10 years
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year	5 years	Every 5 years	After 5th year	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year	-	-	After 5th year	After 5th year
Coupons / dividends						
Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Variable Interest	Variable Interest
Coupon rate and any related index	5,7%	First 5 years 6,55% fixed, second 5 years 7,156% fixed	First 5 years 7,875% fixed, second 5 years U.S. five year treasury bond rate +741.50 basis points	First 5 years 13,875% fixed, second 5 years mid swap +11,245% fixed	TLREF index change +1,93 %	TLREF index change + 1,30%
Existence of a dividend stopper	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount
Fully discretionary, partially discretionary or mandatory	-	-	Mandatory	Optional	Mandatory	Mandatory
Existence of step up or other incentive to redeem	-	-	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-co						
If convertible, conversion trigger (s)	-	-	-	-	-	-
If convertible, fully or partially	-	-	-	-	-	-
If convertible, conversion rate	-	-	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-	-	-
Write-down feature						
If write-down, write-down trigger(s)	-	-	In case of default	In case of default/ Common Equity Tier 1 capital adequacy ratio of the bank falls below 5.125%	In case there is a possibility that the official authorization of the Bank is cancelled or the Bank shares are transferred to SDIF	In case there is a possibility that the official authorization of the Bank is cancelled or the Bank shares are transferred to SDIF
If write-down, full or partial	-	-	Partial and complete	Partial and complete	Partial and complete	Partial and complete
If write-down, permanent or temporary	-	-	Permanent	Temporary	Permanent	Permanent
If temporary write-down, description of write-up mechanism	-	-	-	In case of cancellation of default/ Common Equity Tier 1 capital adequacy ratio of the bank is higher than 5.125%	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, and the TIER 1	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
In compliance with article number 7 and 8 of "Own fund regulation"	No	No	No	No	No	No
Details of incompliance with article number 7 and 8 of "Own fund regulation"	-	-	-	-	-	-

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

- 1.3.** There are differences between the figures in the own funds and their corresponding amounts in the balance sheet. Within this context; in the calculation of own funds, the losses and gains that are related to cash flow hedge transactions are not considered in the own funds and the prudential valuation adjustments calculated in accordance with the (i) item of the first paragraph in the ninth article of the "Regulation Regarding Banks' Shareholders' Equity" are considered in the own funds. In addition, the subordinated liabilities are considered after the adjustments made in accordance with the ninth paragraph of the eighth article and in the provisional fourth article of the "Regulation Regarding Banks' Shareholders' Equity".
- 1.4. Exposures subject to countercyclical capital buffer:**

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	587.354.519	-	587.354.519
Netherland	4.143.538	-	4.143.538
Malta	2.362.181	-	2.362.181
Italy	1.744.520	-	1.744.520
Azerbaijan	1.554.754	-	1.554.754
England	1.498.222	-	1.498.222
Switzerland	1.460.898	-	1.460.898
Marshall Islands	1.279.700	-	1.279.700
Luxembourg	983.250	-	983.250
France	777.859	-	777.859
Man Island	738.516	-	738.516
Spain	693.043	-	693.043
Bulgaria	667.474	-	667.474
Germany	603.843	-	603.843
Austria	530.644	-	530.644
Egypt	501.071	-	501.071
USA	495.071	-	495.071
Macedonia	464.863	-	464.863
Republic of Maldives	330.621	-	330.621
United Arab Emirates	310.544	-	310.544
Slovenia	203.979	-	203.979
Jordan	144.796	-	144.796
Other	578.811	-	578.811
Total	609.422.717	-	609.422.717

2. Explanations on Consolidated Credit Risk:

As of June 30, 2021, the Bank has started to calculate its credit risk, which is subject to the regulatory capital adequacy ratio reporting, with the Internal Rating-Based (IRB) approach. Foundation IRB approach is used for the corporate exposure class and advanced IRB approach is used for the retail exposure class as determined by "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

- 2.1.** Credit risk is the loss or the risk of the Parent Bank in case a counterparty cannot fulfill its obligations stated in agreements where the Parent Bank is at a side. The Parent Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports and geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Board of Directors for each correspondent bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each Treasury Management employee who is authorised for transactions in the market are controlled by the system. During the loan granting process, liquid collaterals are preferred to the greatest extent possible. Collaterals and guarantees must be obtained during credit underwriting based on credit worthiness, customers' financial status, and credit type. While granting of long term project finance loans, long term projections of the companies are analyzed both by financial analysis specialists and head office. Also the pricing of these commitments are decided by coordination with Treasury

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Management. The Parent Bank also monitors limitations on single borrower and group of borrowers in accordance with the regulations.

Rating system used for Medium Sized Entities (ME), Small and Medium Sized Entities (SME) and Corporate/Commercial customers is also used for defining the authorization level for loan granting. Thus, customers with a low rating are assigned to higher authority levels, whereas customers with a high rating are assigned to lower authority levels. By using this methodology it is aimed to establish risk based optimization in the loan processes.

Probability of default of a customer is calculated through this internally developed rating system. The rating concentration of Corporate/Commercial, ME and SME customers according to Parent Bank's rating system is as follows:

	Current Period	Prior Period
Above average	43,6%	36,6%
Average	40,7%	45,9%
Below average	15,7%	17,5%

The Parent Bank takes following criterias into consideration for the identification of default:

- The loan is overdue more than 90 days.
- The borrower is not able to pay at least one of the loans he received from the Bank (cross default)
- Having a negative intelligence and bad-record for the borrower in the market.
- Deterioration of the creditworthiness of the borrower.

The Group sets aside expected credit loss in accordance with the Provisioning Regulation within the scope of "provisions" and "value adjustments".

Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

Risk classifications:	Current Period Risk Amount ⁽¹⁾	Average Risk Amount ⁽¹⁾
Exposures to central governments or central banks	349.579.695	296.865.654
Exposures to banks and financial institutions	118.109.628	99.037.165
Corporate exposures - Other	254.846.326	220.860.160
Specialised Lending	81.222.994	76.864.661
Corporate exposures - SME	96.645.640	79.923.277
Retail Exposures - Other	122.939.216	94.367.201
Retail exposures - Qualifying revolving	104.475.988	69.628.296
Retail exposures - SME	105.495.526	92.321.952
Investments in equities	3.245.852	2.803.338
Other Items	57.283.882	37.430.753
Total	1.293.844.747	1.070.102.457

(1) Includes credit risk amounts of total exposure before applying credit risk mitigations.

- 2.2. The Parent Bank has control limits over the positions of forwards, options and similar agreements. These positions are measured and managed by following their market values and by taking potential risk into considerations throughout their maturities, in accordance with Counterparty Credit Risk management. Limits are also calculated and dynamically managed by taking these potential risks into considerations. Daily market value calculations, limit controls, collateral assessments are performed and reported to the relevant departments within the Bank.

The Group may use its rights, as stated in the derivative agreements based on which the Group realizes derivative transactions, in order to eliminate the risks that may arise due to being exposed to severe risk levels arising from fluctuations in the market.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

- 2.3.** In line with the Provisioning Regulation, if the cash risk of a customer is classified as nonperforming, the non-cash risk is also classified as nonperforming under the same group where the cash risks were already followed and specific provision is reserved.

Restructured loans are also classified and followed up according to the regulation on provisions considering the Bank's credit risk policies. Accordingly, the financial position and commercial operations of related customers are monitored, their principal and interest payments are followed up with the restructured repayment schedule and the necessary precautions are taken.

- 2.4.** The Group's banking activities in foreign countries and credit transactions are subject to periodical follow-up in terms of the economic conditions of the related country and the evaluation of the creditworthiness of the customers and financial institutions. No material credit risk have been observed in scope of these operations.

- 2.5.** In terms of credit risk;

- The proportion of the Parent Bank's top 100 and 200 cash loan balances in total cash loans is 24% and 28%. (December 31, 2021- 32% and 38%).
- The proportion of the Parent Bank's top 100 and 200 non-cash loan balances in total non-cash loans is 38% and 50%. (December 31, 2021- 45% and 57%).
- The proportion of the Parent Bank's cash and non-cash loan balances with the first 100 and 200 customers comprises of 28% and 34% of total cash loans and non-cash loans. (December 31, 2021- 36% and 44%).

- 2.6.** The Group provided a general loan loss provision amounting to TL 23.520.128 (December 31, 2021 - TL 17.852.926).

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.7. Risk profile according to the geographical concentration:

	Risk Classifications ^{(1),(2)}										
	1	2	3	4	5	6	7	8	9	10	Total
Current Period											
Domestic	341.795.420	53.461.476	234.826.332	79.606.488	96.019.699	122.291.286	104.264.047	105.491.951	741.289	57.283.882	1.195.781.870
EU countries	7.171.132	41.209.611	13.260.056	944.898	347.979	66.378	104.885	1.255	310	-	63.106.504
OECD countries ⁽³⁾	-	1.446.238	1.490.119	-	21.380	5.545	9.733	1.039	-	-	2.974.054
Off-shore banking regions	-	-	824.653	-	29.656	853	922	17	-	-	856.101
USA, Canada	27.324	18.963.203	901.938	-	-	21.143	22.568	600	276.654	-	20.213.430
Other countries	585.819	3.029.100	3.543.228	671.608	226.926	554.011	73.833	664	1.872	-	8.687.061
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	2.225.727	-	2.225.727
Undistributed Assets / Liabilities ⁽⁴⁾	-	-	-	-	-	-	-	-	-	-	-
Total	349.579.695	118.109.628	254.846.326	81.222.994	96.645.640	122.939.216	104.475.988	105.495.526	3.245.852	57.283.882	1.293.844.747

(1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" is used.

(2) Includes credit risk amounts of total exposure before credit risk mitigation.

(3) OECD Countries other than EU countries, USA and Canada.

(4) Assets and liabilities are not allocated on a consistent basis.

1- Exposures to central governments or central banks

2- Exposures to banks and financial institutions

3- Corporate exposures - Other

4- Specialised Lending

5- Corporate exposures – SME

6- Retail Exposures - Other

7- Retail exposures - Qualifying revolving

8- Retail exposures – SME

9- Investments in equities

10- Other Items

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

	Risk Classifications ^(1,2)										
	1	2	3	4	5	6	7	8	9	10	Total
Prior Period											
Domestic	243.083.050	24.109.624	145.622.472	60.925.979	64.829.116	68.403.264	45.038.626	74.956.966	313.277	22.089.642	749.372.016
EU countries	2.509.500	35.870.783	8.214.975	828.579	521.729	44.128	44.629	5.708	215	-	48.040.246
OECD countries ⁽³⁾	-	1.760.013	1.023.899	-	672	4.524	4.895	13	-	-	2.794.016
Off-shore banking regions	-	-	736.431	50.124	29.652	322	298	-	-	-	816.827
USA, Canada	16.849	17.171.180	739.392	-	-	11.411	10.814	238	194.893	-	18.144.777
Other countries	761.633	677.085	2.226.745	481.690	81.258	328.186	34.086	951	1.248	-	4.592.882
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	1.878.560	-	1.878.560
Undistributed Assets / Liabilities ⁽⁴⁾	-	-	-	-	-	-	-	-	-	-	-
Total	246.371.032	79.588.685	158.563.914	62.286.372	65.462.427	68.791.835	45.133.348	74.963.876	2.388.193	22.089.642	825.639.324

- (1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" is used.
(2) Includes credit risk amounts of total exposure before credit risk mitigation.
(3) OECD Countries other than EU countries, USA and Canada.
(4) Assets and liabilities are not allocated on a consistent basis.

- 1- Exposures to central governments or central banks
2- Exposures to banks and financial institutions
3- Corporate exposures - Other
4- Specialised Lending
5- Corporate exposures – SME
6- Retail Exposures - Other
7- Retail exposures - Qualifying revolving
8- Retail exposures – SME
9- Investments in equities
10- Other Items

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.8. Risk profile according to sectors and counterparties:

	1	2	3	4	5	6	7	8	9	10	TL	FC	Total
	Risk Classifications ⁽¹⁾⁽²⁾												
Agricultural	1.269	-	4.259.895	-	2.799.881	-	-	4.522.124	-	-	10.271.421	1.311.748	11.583.169
Farming and raising livestock	1.269	-	3.193.176	-	2.576.533	-	-	3.897.216	-	-	8.968.704	699.490	9.668.194
Forestry	-	-	618.094	-	206.547	-	-	569.710	-	-	1.115.096	279.255	1.394.351
Fishing	-	-	448.625	-	16.801	-	-	55.198	-	-	187.621	333.003	520.624
Manufacturing	37.259	-	156.194.306	46.754.887	44.978.640	-	-	52.371.795	1.870	-	195.315.573	105.023.184	300.338.757
Mining	-	-	294.130	-	778.086	-	-	294.452	-	-	989.179	377.489	1.366.668
Production	32.223	-	141.863.596	2.069.921	38.054.505	-	-	51.331.765	1.870	-	171.045.743	62.308.137	233.353.880
Electric, gas and water	5.036	-	14.036.580	44.684.966	6.146.049	-	-	745.578	-	-	23.280.651	42.337.558	65.618.209
Construction	28	1.112.758	10.954.293	12.469.941	17.155.142	-	-	13.105.658	-	-	32.262.666	22.535.154	54.797.820
Services	342.454.392	96.488.409	56.646.868	21.998.166	31.419.325	-	-	35.113.357	3.232.912	46.455.844	384.831.607	248.977.666	633.809.273
Wholesale and retail trade	3	-	13.449.618	8.320.490	7.884.383	-	-	14.545.222	-	-	31.058.103	13.141.613	44.199.716
Hotel, food and beverage services	74	-	5.172.922	226.985	8.456.580	-	-	3.927.199	-	-	9.427.883	8.355.877	17.783.760
Transportation and telecommunication	-	-	8.647.625	6.006.179	4.187.435	-	-	5.177.512	5.000	-	12.198.473	11.825.278	24.023.751
Financial institutions	339.383.582	96.483.948	12.971.673	-	1.838.740	-	-	1.073.876	3.169.858	46.455.844	300.769.305	200.608.216	501.377.521
Real estate and renting services	-	-	3.980.843	6.783.649	2.436.804	-	-	1.850.047	51.676	-	8.570.685	6.532.334	15.103.019
Professional services	-	-	-	-	-	-	-	-	-	-	-	-	-
Education services	1.374	-	660.680	-	790.799	-	-	307.507	-	-	1.697.403	62.957	1.760.360
Health and social services	3.069.359	4.461	11.763.507	660.863	5.824.584	-	-	8.231.994	6.378	-	21.109.755	8.451.391	29.561.146
Other	7.086.747	20.508.461	26.790.964	-	292.652	122.939.216	104.475.988	382.592	11.070	10.828.038	246.175.514	47.140.214	293.315.728
Total	349.579.695	118.109.628	254.846.326	81.222.994	96.645.640	122.939.216	104.475.988	105.495.526	3.245.852	57.283.882	868.856.781	424.987.966	1.293.844.747

(1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

(2) Includes credit risk amounts of total exposure before credit risk mitigation.

- 1- Exposures to central governments or central banks
- 2- Exposures to banks and financial institutions
- 3- Corporate exposures - Other
- 4- Specialised Lending
- 5- Corporate exposures - SME
- 6- Retail Exposures - Other
- 7- Retail exposures - Qualifying revolving
- 8- Retail exposures - SME
- 9- Investments in equities
- 10- Other Items

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.9. Risk profile according to remaining maturities:

Risk classifications ⁽¹⁾	1 month	1-3 months	3-6 months	6-12 months	1 year and over	Total
Exposures to central governments or central banks	124.859.246	1.531.780	6.640.304	8.851.953	202.538.437	344.421.720
Exposures to banks and financial institutions	44.100.597	19.749.295	14.801.118	7.659.692	16.906.148	103.216.850
Corporate exposures - Other	192.053.512	15.699.878	6.067.641	9.769.711	31.182.057	254.772.799
Specialised Lending	79.601.983	-	-	-	1.621.011	81.222.994
Corporate exposures - SME	79.204.451	728.438	290.945	448.397	15.813.565	96.485.796
Retail Exposures - Other	85.069.056	885.596	52.624	226.744	27.249.656	113.483.676
Retail exposures - Qualifying revolving	104.475.988	-	-	-	-	104.475.988
Retail exposures - SME	93.488.431	615.083	360.049	526.642	8.721.140	103.711.345
Investments in equities	-	-	-	-	-	-
Other Items	179.982	-	-	-	-	179.982
Total	803.033.246	39.210.070	28.212.681	27.483.139	304.032.013	1.201.971.150

(1) Includes credit risk amounts of total exposure before applying credit risk mitigations.

2.10. Risk balances according to risk weights:

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" are presented below.

Risk Weights	0%-20%	20%-35%	35%-50%	50%-75%	75%-100%	100%-250%	250%	1250%	Total	Deductions from the shareholders' equity
1 Total exposure before credit risk mitigation	462.329.309	107.185.791	68.570.721	186.910.630	127.432.510	331.157.857	10.257.929	-	1.293.844.747	1.477.094
2 Total exposure after credit risk mitigation	448.528.692	105.199.382	68.647.202	184.313.547	125.527.430	327.327.217	10.257.929	-	1.269.801.399	1.477.094

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.11. Information according to sectors and counterparties:

For loans which are classified as impaired loans due to delay of collection of principal or interest by 90 days and above and/or negative risk assessments of creditworthiness of the debtor; "Specific Provision" is set aside in the accompanying financial statements as of December 31, 2022.

For loans which are classified as past due but not impaired loans due to delay of collection of principal or interest up to 90 days; "General Provision" is set aside in the accompanying financial statements as of December 31, 2022.

Sectors / Counterparties	Loans		Provisions
	Impaired Loans (TFRS9)		Expected Credit Losses
	Significant increase in credit risk	Credit – Impaired (Stage 3)	
Agricultural	385.925	384.678	388.044
Farming and raising livestock	207.170	299.714	307.068
Forestry	173.377	20.781	42.960
Fishing	5.378	64.183	38.016
Manufacturing	45.116.481	10.427.680	16.631.849
Mining	238.870	50.402	52.503
Production	7.268.371	4.896.619	4.336.699
Electric, gas and water	37.609.240	5.480.659	12.242.647
Construction	7.321.413	2.764.032	3.413.964
Services	23.483.528	4.232.536	7.410.780
Wholesale and retail trade	1.200.348	832.864	757.547
Hotel, food and beverage services	3.360.287	1.020.469	1.017.813
Transportation and telecommunication	4.008.664	529.727	1.175.755
Financial institutions	731.382	666.307	390.295
Real estate and renting services	6.864.960	961.931	2.847.588
Education services	27.246	11.127	12.238
Health and social services	7.290.641	210.111	1.209.544
Other	12.337.301	5.888.837	6.104.374
Total	88.644.648	23.697.763	33.949.011

2.12. Information about value adjustments and changes in the loan impairment:

	Opening balance	Provision amounts set aside during the period	Reversal of provisions	Other adjustments ⁽¹⁾	Closing balance
1 Specific provisions	15.329.058	10.265.494	(3.059.744)	(4.843.613)	17.691.195
2 General provisions (value adjustments)	17.852.926	5.788.512	(155.049)	33.739	23.520.128

(1) The figure represents the written off loans, foreign exchange differences and also includes non performing loan sales

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3. Explanations on Consolidated Risk Management:

3.1. General Information on Risk Management and Risk Weighted Amount

3.1.1. Risk management approach of the Bank

Risk management strategy of the Group ensures using the capital at an optimum level and provide sustainable growth in this framework through measurement of risks in accordance with international standards and local regulations and taking risk-return balance into consideration in the framework of sustainable growth. Risk management approach of the Group is based on strong risk management techniques of İSEDES (Evaluation Process of Internal Capital Adequacy) and prospective planning and capital evaluation depending upon risk profile.

A prospective capital planning approach is adopted for the Bank to carry out its operations if certain losses are incurred as a result of unexpected events or deteriorations in markets. The best international practices are utilized for the determination, measurement, analysis and control of risks. The process regarding identification of risks and determination of appropriate measurement method has a dynamic structure in which the risk management is improved through inspiring from advanced international practices and analyses updated in line with its business evolution. A risk appetite framework integrated to budget process, has been developed in order to carry out related activities at an optimum level while reaching predefined budget target of the Bank and therefore an appropriated risk positions are ensured to be taken.

Risk appetite, as an integral part of the main pillar and a crucial instrument of the Bank Management, is implemented in order to ensure the execution of Bank's activities in an ideal manner through taking appropriate risk positions at an acceptable level of risk. Risk appetite, is integrated to management and budget processes of the Bank with performance indicators which are sensitive to risk.

Risk appetite indicators, targets, limits and critical thresholds are determined by the Executive Committee with the joint recommendation of Compliance, Internal Control and Risk Management, Financial Planning and Financial Affairs Management. Possible changes which may occur in economic conditions are taken into consideration during the determination of aforementioned limits and thresholds.

Determined risk appetite indicators consists of capital adequacy, liquidity, assets quality, financial risk and operational risk ratios of the Bank and senior management ensures the Bank to carry out its activities in the range of such targets and critical thresholds. Senior management should be informed to take emergency precautions if the critical thresholds are exceeded. Monitoring and periodical reporting to senior management is performed by the related units in order to implement risk appetite framework.

The Bank implements internal policies and procedures that are audited and approved at least once a year by the Board of Directors in order to manage market risks arising from on-balance sheet and off-balance sheet liabilities. Based on the principles mentioned in Regulatory Authority's directives and best practice guidelines, internal policies determine responsibilities and practitioners for identification, measurement, monitoring and reporting of the risks in line with the risk appetite and needs of the Bank; lay the groundwork for granting limits in the Bank; and guide the actions to be taken in case of risk appetite is exceeded.

The Credit Policy Directive, which reflects the general framework of the Parent Bank's credit allocation activities, is updated at least annually and implemented with the approval of the Board of Directors. Credit Policy Directive is based on improving asset quality, supporting effective risk management and compliance with legal practices. In addition, it includes management of lending activities according to the Bank's common standards, limitations and principles.

The main purpose of the credit risk management is to identify, measure and mitigate credit risk, react in a timely manner and take necessary actions with the help of efficient and well-functioning rating/scoring models, strategies and processes. The main strategies include topics like effective implementation of the Credit Policy Directive to reinforce the sustainability of common risk management approach, steering of the loan portfolio toward less risky sectors, avoidance of excessive concentration in Group exposures while strictly obeying statutory limits, focus on customers with better credit ratings, avoidance of transactions bearing high credit and reputational risk, managing country risk in line with established strategy, policy and rules, timely updates to senior management about all developments in credit risk area to ensure effective credit risk management, performing credit stress tests and participating in credit risk regulatory processes.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Risk Management reports to Board of Directors in organisation structure via Audit Committee. Risk Management organisation is divided into "Market Risk Management", "Credit Risk Strategy, Modelling and Reporting Management" and "Risk Validation" units.

In the process of market risk management, related business and risk units perform their activities within the scope of the principles determined by internal policies such as the Financial Markets Policy, Liquidity Policy, Liquidity Risk Limit Management Policy, Liquidity Emergency Policy, Interest Rate Risk Policy, Interest Rate Risk Limit Management Policy, Hedge Policy, Financial Investment Risk Policy, Immovables Risk Policy, Derivatives Policy, Independent Price Verification Policy, Policy due to inclusion on Financial assets where fair value change is reflected to income statement, Market Risk Stress Test Policy.

Value at Risk, Basis Point Value (interest rate sensitivity), and Credit Basis Point Value (credit spread sensitivity) are risk metrics calculated via internal models and used in measurement of market risks. Risk measures are monitored at product, portfolio and account (Financial assets where fair value change is reflected to income statement and Financial assets where fair value change is reflected to other comprehensive income statement) basis. Performance of internal models is measured by backtesting of the model's outputs. In addition, transaction limits are used at specific products.

Liquidity Risk measurement methods; consists of both short term risk metrics such as Liquidity Coverage Ratio, Short Term Liquidity, Intraday Liquidity, and Early Warning Indicators and long-term risk metrics such as the Net Stable Funding Ratio and the funding concentration structure. With various scenario analyzes aimed at stressing the liquidity, it is examined how the possible deterioration scenarios that can be observed in the parameters of the market or institution-specific or both cases affect the liquidity position of the Bank.

Measurements performed via internal models in the context of market risk management are reported to the Bank's Top Management, Treasury, Financial Reporting and Credit Monitoring Units (for the Counterparty Credit Risk process) on a daily basis and to the Board of Directors and Executive Committee on a monthly basis.

Stress tests, provide a prospective point of view during risk management, budget and capital planning processes through reviewing the impact of events or changes in markets, which have a low possibility to occur under normal conditions but may result in losses to Bank in case they occur. The Bank performs stress tests to measure impacts of temporary or continuous deteriorations in market risk factors on income statement and to make capital plans. Scenarios, having basis, medium and high stress levels, aim to measure impacts of adverse conditions across the country on the economic value of the Bank through risk factors. Other important risk elements such as Fixed Assets held by the Bank and financial investment risks faced through its subsidiaries, as well as price movements, are reviewed during stress test processes as well.

Stress test studies are made with the active participation of senior management and impact of the stress test to the general risk profile of the Bank is reported. Senior management participates in establishing of stress test's scenario, analyzing of its results, through determination of the scope and approach of the scenario, guidance of required directions and review of results and recommendation of action plans. Stress scenarios, up-to-date estimations and crisis scenarios are prepared by Research and Analytics Department.

The Parent Bank reduces market risk exposure within scope of its commercial activities through derivative instruments and makes an effort to control impacts of the risks on capital through hedge accounting implementation. It holds foreign exchange positions to manage residual positions as a result of banking activities through performing a conservative approach to exchange risk and manages its end of day positions at a minimum level.

For the detection and mitigation of risks, Operational and Reputational Risk Management defines policies and strategies and determines, reports and monitors actions to reduce potential operational and reputational risks via loss data, key risk indicators, scenario analysis and risk assessments. Operational Risk Management Policy and Reputational Risk Policy is updated every year and approved by the Board of Directors.

Business Continuity Management Policy aims at reducing the risks that may endanger the continuity of Banks operations to a minimum level and ensuring critical product and services in case of unexpected events in an acceptable period. Bank's resilience against unexpected events is increased through the Crisis Communication Plan, Emergency Response Plan, Business Recovery Plan and Crisis Communication Plan. Business Continuity Policy and Plans are regularly updated and approved by the Board of Directors.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Risk validation management is an independent team that reports directly to the Assistant General Manager of Compliance, Internal Control and Risk Management and responsible for the controls of all models, data and processes carried out within the scope of risk management. In addition to statistical practices, validation unit is also responsible for the compliance with the regulations, legal practices and internal policies. The risk validation unit is divided into three sub-units; regulatory risk validation unit, strategic risk validation unit and rating models validation unit. Legal risk validation unit is responsible for IRB models, TFRS 9 and credit risk validation in the second structural pillar. Strategic risk validation unit is responsible for strategy validation, managerial models, market risk validation and validation of other risk types as part of the second structural pillar. Rating models validation unit is responsible of validation activities of marketing models, macroeconomic forecasting models, project financing models and operational risk models.

3.1.2. Overview of Risk Weighted Assets

	Risk Weighted Assets		Minimum Capital Requirements
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	649.272.334	393.404.199	51.941.787
2 Of which standardised approach (SA)	92.580.266	63.201.884	7.406.421
3 Of which internal rating-based (IRB) approach	556.692.068	306.567.715	44.535.365
4 Counterparty credit risk	13.345.144	11.266.874	1.067.612
5 Of which standardised approach for counterparty credit risk (SA-CCR)	13.345.144	11.266.874	1.067.612
6 Of which internal model method (IMM)	-	-	-
7 Equity positions in banking book under market-based approach	-	-	-
8 Equity investments in funds - look-through approach	14.748	3.117	1.180
9 Equity investments in funds - mandate-based approach	-	-	-
10 Equity investments in funds - fall-back approach	-	-	-
11 Settlement risk	-	8	-
12 Securitisation exposures in banking book	-	-	-
13 Of which IRB ratings-based approach (RBA)	-	-	-
14 Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15 Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16 Market risk	19.194.892	5.642.006	1.535.591
17 Of which standardised approach (SA)	19.194.892	5.642.006	1.535.591
18 Of which internal model approaches (IMM)	-	-	-
19 Operational risk	46.346.961	37.518.185	3.707.757
20 Of which Basic Indicator Approach	46.346.961	37.518.185	3.707.757
21 Of which Standardised Approach	-	-	-
22 Of which Advanced Measurement Approach	-	-	-
23 Amounts below the thresholds for deduction (subject to 250% risk weight)	6.812.360	4.575.189	544.989
24 Floor adjustment	-	-	-
25 TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)	734.986.439	452.409.578	58.798.916

(1) For the prior period, in the context of transition to IRB regulation, there is a value adjustment amounting to TL 23.634.600.

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.2. Linkages between financial statements and risk amounts:

3.2.1 Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation:

Current Period	Carrying values in financial statements prepared as per TAS	Carrying values in consolidated Financial statements prepared as per TAS but in compliance with the communiqué "Preparation of Consolidated Financial	Carrying values of items in accordance with TAS				
			Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitisation framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets							
Financial Assets (Net)	294.047.285	294.102.783	275.567.834	26.987.165	-	9.432.655	-
Loans(Net)	794.596.759	792.614.426	828.707.936	30.158.530	-	-	63.481
Assets Held For Resale And Related To Discontinued Operations (Net)	1.085.705	1.085.705	1.085.705	-	-	-	-
Investment in Subsidiaries, Associates, Joint ventures (net)	3.553.739	3.597.693	3.597.693	-	-	-	-
Property And Equipment (Net)	4.555.541	10.109.770	9.905.031	-	-	-	204.739
Intangible Assets (Net)	1.360.465	1.359.987	147.631	-	-	-	1.208.874
Tax Asset	6.278.161	5.451.543	5.451.543	-	-	-	-
Other Assets	73.641.016	75.945.107	65.058.380	-	-	-	-
TOTAL ASSETS	1.179.118.671	1.184.267.014	1.189.521.753	57.145.695	-	9.432.655	1.477.094
Liabilities							
Deposits	736.018.701	705.495.439	-	-	-	-	705.495.439
Borrowings	92.140.484	94.116.398	-	-	-	-	94.116.398
Money Markets	9.772.685	40.295.030	-	25.648.225	-	-	14.646.805
Marketable Securities Issued	49.350.808	49.350.808	-	-	-	-	49.350.808
Financial liabilities measured at fair value through profit or loss	36.459.423	36.459.423	-	-	-	-	36.459.423
Derivative Financial Liabilities	13.969.063	13.969.063	-	-	-	8.434.832	13.969.063
Lease Payables	1.975.913	1.975.913	-	-	-	-	1.975.913
Provisions	9.024.619	11.582.456	-	-	-	-	11.582.456
Tax Liability	4.451.264	5.964.757	-	-	-	-	5.964.757
Subordinated Loans	39.388.232	39.388.232	-	-	-	-	39.388.232
Other Liabilities	64.994.167	59.407.556	-	-	-	-	59.407.556
Shareholder's Equity	121.573.312	126.261.939	-	-	-	-	126.261.939
TOTAL LIABILITIES	1.179.118.671	1.184.267.014	-	25.648.225	-	8.434.832	1.158.618.789

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Prior Period	Carrying values in financial statements prepared as per TAS	Carrying values in consolidated Financial statements prepared as per TAS but in compliance with the communiqué "Preparation of Consolidated Financial	Carrying values of items in accordance with TAS				
			Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitisation framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets							
Financial Assets (Net)	213.017.574	213.056.244	189.603.795	35.899.951	-	8.309.269	-
Loans(Net)	510.234.667	509.945.105	539.315.736	38.973.799	-	-	76.825
Assets Held For Resale And Related To Discontinued Operations (Net)	1.354.937	1.354.937	1.354.937	-	-	-	-
Investment in Subsidiaries, Associates, Joint ventures (net)	2.476.549	2.522.147	2.522.147	-	-	-	-
Property And Equipment (Net)	3.087.366	4.974.156	4.840.776	-	-	-	133.380
Intangible Assets (Net)	2.165.645	2.121.208	112.154	-	-	-	2.009.054
Tax Asset	4.010.702	3.821.756	3.787.031	-	-	-	34.725
Other Assets	42.463.616	43.025.353	43.485.053	-	-	-	-
TOTAL ASSETS	778.811.056	780.820.906	785.021.629	74.873.750	-	8.309.269	2.253.984
Liabilities							
Deposits	473.291.063	419.928.058	-	-	-	-	419.928.058
Borrowings	71.574.832	72.921.964	-	-	-	-	72.921.964
Money Markets	2.523.478	55.886.473	-	47.919.292	-	-	7.967.181
Marketable Securities Issued	41.577.011	41.577.011	-	-	-	-	41.577.011
Financial liabilities measured at fair value through profit or loss	25.308.222	25.308.222	-	-	-	-	25.308.222
Derivative Financial Liabilities	18.335.783	18.335.783	-	6.059.200	-	7.598.247	12.276.583
Lease Payables	1.347.130	1.347.130	-	-	-	-	1.347.130
Provisions	5.385.782	6.073.243	-	-	-	-	6.073.243
Tax Liability	2.294.761	3.222.991	-	-	-	-	3.222.991
Subordinated Loans	39.441.999	39.441.999	-	-	-	-	39.441.999
Other Liabilities	35.972.843	33.288.826	-	-	-	-	33.288.826
Shareholder's Equity	61.758.152	63.489.206	-	-	-	-	63.489.206
TOTAL LIABILITIES	778.811.056	780.820.906	-	53.978.492	-	7.598.247	726.842.414

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.2.2. Main sources of differences between regulatory exposure amounts and carrying values in financial statements:

Current Period			Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
		Total				
1	Asset carrying value amount under scope of regulatory Consolidation (As note 3.2.1 of Section 4)	1.256.100.103	1.189.521.753	-	57.145.695	9.432.655
2	Liabilities carrying value amount under regulatory scope of consolidation (As note 3.2.1 of Section 4)	34.083.057	-	-	25.648.225	8.434.832
3	Total net amount under regulatory scope of consolidation	1.222.017.046	1.189.521.753	-	31.497.470	997.823
4	Off-Balance Sheet Amounts	553.336.490	203.639.456	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences resulted from the BRSA's applications	-	(148.316.857)	-	(6.280.582)	18.197.069
9	Differences due to risk reduction	-	(259.841)	-	-	-
	Risk Amounts	-	1.244.584.511	-	25.216.888	19.194.892

Prior Period						
		Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory Consolidation (As note 3.2.1 of Section 4)	868.204.648	785.021.629	-	74.873.750	8.309.269
2	Liabilities carrying value amount under regulatory scope of consolidation (As note 3.2.1 of Section 4)	61.576.739	-	-	53.978.492	7.598.247
3	Total net amount under regulatory scope of consolidation	806.627.909	785.021.629	-	20.895.258	711.022
4	Off-Balance Sheet Amounts	307.923.056	112.357.214	-	2.888.546	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences resulted from the BRSA's applications	-	(140.686.798)	-	(1.799.075)	4.930.984
9	Differences due to risk reduction	-	(404.054)	-	(1.770.319)	-
	Risk Amounts	-	756.287.991	-	20.214.410	5.642.006

3.2.3 Disclosures regarding differences between exposures valued in accordance with TAS and risk exposures:

Main difference between amounts reported in financial statements and valued in accordance with TAS and amounts valued in accordance with TAS in scope of TAS in the framework of legal consolidation is that non-financial subsidiaries are not included in consolidation in scope of legal consolidation.

Group's financial instruments subject to fair value measurement are valued using Mark-to-Market or Mark-to-Model approach based on their product types. Implementation of valuation methodologies is carried out in accordance with the "Fair Value Measurement" policies in line with the prudent valuation principles set out in the annex of the Directive on Measurement and Assessment of Banks' Capital Adequacy. The Group uses market prices for bonds and futures contracts traded in organized markets, while it often uses platforms generating Mark-to-Model value for derivative transactions traded in OTC markets. Mark-to-Market or Mark-to-Model valuations are made on a daily basis so that changes in the market can be reflected in the Group's financials with the same frequency.

The Independent Price Control process (IPV) is designed to draw the errors or deviations that may occur in the valuations to the minimum level, to calculate the correct profit / loss and risk, through verification, comparison and approval of market prices and model inputs regularly with independent and different sources. The purpose of the IPV is to ensure that the data used for bank valuations are generated on a daily basis from a highly representative, adequately liquid and accurate instruments. All these processes have a clear, integrated and complementary approach that is in line with the objectives of the Bank.

Prices quoted in active markets for securities and derivative transactions are used to record the fair value of an instrument, but quoted prices are generally not available in active markets. Appropriate valuation techniques are used for financial instruments that are not traded in the market but the estimated fair value is adjusted through valuation techniques of the market participant's estimation of similar asset or liability price. Such adjustments are categorized close out cost, market liquidity, model risk and credit valuation adjustments.

Close out Cost adjustment reflects the amount which would be incurred to arrive at an appropriate ask/liquidation price (financial instruments which are assets at valuation date) or bid/unwind price (financial instruments which are liabilities at valuation date) for financial instruments valued at mid-market prices.

Market liquidity adjustment is calculated to reflect the amount which would be incurred to close out the position when liquidity is not sufficient. When there is not any tradeable price on liquid two way market, a liquidity discount is applied for pricing.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Model risk; reflects the risk stemming from deficiencies in model. Complexity of the model, being market standard and capability to incorporate all known risk factors determine the necessity/applicability of model risk adjustments.

Credit Value Adjustment (CVA), is defined as market value of counterparty credit risk (CCR), which arises from the possibility of a counterparty's default and considered in regulatory capital adequacy calculations for all CCR exposures.

3.3. Explanations on credit risk

3.3.1. General information regarding credit risk

3.3.1.1. General qualitative information regarding credit risk

Credit Policy is prepared to be well-structured in line with the BRSA loan management guidebook.

Credit Policy is revised at least once a year, approved by Board of Directors, announced within the bank and implemented in accordance with the appropriate procedures in banks. During the review of credit policies, economic conjuncture, the bank's capital adequacy ratio and amendments in related regulation are taken into consideration. Key elements such as target markets, portfolio structure and concentration, large exposures, credit limit applications, approval authorities are determined in the credit policies. In the policies, key messages are provided based on principles of prudence, continuity about the customers' worthiness, specific sectors, segments and products for growth in accordance with the defined credit strategies.

Credit Risk Management Section is established to manage the credit risk of the Bank by determining, measuring, monitoring, evaluating and reporting the risks. In order to improve the asset quality of the Bank, the main roles and responsibilities of the section are composed of performing periodical analyses on credit portfolio trend, calculating credit risk cost based on segments and executing compliance activities between risk management practices with Basel II requirements.

Credit Risk Management consists of two sub-units: Credit Risk Strategies & Operational Risk Management and Credit Risk Planning, Modeling and Reporting Management.

Credit Risk Strategies and Operational Risk Management is responsible for developing underwriting, monitoring, collection and workout strategies and following the actions taken in accordance with the Bank's risk appetite in terms of credit risk. The unit takes an active role in the development of these strategies by conducting risk analysis, determining the rules to be used in decision trees, putting them into practice through decision support systems, and running the flow smoothly. The unit is also responsible for definition of the operational and reputational risk policies, implementation of measurement, monitoring and reporting systems, identification of the key risk indicators, and performance of scenario analyses. The unit carries out the activities regarding Basel II compliance, operational risk models setting and development, operational risk weighted asset calculation and risk based insurance activities. The unit is responsible for the studies on Information Systems risk inventory, coordination of the Support Services Risk Management Program and setting up the relevant monitoring systems and management, as well as development of the Business Continuity Management Policy & Plans and continuous updating of these policy and plans. The unit also ensures the actions taken under business continuity and the coordination and control of Business Continuity Management projects and budget.

Credit Risk Planning, Modeling and Reporting Management is responsible for preparation of credit risk budgeting and credit risk reporting activities of the Bank, calculation of loan loss provisions; identification of the Credit Policy according to risk appetite of the Bank, implementation of the policy throughout the Banks and its subsidiaries, support to all units in the Bank for the related topics. The unit establishes a common risk culture on group basis and performs process analyses of credit and risk management functions in subsidiaries to ensure standard risk management practices and establishes action plans for the standardization of all gaps within the group. The unit prepares reports for assessment of credit risk and for the preparation of various and comprehensive concentrations and forecasts on asset quality trends for the Bank, performs necessary calculations to measure the risk profile of the bank and ensures that the country risk is identified. The unit is also responsible for taking part in the model development processes of PD, EAD, LGD models which are in the scope of IRB communique (issued by BRSA – using internal rating based approach for credit risk calculations) and giving opinions as the ultimate authority, supervising the ratings systems, monitoring the performance, analysing the results regularly, ensuring the proper functioning of the rating systems, leading the studies for the areas that need improvement and the

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

deficiencies identified, informing the BRSA about the changes made in the rating systems and the relevant units within the Bank, evaluating model use test, ensuring dissemination of the models in the bank internal processes within the scope requested by the BRSA and monitoring the projects carried out in the Bank within the scope of Basel II for commercial customers. This business unit is also responsible for taking part in the development processes of operational models used in underwriting, monitoring, collection, etc. processes and monitoring their performance.

ISEDES report is prepared in accordance with the related guide of BRSA and submitted to the approval of the Board of Directors. The report mainly includes the Bank's approach for the review of risks and capital in order to preserve capital adequacy of the Bank with respect to its current and future activities and information on management structure and applied approaches.

Regular supervision and controls are performed to ensure that credit process is carried out in compliance with the Bank credit policies and procedures, loans are extended in accordance with principles and procedures determined by the Board of Directors and loans are reported properly with the information of maturity, quantity and qualification to top management.

Activities carried out by units within scope of internal systems are employed as a tool to define weak points regarding the credit risk management process, policy and procedures and to determine the transactions that are not compliant with limits, policy and procedures.

Issues that are observed during the examinations is being regularly reported to top management and Audit Committee considering importance level.

Summary of the activities of units within the scope of internal systems are effectively utilized by the management and actions are taken in order to prevent repetition of weaknesses and conflicts regarding credit management.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.3.1.2. Credit quality of assets

	Current Period	Gross carrying values of as per TAS		Allowances/ impairment	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Loans	22.266.298	638.951.733	37.028.518	624.189.513
2	Debt Securities	-	248.072.180	566.377	247.505.803
3	Off-balance sheet exposures	1.431.465	502.631.650	2.224.326	501.838.789
4	Total	23.697.763	1.389.655.563	39.819.221	1.373.534.105

	Prior Period	Gross carrying values of as per TAS		Allowances/ impairment	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Loans	20.232.348	424.130.171	30.476.354	413.886.165
2	Debt Securities	-	131.564.170	302.465	131.261.705
3	Off-balance sheet exposures	1.138.170	282.419.757	1.720.325	281.837.602
4	Total	21.370.518	838.114.098	32.499.144	826.985.472

3.3.1.3 Changes in stock of defaulted loans and debt securities

	Current Period	Prior Period
1 Defaulted loans and debt securities at end of the previous reporting period	21.370.518	20.590.262
2 Loans and debt securities that have defaulted since the last reporting period	12.176.056	5.374.670
3 Returned to non-defaulted status (-)	106.767	95.924
4 Amounts written off (-)	4.843.613	1.127.912
5 Other changes	(4.898.431)	(3.370.578)
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)	23.697.763	21.370.518

3.3.1.4 Additional disclosure related to the credit quality of assets

According to the BRSA Regulation "Regulation on the procedures and principles for the determination of qualification of loans and other receivables by Banks and provision to be set aside" in the cases:

- For which recovery of principal or interest or both delays for more than ninety days from their terms or due dates or;
- Which have limited means for total recovery because debtors' equity or guarantees extended by them are found inadequate to cover payment of debts on respective terms and are likely to lead to losses in case any such problems observed are not solved or;
- For which debtors have suffered deterioration in their creditworthiness and credits have suffered weakness consequently or;
- For which it is believed that recovery by banks of principal or interest or both would delay for more than ninety days from their terms or due dates due to reasons such as problems encountered by debtors over operating capital financing or additional liquidity creation,

Loans and receivables are classified as non performing loans and are transferred to non performing loan accounts. Within the scope of the same regulation, these loans are set aside for the expected credit loss according to the internal models developed by the Bank.

In accordance with the regulation; in the event that failure to meet payment obligations towards banks stems from temporary liquidity difficulties related to the loans and other receivables as part of the principles of classification, loans and other receivables including any overdue interest may be restructured or subject to a new redemption plan for the purpose of providing debtors with liquidity capability and ensuring recovery of receivables by Bank.

3.3.1.4.1. Exposures provisioned against by major regions ⁽¹⁾:

	Current Period	Prior Period
Domestic	823.577.257	559.149.812
USA, Canada	1.396.247	1.082.027
European Union (EU) Countries	24.415.665	17.893.807
OECD Countries	3.648.164	2.904.244
Off-Shore Banking Regions	720	294
Other Countries	13.073.802	8.927.193
Total	866.111.855	589.957.377

(1) Breakdown of cash, non-cash and non-performing loans with respect to geographical regions are provided.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.3.1.4.2. Exposures provisioned against by major sectors ⁽¹⁾:

	Current Period	Prior Period
Agricultural	14.167.454	7.896.580
Farming and raising livestock	10.486.145	5.710.195
Forestry	2.665.356	1.406.985
Fishing	1.015.953	779.400
Manufacturing	376.353.296	255.096.776
Mining and Quarrying	4.788.759	3.091.777
Production	293.210.643	181.042.955
Electricity, Gas, Water	78.353.894	70.962.044
Construction	85.006.390	61.245.101
Services	206.917.321	131.606.872
Wholesale and retail trade	54.537.792	30.416.632
Hotel, food and beverage services	18.719.251	14.093.916
Transportation and telecommunication	31.951.203	24.409.627
Financial institutions	47.833.882	27.443.732
Real estate and leasing services	16.952.494	12.929.793
Education services	1.736.312	816.957
Health and social services	35.186.387	21.496.215
Other	183.667.394	134.112.048
Total	866.111.855	589.957.377

(1) Breakdown of cash loans, non cash loans and non performing loans by sector is as in the above table.

3.3.1.4.3. Receivables according to remaining maturities:

Receivables according to remaining maturities are explained Note 7 of Section 4.

3.3.1.4.4. Exposures provisioned against by major sectors:

Information on the amount of receivables and provisions provided for on the sector basis are disclosed in Note 2 of Section 4.

3.3.1.4.5. Exposures provisioned against by major regions:

The distribution of the specific provisions is predominantly domestic and a provision amounting to TL 21.132.394 (December 31, 2021- TL 17.505.467) has been set aside for the risk at an amount of TL 16.106.553 (December 31, 2021- TL 14.011.253).

3.3.1.4.6. Aging analysis for overdue receivables ⁽¹⁾:

	Current Period	Prior Period
1-30 days	2.285.342	2.158.685
31-60 days	1.863.501	2.184.789
61-90 days	870.807	786.720
91-80 days	-	138.443
Total	5.019.650	5.268.637

(1) Overdue receivables under close monitoring represent over due of cash loans.

Loans under close monitoring amounting to TL 76.439.636 (December 31, 2021- 62.618.755) are not overdue.

3.3.1.4.7. Breakdown of restructured receivables based on whether or not provisions are allocated:

Provisions are recognized for all non-performing loans in accordance with Provisioning Regulation.

Credit Class	Current Period	Prior Period
Loans restructured from loans and other receivables under close monitoring	50.237.972	38.019.818
Loans restructured from loans under legal follow-up	5.170.167	3.082.113
Total	55.408.139	41.101.931

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.3.1.4.8. Informations related to expected credit losses for loans:

Current Period	Stage 1	Stage 2	Stage 3	Total
Beginning of the period	3.260.936	12.736.277	14.479.141	30.476.354
Additions	2.166.711	4.534.753	10.541.184	17.242.648
Disposals	(1.683.870)	(3.893.527)	(5.266.689)	(10.844.086)
NPL sales	-	-	(1.672.492)	(1.672.492)
Write offs	-	-	(3.171.121)	(3.171.121)
Transfer to stage 1	315.113	(315.019)	(94)	-
Transfer to stage 2	(19.921)	114.132	(94.211)	-
Transfer to stage 3	(185)	(1.646.371)	1.646.556	-
Exchange differences	722.419	4.144.265	130.531	4.997.215
End of the period	4.761.203	15.674.510	16.592.805	37.028.518

Prior Period	Stage 1	Stage 2	Stage 3	Total
Beginning of the period	2.731.789	8.351.902	13.657.077	24.740.768
Additions	1.383.388	2.019.020	4.159.834	7.562.242
Disposals	(1.308.547)	(1.913.668)	(2.620.517)	(5.842.732)
NPL sales	-	-	-	-
Write offs	-	-	(1.127.912)	(1.127.912)
Transfer to stage 1	604.668	(568.762)	(35.906)	-
Transfer to stage 2	(739.074)	927.246	(188.172)	-
Transfer to stage 3	(68.894)	(450.925)	519.819	-
Exchange differences	657.606	4.371.464	114.918	5.143.988
End of the period	3.260.936	12.736.277	14.479.141	30.476.354

3.3.2. Credit risk mitigation

3.3.2.1. Qualitative disclosure on credit risk mitigation techniques

The Parent Bank employs on-balance sheet netting and/or general netting agreements for specific capital market transactions for credit risk mitigation, with the condition of meeting the requirements of having implemented corresponding systems supported methods and processes and clear documentation of the required documents.

The Parent Bank may use assets and liabilities as an on balance sheet netting instrument considering them as cash collateral.

The capital requirements may be determined on the base of net exposure of assets and liabilities, if the following conditions are met:

- The agreement should provide the Bank the authorization to monitor the receivable of the payee over a single value after netting all payables and receivables even though there is no such indicator for the counterparty showing bankruptcy or financial difficulty in accordance with the regulations of governments.
- The Bank is provided the authority of netting and monitoring the risk over a single value even the counterparty is not in bankruptcy case of a bankruptcy of one counterparty, the other counterparty should have the authority to terminate all contracts under the agreement
- The agreement should provide the facility to monitor the receivable of the payee over a single value after netting all payables and receivables in case of the termination of all contracts

In the policies and procedures regarding the assessment and management of the collaterals as part of collateralized lending, credit risk mitigation techniques aims at:

- Determination of general and specific requirements for the improvement and optimization of collateral systems, processes, strategies and procedures;
- Valuation of collateral taking into consideration the local regulations and procedures;
- Provision of the soundness, legal enforceability and maintenance of ratable collateral based on a legal framework;
- Determination of the level of the collateral haircut taking the local conditions and the process of risk management into consideration;
- Regular monitoring of the collateral value;
- Differentiation between counterparty (economic) and country (political) risk aspects,
- Mitigation of concentration risks, correlation risks and residual risks through recognition of collateral;
- Improvement in the quality of strategic business and overall Bank management
- Clear definition of Roles and Responsibilities
- Determination of acceptable collaterals and collateral related conditions (list of collateral) / (non-parametric condition list)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

In the calculations regarding credit risk mitigation, the Bank performs risk mitigation within the regulations set out in the Credit Risk Mitigation Techniques Notification dated September 6, 2014 and numbered 29111 and uses a comprehensive financial guarantee method for its financial collaterals. With the comprehensive financial collateral method, the relevant volatility adjustments specified in the regulation made on the value of the financial collaterals that are used in calculating the capital requirements.

The credit policies establish an operational connection between Bank's activities and its risk capacity and covers the main business areas in accordance with target portfolio structure, risk targets regarding expected and unexpected loss in line with risk capacity and limits relating to risk concentration. Limits are ensured to be compliant with restrictions determined by related regulation and regulatory authorities. Bank uses an integrated approach in concentration risk management, in which all risk concentrations are identified, monitored and evaluated. Therefore, besides the loans to individuals and companies, also the concentrations of market, sector, country and segment are being taken into consideration. Bank pays utmost attention to any concentration of the credit and market risks on a specific counterparty or risk classification in accordance with policies and internal procedures.

3.3.2.2. Credit risk mitigation techniques – overview

Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans	565.955.069	58.234.444	42.737.061	4.073.740	3.442.226	-	-
Debt securities	247.505.803	-	-	-	-	-	-
TOTAL	813.460.872	58.234.444	42.737.061	4.073.740	3.442.226	-	-
Of which defaulted	4.173.687	1.499.806	663.375	435.944	305.249	-	-

Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans	360.570.214	53.315.951	35.410.912	2.895.274	2.348.548	-	-
Debt securities	131.261.705	-	-	-	-	-	-
TOTAL	491.831.919	53.315.951	35.410.912	2.895.274	2.348.548	-	-
Of which defaulted	4.644.219	1.108.988	435.279	913.700	422.671	-	-

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.3.3. Credit risk under standardised approach

3.3.3.1. Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". The international risk ratings are used for all the exposures to central governments/central banks, for Financial Institutions, Corporations, Regional Governments, Administrative Bodies and for Multinational Development Banks asset classes of which the counterparty resides in foreign countries.

Exposures to central governments and central banks which are not rated by Fitch Ratings are included in the calculation of capital adequacy as unrated. Receivables from residents in Turkey are classified as unrated.

Fitch Ratings' risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

Credit Quality Grade	Fitch Ratings	Claims on sovereigns and Central Banks	Claims on administrative bodies and other non-commercial undertakings	Claims on banks and intermediary institutions		
				Contractual maturity of claims under 3 months	Contractual maturity of claims over 3 months	Claims on corporates
1	AAA AA+ AA AA-	0%	20%	20%	20%	20%
2	A+ A A-	20%	50%	20%	50%	50%
3	BBB+ BBB BBB-	50%	100%	20%	50%	100%
4	BB+ BB BB-	100%	100%	50%	100%	100%
5	B+ B B-	100%	100%	50%	100%	150%
6	CCC+ CCC CCC- CC C D	150%	150%	150%	150%	150%

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.3.3.2. Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects

Current Period		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Asset classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1 Exposures to central governments or central banks		326.297.373	2.422	330.044.849	173.891	92.454	0,03%
2 Exposures to regional governments or local authorities		208.510	20.512	208.510	10.256	109.383	50,00%
3 Exposures to public sector entities		1.497.583	716.706	1.497.526	253.137	1.750.663	100,00%
4 Exposures to multilateral development banks		1.046.689	168.348	1.046.689	128.199	-	0,00%
5 Conditional and unconditional receivables from banks and brokerage houses		83.660.206	33.602.582	83.660.206	4.948.684	27.514.405	31,05%
6 Exposures to institutions		49.166.246	49.744.841	47.298.846	11.178.033	53.146.823	90,89%
7 Exposures to corporates		6.379.178	1.334.390	4.696.322	101.747	3.715.596	77,44%
8 Retail exposures		79.237	1.043	79.237	359	29.104	36,57%
9 Exposures secured by residential property		15.297	1.383.382	15.297	691.681	363.026	51,35%
10 Exposures secured by commercial real estate		370.528	-	269.023	-	211.132	78,48%
11 Past-due loans		742.361	4.243.498	538.508	13.226	827.601	150,00%
12 Higher-risk categories by the Agency Board		31.895	-	31.895	-	14.749	46,24%
13 Investments in equities		3.245.852	-	3.245.852	-	7.333.268	225,93%
14 Other assets		12.087.832	-	12.087.832	-	4.299.170	35,57%
TOTAL		484.828.787	91.217.724	484.720.592	17.499.213	99.407.374	19,79%

Prior Period		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Asset classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1 Exposures to central governments or central banks		193.911.863	143	196.683.082	206.983	836.193	0,42%
2 Exposures to regional governments or local authorities		466	-	466	-	93	19,96%
3 Exposures to public sector entities		20.625	126.271	20.111	53.965	74.076	100,00%
4 Exposures to multilateral development banks		772.975	53.225	772.975	27.704	-	0,00%
5 Conditional and unconditional receivables from banks and brokerage houses		62.235.512	20.218.786	62.215.512	4.197.331	19.869.626	29,92%
6 Exposures to institutions		32.057.291	20.826.349	30.693.830	4.169.887	31.345.224	89,91%
7 Exposures to corporates		5.378.253	2.297.287	4.085.919	78.150	3.178.716	76,34%
8 Retail exposures		12.175	664	12.175	316	4.372	35,00%
9 Exposures secured by residential property		4.199.024	336.667	4.179.730	168.328	3.478.505	80,00%
10 Exposures secured by commercial real estate		352.118	1	204.523	-	144.720	70,76%
11 Past-due loans		1.124.497	3.000.607	848.664	21.844	1.298.333	149,15%
12 Higher-risk categories by the Agency Board		4.469	-	4.469	-	3.117	69,75%
13 Investments in equities		2.388.193	-	2.388.193	-	5.133.306	214,95%
14 Other assets		3.155.476	-	3.155.476	-	2.413.909	76,50%
TOTAL		305.612.937	46.860.000	305.265.125	8.924.508	67.780.190	21,57%

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.3.3.3. Standard Approach: Receivables by risk classes and risk weights

Current Period												Total credit risk exposure amount (after CCF and CRM)
Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	
1 Exposures to central governments or central banks	330.087.459	-	-	-	77.653	-	53.628	-	-	-	-	330.218.740
2 Exposures to regional governments or local authorities	-	-	-	-	218.766	-	-	-	-	-	-	218.766
3 Exposures to public sector entities	-	-	-	-	-	-	1.750.663	-	-	-	-	1.750.663
4 Exposures to multilateral development banks	1.174.888	-	-	-	-	-	-	-	-	-	-	1.174.888
5 Conditional and unconditional receivables from banks and brokerage houses	-	-	57.528.150	-	30.143.931	-	936.809	-	-	-	-	88.608.890
6 Exposures to institutions	330.804	-	440.198	-	9.294.188	-	48.411.689	-	-	-	-	58.476.879
7 Exposures to corporates	-	-	-	-	-	4.329.889	468.180	-	-	-	-	4.798.069
8 Retail exposures	-	-	-	76.481	-	3.115	-	-	-	-	-	79.596
9 Exposures secured by residential property	-	-	-	-	685.271	5.267	16.440	-	-	-	-	706.978
10 Exposures secured by commercial real estate	-	-	-	-	115.782	-	153.241	-	-	-	-	269.023
11 Past-due loans	-	-	-	-	-	-	-	551.734	-	-	-	551.734
12 Higher-risk categories by the Agency Board	1.678	-	14.924	-	7.059	-	8.234	-	-	-	-	31.895
13 Investments in equities	-	-	-	-	-	-	520.908	-	-	2.724.944	-	3.245.852
14 Other assets	7.788.663	-	-	-	-	-	4.299.169	-	-	-	-	12.087.832
Total	339.383.492	-	57.983.272	76.481	40.542.650	4.338.271	56.618.961	551.734	-	2.724.944	-	502.219.805

Prior Period												Total credit risk exposure amount (after CCF and CRM)
Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	
1 Exposures to central governments or central banks	196.053.872	-	-	-	-	-	836.193	-	-	-	-	196.890.065
2 Exposures to regional governments or local authorities	-	-	466	-	-	-	-	-	-	-	-	466
3 Exposures to public sector entities	-	-	-	-	-	-	74.076	-	-	-	-	74.076
4 Exposures to multilateral development banks	800.679	-	-	-	-	-	-	-	-	-	-	800.679
5 Conditional and unconditional receivables from banks and brokerage houses	-	-	46.990.226	-	17.902.073	-	1.520.544	-	-	-	-	66.412.843
6 Exposures to institutions	330.807	-	571.567	-	5.460.870	-	28.500.473	-	-	-	-	34.863.717
7 Exposures to corporates	-	-	-	-	-	3.941.412	222.657	-	-	-	-	4.164.069
8 Retail exposures	-	-	-	12.491	-	-	-	-	-	-	-	12.491
9 Exposures secured by residential property	-	-	-	-	1.735.003	8.207	2.604.848	-	-	-	-	4.348.058
10 Exposures secured by commercial real estate	-	-	-	-	119.607	-	84.916	-	-	-	-	204.523
11 Past-due loans	-	-	-	-	1.503	-	11.851	857.154	-	-	-	870.508
12 Higher-risk categories by the Agency Board	325	-	664	-	990	-	2.490	-	-	-	-	4.469
13 Investments in equities	-	-	-	-	-	-	558.117	-	-	1.830.076	-	2.388.193
14 Other assets	741.566	-	-	-	-	-	2.413.910	-	-	-	-	3.155.476
Total	197.927.249	-	47.562.923	12.491	25.220.046	3.949.619	36.830.075	857.154	-	1.830.076	-	314.189.633

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.3.3.4. Explanations on the use of IRB Models

In the development of internal models;

- As the owners of the probability of default (PD), loss given default (LGD) and exposure at default (EAD) models used in capital adequacy calculations, credit risk control and modeling units (individual & commercial) are responsible for the development and implementation processes of the models, also the regular monitoring and updating of the models.
- In case of need, advanced analytics unit is responsible for the development of the PD, LGD, EAD models,
- Validation unit is responsible for performing the initial and periodic validation of the models and providing the regular validation report.

When the development of the models is completed and following the approval of the validation unit, they are submitted to the approval of the credit committee and the Board of Directors. The models can be got into use after the necessary approvals are obtained from the relevant committees.

Performance monitoring of the model, which has been developed and put into use, is carried out by the credit risk control and modeling units and the validation unit. Performance monitoring of the models is carried out through the credit risk control unit report prepared quarterly by the credit risk control and modeling teams and annual periodic validation studies. In addition, every month before the models are run, certification checks are carried out and the accuracy of the data used in the model is confirmed.

Re-development, re-train or re-calibration of the models can be done according to the performance monitoring results of the models in use.

In accordance with the IRB communiqué (issued by BRSA – using internal rating based approach for credit risk calculations) as published in the Official Gazette dated October 22, 2015 numbered 29511, all IRB models and validation processes are audited annually by the Internal Audit Department. The scope of audits consists of three main areas: governance and validation, rating systems and quantification of risks and usage testing. Audit processes include reviewing IRB models for compliance with all minimum requirements, as well as validation of models. In this framework, initial, periodic, data and process validation activities are examined and validation findings are also taken into account within the scope of relevant model audits.

Reports on credit risk models are prepared in order to explain the structure, process and performance of the rating system, the areas that need improvement, the activities to complete the identified deficiencies, and to monitor the credit risk. Commercial credit risk control and modeling & retail credit risk control and modeling units are responsible for reporting. The related report includes the risk profile according to grades, migrations between grades, comparison of the estimations of risk parameters and observed values, and analysis of the effectiveness of the override process. If there is a rating override for project finance loans in the relevant reporting period, the reasons for the change are also included.

For the capital calculation, BRSA allowed the use of PD and EAD models in the corporate receivables class, the PD, LGD and EAD models in the retail receivables class, and the use of the slotting method in project finance loans.

90% of the bank's total risk weighted assets amount is calculated with the IRB approach. 7% of the total risk weighted assets amount is in portfolios such as receivables from central governments or financial institutions that do not have an IRB approach permit. The corporate and commercial portfolio is under the Foundation IRB approach, 94% of which is calculated with the IRB approach. The retail portfolio is under the Advanced IRB approach and 99% of it is calculated with the IRB approach. The slotting approach is used for all project finance risks.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

There are application and behavior PD Models for both corporate and retail receivables classes. Application models are the models that work at the moment when a customer applies for a loan to the Bank. Behavioral models are run at the end of each month for customers with limits or risks in the bank (for the behavior insert, it is required to be older than six months in the individual portfolio and older than four months in the SME portfolio).

- Individual portfolio PD application models consist of five models that work separately for each product in case the customer makes their own application. Behavior PD model is a model that consists of nine different segments.
- Individual portfolio EAD models are two models consisting of eight different segments that vary according to the limit usage rate and risk amount for the customer's credit card and overdraft products. LGD models are five models consisting of eleven different segments in terms of risk amount breakdown by product.
- SME portfolio PD application model consists of six different segments, which vary according to the customer's information such as turnover, bad-record and Credit Bureau (KKB) information, bank limit, and customer type. A customer can be rated through only one of the six segments. The SME behavior model consists of two different segments according to the customer's total bank limit amount (the customer can be rated through only one of the two segments).
- The same model is used for application and behavior in the corporate/commercial portfolio PD calculation. The model consists of four different segments that vary according to the customer's balance sheet type, bank portfolio assignment and bank total limit. The customer can be rated through only one of these segments.
- Corporate/commercial/SME portfolio EAD model consists of forty-seven different segments that vary according to the portfolio, limit, risk, limit usage rate and limit gap information for the customer's commercial overdraft, commercial credit card, non-cash (check, letter of guarantee, letter of credit) products. Fifteen of the forty-seven segments are for the corporate/commercial portfolio and thirty-two are for the SME portfolio.

Bank's PD models are developed using logistic regression. At least five years of data are used while developing the model in accordance with the articles specified in the communique. For the initial validation activities, out-of-sample (OOS) and out-of-time (OOT) data is separated. As stated in the Communique, the PD of the best grade can be at least 0.03%.

Due to the use of minimum five-year data during model development and the higher default rates during the model development period compared to the current period, the calculated PD value especially for the individual portfolio differs relatively from the observed DR.

The PD model is used in underwriting strategies, provision calculations and economic capital calculations as well as capital calculations.

Specialized loans can be defined as portfolios with low default rates. PD calculation is not made for specialized loans, the classification method is used.

While developing the LGD model, the gross LGD approach was used. At least 5-7 years of data are used while developing the model in accordance with the articles specified in the communique. For the initial validation activities, out-of-sample (OOS) and out-of-time (OOT) data is separated. As stated in the communique, it has been ensured that the LGD value of mortgage loans is at least 10%. The downturn period effect for the individual portfolio is added as a conservatism margin:

- A random sample is selected one thousand times, with the LGD values calculated for the performing and default groups equal to the number of observations for each product.
- In each sample, the average of LGD values for the performing and default groups is calculated.
- LGD averages calculated in the previous step were ordered for all segments and groups, and the 75th percentile was determined as LGD with a conservatism margin added.
- In order to reflect the effect of the downturn period, the 90th percentile was chosen after the LGD averages were ranked for all segments and groups.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

For Commercial LGD model, the total collection amount in the first year when the customers entered the liquidation process was calculated and this amount was deducted from the default amount of the following year. Thus, the default amounts remaining in the following years spent by the customer in the liquidation process are reflected. The annual collection has been made taking into account these default amounts. Thus, the year in which the collection rate was bad in the economic cycle was taken into account. The through-the-cycle (TtC) LGD of the annual calculated LGD values was found. The year with the largest percentage difference of the annual LGD values from the calculated TtC LGD was determined as the downturn year, and the related percentage difference was determined as the downturn period coefficient.

The saturation point values used for the time between the default event and the closing of the receivable are as follows.

Product / Portfolio	Saturation Point
Consumer loan	74
Auto loan	30
Overdraft	42
Mortgage	33
Credit card	50
Commercial portfolio	73
SME portfolio	68
Corporate portfolio	50

EAD model begins by associating defaulted loans with the 12-month risk and limit information before the default date. A random observation month is selected from the 12-month period from the date of default by the customer, and the EAD parameters are calculated accordingly. In product segmentation, arithmetic mean EAD ratios were calculated by considering business requirements and statistical significance. The last step is to add a conservatism margin as required in the Basel and IDD communiqué to create the final model.

As a result of the analysis made for individual loans, it was decided to use the 60th and 70th percentiles for the conservatism margin and downturn period effect ratios, respectively, in credit card products in risk conversion factor (RCF), limit conversion factor (LCF) and Non-limit conversion factor (NLCF). For individual overdraft products, it has been decided to use the 60th and 70th percentiles for the conservatism margin and downturn effect ratios, respectively, in RCF and LCF, and the 70th and 80th percentiles, respectively, for conservatism margin and downturn effect ratios in NLCF.

For Commercial loans, five quantile is added over the model output for the conservatism margin, and five quantile is added over the model output for the downturn period effect.

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.3.3.5. Counterparty Credit Risk Amounts by Portfolio and PD Ranges

Current Period													
Foundation IRB	PD Range	On-balance sheet amount	Off-balance sheet amount	Average CCF	Exposures post-CCF and CRM	Average PD	Number of Customers	Average LGD	Average Maturity	Risk Weighted Assets	RWA Density	Expected Loss	Provisions
Exposures to corporates	0-0,15	4.151.643	18.285.835	48,54%	13.027.132	0,09%	19.049	43,76%	1,80	3.268.153	34,19%	5.473	9.830
	0,15-0,25	1.748.718	3.677.631	63,40%	4.080.427	0,17%	34.646	41,67%	1,77	1.508.440	36,97%	3.194	10.518
	0,25-0,5	28.419.474	30.929.880	46,24%	42.722.342	0,33%	15.178	42,20%	1,37	20.652.229	59,05%	64.235	72.594
	0,5-0,75	63.836.734	60.297.757	45,73%	91.412.811	0,62%	19.949	43,44%	1,46	66.172.557	82,03%	255.467	1.456.916
	0,75-2,5	55.846.447	44.466.374	42,22%	74.621.232	1,56%	23.491	41,71%	1,49	73.564.520	100,45%	523.971	1.187.820
	2,5-10	28.523.654	27.044.456	38,36%	38.898.806	5,05%	13.949	41,84%	1,73	54.834.295	137,77%	884.655	1.800.787
	10-100	2.489.407	4.122.871	21,53%	3.377.054	27,92%	1.830	42,34%	1,41	7.679.676	216,72%	424.266	169.620
	100 (default)	11.315.590	557.785	20,23%	11.428.425	100,00%	7.554	39,65%	2,50	894.949	-	8.524.860	8.109.345
Sub Total		196.331.667	189.382.589	43,95%	279.568.229	5,81%	130.277	42,39%	1,55	228.574.819	86,58%	10.686.121	12.817.430
Advanced IRB	PD Range	On-balance sheet amount	Off-balance sheet amount	Average CCF	Exposures post-CCF and CRM	Average PD	Number of Customers	Average LGD	Average Maturity	Risk Weighted Assets	RWA Density	Expected Loss	Provisions
Qualifying Revolving Retail Exposures	0-0,15	11.481.540	26.700.133	26,86%	18.653.823	0,10%	977.686	44,21%	-	603.499	35,94%	7.980	3.836
	0,15-0,25	13.731.338	31.430.466	26,94%	22.197.979	0,19%	1.459.760	43,28%	-	1.238.256	38,39%	18.504	9.808
	0,25-0,5	4.614.859	7.757.258	27,83%	6.773.835	0,33%	432.008	43,33%	-	579.918	42,00%	9.810	5.564
	0,5-0,75	11.245.089	16.529.290	28,14%	15.895.869	0,64%	945.891	43,73%	-	2.320.766	46,25%	44.683	19.155
	0,75-2,5	15.647.502	21.631.895	27,89%	21.679.935	1,49%	1.605.773	42,45%	-	5.744.070	49,94%	136.978	67.879
	2,5-10	13.990.073	9.670.544	29,71%	16.863.465	5,14%	1.554.470	42,09%	-	8.559.913	68,55%	363.348	216.705
	10-100	2.185.421	572.404	32,69%	2.372.525	27,48%	342.761	38,93%	-	3.196.063	116,51%	257.092	138.084
	100 (default)	38.491	255	25,89%	38.557	100,00%	5.786	40,38%	-	260.116	392,34%	142	5.144
Sub Total		72.934.313	114.292.245	27,60%	104.475.988	1,98%	7.324.135	43,05%	-	22.502.601	48,55%	838.537	466.175
Retail SME Exposures	0-0,15	1.127.021	2.802.973	37,04%	2.165.217	0,10%	64.136	47,95%	-	299.854	32,22%	1.070	3.932
	0,15-0,25	6.541.891	10.972.378	53,23%	12.382.523	0,17%	141.691	49,24%	-	2.431.691	23,64%	10.583	37.907
	0,25-0,5	12.818.653	15.847.176	45,92%	20.096.339	0,37%	130.400	49,73%	-	6.297.904	32,16%	36.769	87.859
	0,5-0,75	9.487.490	8.771.337	41,98%	13.169.456	0,61%	123.153	49,52%	-	5.695.395	45,30%	39.912	78.495
	0,75-2,5	22.661.179	15.087.678	40,54%	28.777.984	1,47%	240.416	48,96%	-	17.417.618	61,01%	206.496	261.000
	2,5-10	15.219.038	6.287.484	37,37%	17.568.407	5,03%	175.733	48,42%	-	13.683.606	76,62%	427.018	304.485
	10-100	2.806.022	889.901	30,88%	3.080.867	18,75%	36.882	46,92%	-	3.236.009	101,44%	271.286	114.058
	100 (default)	3.010.771	591.341	21,44%	3.137.569	100,00%	55.013	80,62%	-	404.960	12,96%	2.498.888	3.421.306
Sub Total		73.672.065	61.250.268	43,60%	100.378.362	5,18%	967.424	50,03%	-	49.467.037	50,42%	3.492.022	4.309.042
Other Retail Exposures	0-0,15	976.024	4.203.450	81,40%	4.397.743	0,10%	1.092.070	56,40%	-	675.705	24,86%	2.391	4.166
	0,15-0,25	4.759.289	5.952.966	81,71%	9.623.703	0,19%	1.378.190	58,44%	-	2.697.916	46,99%	10.833	15.077
	0,25-0,5	2.053.921	2.630.257	82,12%	4.213.768	0,34%	482.587	58,67%	-	1.705.622	54,08%	8.475	8.901
	0,5-0,75	12.159.587	4.865.386	82,75%	16.185.667	0,65%	987.772	60,22%	-	10.741.070	80,20%	62.978	48.427
	0,75-2,5	26.958.674	6.154.708	83,88%	32.121.428	1,54%	1.470.401	60,54%	-	31.991.303	96,14%	300.057	190.067
	2,5-10	37.313.800	2.803.584	89,78%	39.830.822	5,36%	1.462.903	60,90%	-	54.816.083	109,76%	1.301.040	729.941
	10-100	8.040.243	101.145	133,11%	8.174.879	28,90%	255.511	61,49%	-	19.286.226	134,77%	1.456.962	769.316
	100 (default)	5.751.379	6.456	26,89%	5.753.115	100,00%	191.543	77,79%	-	1.864.682	17,75%	4.363.917	4.714.144
Sub Total		98.012.917	26.717.952	83,42%	120.301.125	9,05%	7.320.977	61,12%	-	123.778.607	89,37%	7.506.653	6.480.039
Total (All portfolios)		244.619.295	202.260.465	39,82%	325.155.475	5,58%	10.686.717	51,89%	-	195.748.245	64,23%	11.837.212	11.255.256
Other Items	Sub total	57.251.531	-	-	57.251.531	-	2	-	-	44.684.546	77,99%	-	-

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Counterparty Credit Risk Amounts by Portfolio and PD Ranges

Prior Period														
Foundation IRB	PD Range	On-balance sheet amount	Off-balance sheet amount	Average CCF	Exposures post-CCF and CRM	Average PD	Number of Customers	Average LGD	Average Maturity	Risk Weighted Assets	RWA Density	Expected Loss	Provisions	
Exposures to corporates	0-0,15	5.106.269	10.136.539	44,50%	9.616.677	0,10%	29.394	42,50%	1,82	2.283.174	23,74%	4.032	9.424	
	0,15-0,25	3.825.165	1.471.457	51,85%	4.588.187	0,19%	65.111	38,34%	2,49	1.725.974	37,62%	3.292	4.852	
	0,25-0,5	16.300.123	16.832.268	47,07%	24.223.112	0,33%	22.109	43,46%	1,85	12.453.675	51,41%	34.660	476.527	
	0,5-0,75	39.254.397	32.306.895	43,32%	53.249.762	0,61%	39.404	42,80%	1,53	34.069.325	63,98%	139.436	436.910	
	0,75-2,5	39.963.119	30.433.333	37,89%	51.493.450	1,45%	41.427	42,60%	1,90	49.049.054	95,25%	318.290	1.250.073	
	2,5-10	15.959.873	15.571.597	35,41%	21.473.052	5,53%	25.907	41,70%	1,56	29.131.947	135,67%	493.520	997.692	
	10-100	787.645	802.302	20,84%	954.845	25,56%	5.569	40,76%	1,77	2.059.318	215,67%	98.660	70.300	
	100 (default)	9.918.477	376.217	21,62%	9.999.819	100,00%	13.867	45,00%	2,50	-	0,00%	4.499.918	6.739.322	
Sub Total		131.115.068	107.930.608	41,22%	175.598.904	7,18%	234.026	42,68%	1,78	130.772.467	74,47%	5.591.808	9.985.100	
Advanced IRB	PD Range	On-balance sheet amount	Off-balance sheet amount	Average CCF	Exposures post-CCF and CRM	Average PD	Number of Customers	Average LGD	Average Maturity	Risk Weighted Assets	RWA Density	Expected Loss	Provisions	
Qualifying Revolving Retail Exposures	0-0,15	5.375.727	13.290.210	26,79%	8.935.980	0,10%	872.966	39,65%	-	219.263	2,45%	3.416	4.733	
	0,15-0,25	6.031.116	13.577.991	27,17%	9.719.610	0,19%	1.248.224	38,42%	-	409.485	4,21%	7.192	11.130	
	0,25-0,5	1.723.417	2.665.726	28,30%	2.477.714	0,33%	299.760	39,14%	-	164.271	6,63%	3.191	5.279	
	0,5-0,75	4.703.256	6.763.265	28,20%	6.610.245	0,64%	842.923	38,68%	-	732.449	11,08%	16.323	19.605	
	0,75-2,5	6.379.855	7.597.886	28,38%	8.535.837	1,50%	1.202.146	38,08%	-	1.768.237	20,72%	48.771	58.088	
	2,5-10	6.310.169	3.624.753	30,46%	7.414.268	5,33%	1.241.491	36,36%	-	3.454.643	46,59%	141.545	165.017	
	10-100	1.305.949	271.781	33,36%	1.396.624	27,67%	311.478	32,32%	-	1.368.372	97,98%	126.168	125.345	
	100 (default)	43.062	24	33,33%	43.070	100,00%	9.353	39,58%	-	151.444	351,62%	5.618	11.237	
Sub Total		31.872.551	47.791.636	27,75%	45.133.348	2,28%	6.028.341	38,15%	-	8.268.164	18,32%	352.224	400.434	
Retail SME Exposures	0-0,15	796.415	2.349.391	38,91%	1.710.560	0,11%	51.674	46,56%	-	221.542	12,95%	865	3.824	
	0,15-0,25	4.718.843	6.788.985	54,26%	8.402.336	0,17%	120.835	46,97%	-	1.532.987	18,24%	6.823	25.433	
	0,25-0,5	8.504.653	10.368.987	46,05%	13.279.805	0,36%	106.606	48,32%	-	3.995.922	30,09%	23.296	54.745	
	0,5-0,75	7.067.315	6.422.647	40,26%	9.653.143	0,61%	104.254	46,51%	-	3.800.792	39,37%	27.245	55.457	
	0,75-2,5	15.579.067	8.837.005	41,00%	19.202.032	1,48%	208.726	46,89%	-	10.988.224	57,22%	133.279	192.386	
	2,5-10	9.979.544	3.648.915	36,94%	11.327.271	5,04%	160.381	46,82%	-	8.290.446	73,19%	266.711	258.960	
	10-100	1.915.829	479.317	29,95%	2.059.392	21,42%	33.109	45,69%	-	2.114.894	102,70%	200.128	129.306	
	100 (default)	4.234.372	549.959	21,19%	4.350.896	100,00%	72.159	80,84%	-	612.696	14,08%	3.470.823	4.200.964	
Sub Total		52.796.038	39.445.206	43,58%	69.985.435	8,24%	857.744	49,17%	-	31.557.503	45,09%	4.129.170	4.921.075	
Other Retail Exposures	0-0,15	771.434	1.998.625	81,07%	2.391.670	0,10%	966.641	50,81%	-	311.162	13,01%	1.172	1.921	
	0,15-0,25	3.536.409	2.376.311	81,59%	5.475.178	0,19%	1.184.040	53,72%	-	1.230.764	22,48%	5.665	8.009	
	0,25-0,5	1.232.351	591.532	82,26%	1.718.966	0,33%	331.005	54,19%	-	555.784	32,33%	3.087	3.498	
	0,5-0,75	7.333.011	1.826.481	82,67%	8.842.925	0,64%	865.137	58,39%	-	4.513.379	51,04%	33.312	29.170	
	0,75-2,5	14.603.008	1.864.790	84,49%	16.178.549	1,54%	1.113.981	60,02%	-	12.027.772	74,34%	150.645	111.333	
	2,5-10	20.986.455	1.157.489	91,22%	22.042.351	5,62%	1.288.546	60,64%	-	21.247.667	96,39%	751.690	573.227	
	10-100	6.965.048	89.382	123,84%	7.075.741	29,00%	339.008	60,82%	-	11.364.776	160,62%	1.246.786	867.980	
	100 (default)	3.987.378	339	85,08%	3.987.666	100,00%	212.406	77,54%	-	1.791.426	44,92%	2.956.847	3.033.606	
Sub Total		59.415.094	9.904.949	83,78%	67.713.046	11,23%	6.300.764	60,14%	-	53.042.730	78,33%	5.149.204	4.628.744	
Total (All portfolios)		144.083.683	97.141.791	39,89%	182.831.829	7,88%	9.177.035	50,51%	-	92.868.397	50,79%	9.630.598	9.950.253	
Other Items	Sub total	22.091.943	-	-	22.091.943	-	-	-	-	11.947.672	57,08%	-	-	

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.3.3.6. IRB: The effect of credit derivatives used as CRM technique on RWA

Current Period	RWA – PRE Credit	Actual RWA
1 Exposures to central governments or central banks - Foundation IRB	-	-
2 Exposures to central governments or central banks - Advanced IRB	-	-
3 Exposures to banks and financial institutions - Foundation IRB	-	-
4 Exposures to banks and financial institutions - Advanced IRB	-	-
5 Exposures to corporates - Foundation IRB	231.362.156	231.362.156
6 Exposures to corporates - Advanced IRB	-	-
7 Specialised Lending - Foundation IRB	-	-
8 Specialised Lending - Advanced IRB	88.314.214	88.314.214
9 Retail exposures - Qualifying revolving	22.502.601	22.502.601
10 Retail exposures - secured by real estate	-	-
11 Retail exposures - SME	49.482.874	49.482.874
12 Retail Exposures - Other	123.778.607	123.778.607
13 Investments in equities - Foundation IRB	-	-
14 Investments in equities - Advanced IRB	-	-
15 Purchased Receivables - Foundation IRB	-	-
16 Purchased Receivables - Advanced IRB	-	-
17 Other Items - Advanced IRB	44.684.546	44.684.546
Total	560.124.998	560.124.998

Prior Period	RWA – PRE Credit	Actual RWA
1 Exposures to central governments or central banks - Foundation IRB	-	-
2 Exposures to central governments or central banks - Advanced IRB	-	-
3 Exposures to banks and financial institutions - Foundation IRB	-	-
4 Exposures to banks and financial institutions - Advanced IRB	-	-
5 Exposures to corporates - Foundation IRB	133.438.626	133.438.626
6 Exposures to corporates - Advanced IRB	-	-
7 Specialised Lending - Foundation IRB	-	-
8 Specialised Lending - Advanced IRB	71.517.966	71.517.966
9 Retail exposures - Qualifying revolving	8.268.164	8.268.164
10 Retail exposures - secured by real estate	-	-
11 Retail exposures - SME	31.572.185	31.572.185
12 Retail Exposures - Other	53.042.730	53.042.730
13 Investments in equities - Foundation IRB	-	-
14 Investments in equities - Advanced IRB	-	-
15 Purchased Receivables - Foundation IRB	-	-
16 Purchased Receivables - Advanced IRB	-	-
17 Other Items - Advanced IRB	11.947.672	11.947.672
Total	309.787.343	309.787.343

3.3.3.7. RWA Movement Table Under IRB Approach ⁽¹⁾

	Current Period	Prior Period
1 Previous Period Closing Amount ⁽²⁾	306.567.715	-
2 Changes in Volume	150.427.302	-
3 Changes in Asset Quality	13.104.722	-
4 Model Updates	(198.188)	-
5 Policy and Regulatory Changes	86.790.516	-
6 Purchasing and Selling	-	-
7 FX Difference	-	-
8 Other	-	306.567.715
9 Current Period Closing Amount	556.692.067	306.567.715

(1) Counterparty credit risk is not included in the table.

(2) The Bank has started to use IRB approach as of June 30, 2021.

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.3.3.8. IRB: Back-testing of probability of default in each asset class

Asset classes	PD Range	Equivalent External Rating	Weighted Average PD	Mean PD By Borrower	Number of Borrowers Prior Period	Current Period	Borrowers in default within the year	Borrowers in default for the first time within the year	Average historical annual default rate
Corporate exposures - 1	0% - 0,14%	AAA to A+	0,09%	0,10%	29.394	19.019	7	-	0,03%
Corporate exposures - 2	0,14% - 0,41%	A to A-	0,31%	0,24%	83.896	47.748	38	3	0,06%
Corporate exposures - 3	0,41% - 1,17%	BBB+ to BBB-	0,72%	0,77%	60.912	32.013	87	13	0,18%
Corporate exposures - 4	1,17 % - 3,22%	BB+ to BB-	2,04%	2,07%	32.308	18.703	187	21	0,55%
Corporate exposures - 5	3,22% - 15,08%	B+ to B-	6,35%	6,62%	16.570	8.932	384	46	1,83%
Corporate exposures - 6	15,08% - 33,77%	CCC+ to CCC-	26,75%	27,73%	4.755	1.230	523	46	9,77%
Corporate exposures - 7	33,77% - 99,999%	CC	41,06%	41,07%	47	72	13	4	21,62%
Corporate exposures - 8	100%	D	100,00%	100,00%	13.867	7.554	-	-	-
Sub Total		Sub Total	5,66%	7,65%	241.749	135.271	1.239	133	0,42%

Asset classes	PD Range	Equivalent External Rating	Weighted Average PD	Mean PD By Borrower	Number of Borrowers Prior Period	Current Period	Borrowers in default within the year	Borrowers in default for the first time within the year	Average historical annual default rate
Retail exposures - Qualifying revolving - 1	0% - 0,14%	AAA to A+	0,10%	0,10%	872.966	966.927	245	10	0,02%
Retail exposures - Qualifying revolving - 2	0,14% - 0,41%	A to A-	0,22%	0,22%	1.547.984	1.846.177	845	43	0,05%
Retail exposures - Qualifying revolving - 3	0,41% - 1,17%	BBB+ to BBB-	0,77%	0,77%	1.311.002	1.651.295	2.747	383	0,17%
Retail exposures - Qualifying revolving - 4	1,17 % - 3,22%	BB+ to BB-	2,28%	2,30%	1.220.159	1.564.777	8.689	2.165	0,48%
Retail exposures - Qualifying revolving - 5	3,22% - 15,08%	B+ to B-	6,96%	7,17%	790.203	1.020.850	23.686	5.892	2,07%
Retail exposures - Qualifying revolving - 6	15,08% - 33,77%	CCC+ to CCC-	29,59%	28,30%	276.674	268.323	40.985	3.544	10,37%
Retail exposures - Qualifying revolving - 7	33,77% - 99,999%	CC	-	-	-	-	-	-	22,11%
Retail exposures - Qualifying revolving - 8	100%	D	100,00%	100,00%	9.353	5.786	-	-	-
Sub Total		Sub Total	2,04%	2,59%	6.028.341	7.324.135	77.197	12.037	2,06%

Asset classes	PD Range	Equivalent External Rating	Weighted Average PD	Mean PD By Borrower	Number of Borrowers Prior Period	Current Period	Borrowers in default within the year	Borrowers in default for the first time within the year	Average historical annual default rate
Retail exposures - SME - 1	0% - 0,14%	AAA to A+	0,10%	0,10%	51.674	64.019	20	-	0,05%
Retail exposures - SME - 2	0,14% - 0,41%	A to A-	0,23%	0,23%	181.813	216.223	169	34	0,17%
Retail exposures - SME - 3	0,41% - 1,17%	BBB+ to BBB-	0,71%	0,73%	213.267	256.206	606	150	0,55%
Retail exposures - SME - 4	1,17 % - 3,22%	BB+ to BB-	1,97%	2,09%	182.474	206.153	1.592	385	1,38%
Retail exposures - SME - 5	3,22% - 15,08%	B+ to B-	6,45%	6,58%	129.561	142.315	3.878	762	3,92%
Retail exposures - SME - 6	15,08% - 33,77%	CCC+ to CCC-	23,23%	24,56%	19.192	20.202	2.535	463	13,25%
Retail exposures - SME - 7	33,77% - 99,999%	CC	43,51%	45,24%	1.083	1.113	146	21	20,09%
Retail exposures - SME - 8	100%	D	100,00%	100,00%	72.159	55.092	-	-	-
Sub Total		Sub Total	5,33%	10,22%	851.223	961.323	8.946	1.815	1,34%

Asset classes	PD Range	Equivalent External Rating	Weighted Average PD	Mean PD By Borrower	Number of Borrowers Prior Period	Current Period	Borrowers in default within the year	Borrowers in default for the first time within the year	Average historical annual default rate
Retail Exposures - Other - 1	0% - 0,14%	AAA to A+	0,10%	0,10%	966.641	1.093.603	222	40	0,01%
Retail Exposures - Other- 2	0,14% - 0,41%	A to A-	0,23%	0,23%	1.514.953	1.867.693	1.118	327	0,05%
Retail Exposures - Other- 3	0,41% - 1,17%	BBB+ to BBB-	0,80%	0,80%	1.330.222	1.679.385	3.645	2.085	0,18%
Retail Exposures - Other- 4	1,17 % - 3,22%	BB+ to BB-	2,36%	2,38%	1.160.407	1.375.367	10.318	5.735	0,53%
Retail Exposures - Other- 5	3,22% - 15,08%	B+ to B-	6,98%	7,07%	811.750	902.758	26.166	10.789	1,89%
Retail Exposures - Other- 6	15,08% - 33,77%	CCC+ to CCC-	30,72%	30,92%	304.738	225.037	50.472	11.452	10,31%
Retail Exposures - Other- 7	33,77% - 99,999%	CC	-	-	-	-	-	-	19,00%
Retail Exposures - Other- 8	100%	D	100,00%	100,00%	212.406	191.637	-	-	-
Sub Total		Sub Total	9,30%	6,44%	6.301.117	7.335.480	91.941	30.428	1,90%

Asset classes	PD Range	Equivalent External Rating	Weighted Average PD	Mean PD By Borrower	Number of Borrowers Prior Period	Current Period	Borrowers in default within the year	Borrowers in default for the first time within the year	Average historical annual default rate
Other Items - 1	-	-	-	-	2	2	-	-	-

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.3.3.9. IRB - Specialized lending and equity investments subject to the simple risk weight approach

Current Period													
Specialised Lendings													
Besides High-volatility Commercial Real Estates													
Category	Remaining Maturity	On-balance sheet amount	Off-balance sheet amount	Counterparty credit risk	Risk Weight	Project Finance	Object Finance	Risk Amount		Total	RWA Amount		Expected Losses
								Commodities Finance	Income Producing Real Estate		Credit Risk	Counter Party Credit Risk	
Strong	<2,5 year	-	-	163.673	50%	162.226	-	-	1.447	163.673	-	81.837	-
	≥2,5 year	8.516.500	1.641.022	154.458	70%	8.934.533	-	-	67.521	9.002.054	6.193.317	108.121	36.008
Good	<2,5 year	6.768.998	986.608	219.451	70%	5.944.431	725.674	-	517.403	7.187.508	4.877.640	153.616	28.750
	≥2,5 year	24.154.360	8.095.026	216.571	90%	29.027.733	120.788	-	-	29.148.521	26.038.755	194.914	233.188
Satisfactory		28.529.920	1.572.142	79.367	115%	23.404.903	100.667	-	5.434.894	28.940.464	33.190.261	91.268	810.333
Weak		6.605.757	832.649	-	250%	6.489.341	-	-	284.412	6.773.753	17.384.485	-	497.697
Default		-	34.798	-	-	7.021	-	-	-	7.021	-	-	3.510
Total		74.575.535	13.162.245	833.520		73.970.188	947.129	-	6.305.677	81.222.994	87.684.458	629.756	1.609.486

Prior Period													
Specialised Lendings													
Besides High-volatility Commercial Real Estates													
Category	Remaining Maturity	On-balance sheet amount	Off-balance sheet amount	Counterparty credit risk	Risk Weight	Project Finance	Object Finance	Risk Amount		Total	RWA Amount		Expected Losses
								Commodities Finance	Income Producing Real Estate		Credit Risk	Counter Party Credit Risk	
Strong	<2,5 year	-	-	67.332	50%	57.505	-	-	9.828	67.333	-	33.666	-
	≥2,5 year	5.856.274	1.201.537	292.873	70%	6.171.959	-	-	219.613	6.391.572	4.269.089	205.011	25.586
Good	<2,5 year	1.999.003	6.588	78.462	70%	1.545.182	-	-	533.613	2.078.795	1.400.233	54.923	8.315
	≥2,5 year	10.922.217	3.568.399	270.561	90%	14.108.109	94.909	-	-	14.203.018	12.539.212	243.505	114.649
Satisfactory		33.568.478	2.717.765	1.463	115%	32.736.174	448.825	-	955.497	34.140.496	39.259.888	1.682	955.934
Weak		5.380.841	116.282	-	250%	5.354.179	50.124	-	-	5.404.303	13.510.757	-	432.344
Default		-	4.243	-	-	856	-	-	-	856	-	-	428
Total		57.726.813	7.614.814	710.691	-	59.973.964	593.858	-	1.718.551	62.286.373	70.979.179	538.787	1.537.256

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.4. Explanation on counterparty credit risk

3.4.1. Qualitative evaluation for Counterparty Credit Risk

Counterparty Credit Risk (CCR) is organized under Market Risk Management and is functioning within the scope of "Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks". These functions include counterparty credit risk calculations within general risk appetite and control process of risk management policies for CCR.

Credit limits under CCR are defined within the scope of internal model method, specified in "Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks. -Appendix 2", considering various stress scenarios.

General policies for collaterals and provisions under credit risk management are also valid for CCR. Exposure and collateral values are calculated on a daily basis. In order to mitigate the counterparty credit risk, international framework agreements (ISDA, CSA, GMRA, etc.) are being used through collateral and margin call mechanisms.

In case of a downgrade in credit note, the amount of additional collateral the Bank has to provide is calculated periodically under several stress scenarios.

3.4.2. Assessment of Counterparty Credit Risk according to the models of measurement

Current Period	Revaluation Cost	Potential credit risk exposure	EEPE ⁽¹⁾	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1 Standart Approach-CCR	14.906.299	-	-	1,40	14.906.299	7.601.575
2 Internal Model Approach			-	-	-	-
3 Simplified Standardised Approach for Credit Risk Mitigation					-	-
4 Comprehensive Method for Credit Risk Mitigation					3.776.098	1.562.017
5 Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
Total						9.163.592

Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE ⁽¹⁾	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1 Standart Approach-CCR	16.080.884	2.055.840	-	1,40	17.629.390	5.794.413
2 Internal Model Approach			-	-	-	-
3 Simplified Standardised Approach for Credit Risk Mitigation					-	-
4 Comprehensive Method for Credit Risk Mitigation					2.058.542	889.618
5 Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
Total						6.684.031

(1) Effective expected positive exposure

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.4.3. Credit valuation adjustment (CVA) capital charge

	Current Period		Prior period	
	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
Total portfolio value with comprehensive approach				
CVA capital adequacy	-	-	-	-
1 (i) Value at risk component (3*multiplier included)	-	-	-	-
2 (ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3 Total portfolio value with simplified approach CVA capital adequacy	14.906.299	3.922.738	17.629.390	4.568.681
Total amount of CVA capital adequacy	14.906.299	3.922.738	17.629.390	4.568.681

3.4.4. Standardised approach – CCR exposures by regulatory portfolio and risk weights

Current Period												Total credit risk ⁽¹⁾
Risk Weights/Risk Classes	0%	2%	4%	10%	20%	35%	50%	75%	100%	150%		
1 Central governments and central banks receivables	1.850.855	-	-	-	-	-	-	-	-	-	-	1.850.855
2 Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-	-	-
3 Administrative and non commercial receivables	-	-	-	-	-	-	-	-	4.993	-	-	4.993
4 Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-	-	-
5 Banks and Intermediary Institutions receivables	-	128.315	6.406.176	-	3.438.244	-	7.429.755	-	207.665	-	-	17.610.155
6 Corporate receivables	-	-	-	-	52	-	744	-	576.648	-	-	577.444
7 Retail receivables	-	-	-	-	-	-	-	717.930	-	-	-	717.930
8 Mortgage receivables	-	-	-	-	-	-	-	-	-	-	-	-
9 Non performing receivables	-	-	-	-	-	-	-	-	-	-	-	-
10 High risk defined receivables	-	-	-	-	-	-	-	-	-	-	-	-
11 Investments in equities	-	-	-	-	-	-	-	-	-	-	-	-
12 Other receivables	-	-	-	-	-	-	-	-	-	-	-	-
Total	1.850.855	128.315	6.406.176	-	3.438.296	-	7.430.499	717.930	789.306	-	-	20.761.377

Prior Period												Total credit risk ⁽¹⁾
Risk Weights/Risk Classes	0%	2%	4%	10%	20%	35%	50%	75%	100%	150%		
1 Central governments and central banks receivables	7.701.693	-	-	-	-	-	-	-	-	-	-	7.701.693
2 Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-	-	-
3 Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-	-	-	-
4 Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-	-	-
5 Banks and Intermediary Institutions receivables	-	344.884	181.594	-	2.242.168	-	5.398.580	-	-	-	-	8.167.226
6 Corporate receivables	-	-	-	-	-	-	-	-	308.394	-	-	308.394
7 Retail receivables	-	-	-	-	-	-	-	11.047	-	-	-	11.047
8 Mortgage receivables	-	-	-	-	-	-	-	-	-	-	-	-
9 Non performing receivables	-	-	-	-	-	-	-	-	-	-	-	-
10 High risk defined receivables	-	-	-	-	-	-	-	-	-	-	-	-
11 Investments in equities	-	-	-	-	-	-	-	-	-	-	-	-
12 Other receivables	-	-	-	-	-	-	-	-	-	-	-	-
Total	7.701.693	344.884	181.594	-	2.242.168	-	5.398.580	11.047	308.394	-	-	16.188.360

(1) Total credit risk: Value of Capital Adequacy Calculations after Counterparty Credit Risk methods are applied.

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.4.5. Counterparty Credit Risk Amounts by Portfolio and PD Ranges

Current Period								
Foundation IRB	PD Range	Exposures post CRM	Average PD	Number of Customers	Average LGD	Average Maturity	Risk Weighted Assets	RWA Density
Exposures to corporates	0-0,15	125.759	0,12%	24	45,00%	1,00	27.684	22,01%
	0,15-0,25	17.104	0,17%	4	45,00%	1,00	3.903	22,82%
	0,25-0,5	556.721	0,33%	83	45,00%	1,54	274.284	49,27%
	0,5-0,75	1.508.874	0,64%	75	45,00%	1,66	1.076.068	71,32%
	0,75-2,5	1.290.668	1,51%	55	45,00%	1,65	1.276.799	98,93%
	2,5-10	76.443	7,94%	7	44,95%	1,00	128.033	167,49%
	10-100	262	14,86%	1	45,00%	1,00	567	216,70%
	100 (default)	-	-	-	-	-	-	-
	Sub total	3.575.831	1,04%	249	45,00%	1,60	2.787.338	77,95%
Advanced IRB	PD Range	Exposures post CRM	Average PD	Number of Customers	Average LGD	Average Maturity	Risk Weighted Assets	RWA Density
Qualifying Revolving Retail Exposures	0-0,15	-	-	-	-	-	-	-
	0,15-0,25	-	-	-	-	-	-	-
	0,25-0,5	-	-	-	-	-	-	-
	0,5-0,75	-	-	-	-	-	-	-
	0,75-2,5	-	-	-	-	-	-	-
	2,5-10	-	-	-	-	-	-	-
	10-100	-	-	-	-	-	-	-
	100 (default)	-	-	-	-	-	-	-
	Sub total	-	-	-	-	-	-	-
Retail-SME Exposures	0-0,15	7.584	0,12%	7	50,70%	-	1.153	15,20%
	0,15-0,25	10.882	0,17%	24	52,65%	-	2.201	20,23%
	0,25-0,5	11.340	0,34%	20	48,16%	-	3.304	29,14%
	0,5-0,75	6.853	0,60%	12	48,21%	-	2.782	40,60%
	0,75-2,5	7.963	1,63%	12	51,20%	-	5.216	65,50%
	2,5-10	1.538	3,88%	3	50,48%	-	1.180	76,74%
	10-100	-	-	-	-	-	-	-
	100 (default)	-	-	-	-	-	-	-
	Sub total	46.160	0,64%	78	50,24%	-	15.836	34,31%
Other Retail Exposures	0-0,15	-	-	-	-	-	-	-
	0,15-0,25	-	-	-	-	-	-	-
	0,25-0,5	-	-	-	-	-	-	-
	0,5-0,75	-	-	-	-	-	-	-
	0,75-2,5	-	-	-	-	-	-	-
	2,5-10	-	-	-	-	-	-	-
	10-100	-	-	-	-	-	-	-
	100 (default)	-	-	-	-	-	-	-
	Sub Total	-	-	-	-	-	-	-
Total (All portfolios)		46.160	0,64%	78	50,24%	-	15.836	34,31%

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Prior Period								
Foundation IRB	PD Range	Exposures post CRM	Average PD	Number of Customers	Average LGD	Average Maturity	Risk Weighted Assets	RWA Density
Exposures to corporates	0-0,15	265.369	0,12%	26	44,00%	2,91	97.171	36,62%
	0,15-0,25	9	0,17%	1	45,00%	1,00	3	28,59%
	0,25-0,5	488.827	0,33%	49	44,47%	1,50	235.543	48,19%
	0,5-0,75	1.200.613	0,64%	57	43,32%	2,58	937.565	76,05%
	0,75-2,5	962.230	1,40%	42	43,85%	1,95	908.856	94,45%
	2,5-10	366.124	4,30%	13	42,80%	1,70	487.021	133,02%
	10-100	-	-	-	-	-	-	-
	100 (default)	-	-	-	-	-	-	-
	Sub total	3.283.172	1,20%	188	43,62%	2,20	2.666.159	80,10%
Advanced IRB	PD Range	Exposures post CRM	Average PD	Number of Customers	Average LGD	Average Maturity	Risk Weighted Assets	RWA Density
Qualifying Revolving Retail Exposures	0-0,15	-	-	-	-	-	-	-
	0,15-0,25	-	-	-	-	-	-	-
	0,25-0,5	-	-	-	-	-	-	-
	0,5-0,75	-	-	-	-	-	-	-
	0,75-2,5	-	-	-	-	-	-	-
	2,5-10	-	-	-	-	-	-	-
	10-100	-	-	-	-	-	-	-
	100 (default)	-	-	-	-	-	-	-
	Sub total	-	-	-	-	-	-	-
Retail-SME Exposures	0-0,15	2.220	0,12%	8	50,54%	0,00	336	15,15%
	0,15-0,25	2.134	0,17%	13	47,67%	0,00	391	18,31%
	0,25-0,5	8.155	0,33%	21	47,37%	0,00	2.294	28,13%
	0,5-0,75	3.801	0,58%	11	43,66%	0,00	1.367	35,96%
	0,75-2,5	12.047	1,23%	24	48,09%	0,00	7.220	56,04%
	2,5-10	3.830	7,70%	4	48,16%	0,00	3.074	80,28%
	10-100	-	-	-	-	0,00	-	-
	100 (default)	-	-	-	-	-	-	-
	Sub total	32.187	1,52%	81	47,59%	0,00	14.682	45,34%
Other Retail Exposures	0-0,15	-	-	-	-	-	-	-
	0,15-0,25	-	-	-	-	-	-	-
	0,25-0,5	-	-	-	-	-	-	-
	0,5-0,75	-	-	-	-	-	-	-
	0,75-2,5	-	-	-	-	-	-	-
	2,5-10	-	-	-	-	-	-	-
	10-100	-	-	-	-	-	-	-
	100 (default)	-	-	-	-	-	-	-
	Sub Total	-	-	-	-	-	-	-
Total (All portfolios)		32.187	1,52%	81	47,59%	-	14.682	45,34%

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.4.6. Composition of collateral for CCR exposure

Current Period	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
1 Cash-Local Currency	-	-	-	-	18.496.136	-
2 Cash - Foreign Currency	-	-	-	-	5.473.381	-
3 Domestic sovereign debts	-	-	-	-	-	18.844.825
4 Other sovereign debts	-	-	-	-	-	8.714.900
5 Other collateral	-	-	-	-	-	-
Total	-	-	-	-	23.969.517	27.559.725

Prior Period	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
1 Cash-Local Currency	-	9.912	-	-	45.359.285	1.750.689
2 Cash - Foreign Currency	-	19.884	-	-	3.095.195	-
3 Domestic sovereign debts	-	-	-	-	1.782.917	44.822.415
4 Other sovereign debts	-	-	-	-	-	4.198.676
5 Other collateral	-	477.537	-	-	-	-
Total	-	507.333	-	-	50.237.397	50.771.780

3.4.7. Credit derivatives exposures

	Current Period		Prior Period	
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Nominal				
Single-name credit default swaps	-	-	-	-
Index credit default swaps	-	-	-	-
Total return swaps	-	38.271.238	-	26.257.676
Credit Options	-	-	-	-
Other Credit Derivatives	-	-	-	-
Total Nominal	-	38.271.238	-	26.257.676
Rediscount Amount	-	(2.448.578)	-	(1.264.379)
Positive Rediscount Amount	-	788.608	-	844.603
Negative Rediscount Amount	-	(3.237.186)	-	(2.108.982)

3.4.8. Exposures to central counterparties

	Current Period		Prior Period	
	Exposure at default (post-CRM)	RWA	Exposure at default (post-CRM)	RWA
1 Exposure to Qualified Central Counterparties (QCCPs) (Total)		258.814		14.162
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
2 (i) OTC Derivatives	6.534.491	258.814	526.449	14.161
3 (ii) Exchange-traded Derivatives	-	-	-	-
4 (iii) Securities financing transactions	-	-	29	1
5 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
6 Segregated initial margin	-	-	-	-
7 Non-segregated initial margin	-	-	-	-
8 Pre-funded default fund contributions	-	-	-	-
9 Unfunded default fund contributions	-	-	-	-
11 Exposures to non-QCCPs (Total)		-		-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions) ; of which	-	-	-	-
12 (i) OTC Derivatives	-	-	-	-
13 (ii) Exchange-traded Derivatives	-	-	-	-
14 (iii) Securities financing transactions	-	-	-	-
15 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
16 Segregated initial margin	-	-	-	-
17 Non-segregated initial margin	-	-	-	-
18 Pre-funded default fund contributions	-	-	-	-
19 Unfunded default fund contributions	-	-	-	-

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.5. Securitisations

None.

3.6. Explanations on consolidated market risk

3.6.1. Qualitative disclosure on market risk

Market Risk Management department monitors the interest rate, exchange rate, stock, commodity and credit spread risks arising from the main financial activities of the Group on a daily basis and measures the probability of loss that may arise from the related risks by using internal model. Risks measured are regularly reported to the business units, their compliance with Bank's risk appetite is monitored and impacts on capital requirement are analyzed. By taking into account the distinction between banking and trading portfolios, analyses and measurements enable Market Risk Management to determine specific limits on sub-portfolio / product levels.

Market risks that the Group is exposed to are assessed and managed by a triple structure consisting of Treasury, Financial Planning and Market Risk Management Units. The Board of Directors, the Executive Committee and the Audit Committee have primary responsibility for management of such risks. Both Top management and the sub-units are responsible for managing the risks taking into account constraints and targets such as Bank's interest rate sensitivity, liquidity constraints, funding sources, budget targets, medium and long-term capital planning and profitability of the products in operation.

Models, strategies and processes that are accurate and integrated in accordance with risks the Group is or may be exposed to have been established. Automated reporting and validation activities are carried out for effective analysis, monitoring and control mechanisms. Risk management infrastructure integrated with day-to-day activities enabling monitor and measurement independently from executive activities; and supports business and decision-making processes has been established. Policies, processes, targets, roles / responsibilities, and regular trainings are the main elements of the Bank's dissemination of risk culture and awareness. Systems and structures compatible with international best practices and in line with the risk appetite are available for risk management.

The Group implements internal policies and procedures that are reviewed and approved at least once a year by the Board of Directors in order to manage market risks arising from on and off-balance sheet liabilities. Based on the principles mentioned in Regulatory Authority's directives and best practice guidelines, internal policies determine responsibilities and practitioners for identification, measurement, monitoring and reporting of the risks in line with the risk appetite and needs of the Group; lay the groundwork for granting limits in the Bank; and guide the actions to be taken in case of risk appetite is exceeded.

Market Risk Management organization consists of 4 sub-units; Market Risk Analysis, Asset-Liability Management and Affiliates Coordination, Counterparty Risk and Collateral Management and Risk Methodologies and Market Data Analysis units.

Market Risk Analysis unit; carry out the activities such as measuring and setting limits for risks arising from Financial assets where fair value change is reflected to income statement and Financial assets where fair value change is reflected to other comprehensive income statement using advanced internal methods (Value at Risk, Base Point Value Sensitivity etc.), complying policies and procedures with new regulations and best practices, product-based risk analysis, developing risk measurement and valuation techniques and applying stress tests.

Asset Liability Management and Subsidiaries Coordination unit; enables the Bank to measure the liquidity risk, manage the structural interest rate exposure, manage the protection procedures and the protection accounting processes used to reduce the risk of re-pricing. Follows the concentration of the bank's funding side. Also paves the way for implementation of Bank-side risk applications and risk culture in the Bank's subsidiaries, plays an active role in risk appetite determination and coordination processes.

Counterparty Risk and Collateral Management Unit calculates the exposures of over the counter (OTC) derivative transactions via internal model method and manages the inclusion of these exposures into the monitoring and the credit underwriting processes.

The Risk Methodologies and Market Data Analysis unit provides unbiased management of all market data related to treasury products under the risk management framework. The unit is responsible for the verification of fair values, and transfer of related data sources to the banking system.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.6.2. Market risk under standardised approach

		Current Period	Prior Period
		Risk Weighted Asset	Risk Weighted Asset
Outright products		18.559.842	4.861.529
1	Interest rate risk (general and specific)	2.853.292	1.636.586
2	Equity risk (general and specific)	2.970.325	153.550
3	Foreign exchange risk	12.678.700	2.984.145
4	Commodity risk	57.525	87.250
Options		635.050	780.475
5	Simplified approach	-	-
6	Delta-plus method	635.050	780.475
7	Scenario approach	-	-
8	Securitisation	-	-
Total		19.194.892	5.642.006

3.7. Explanations on Operational Risk

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2020, 2019 and 2018 year-end gross income balances of the Bank, in accordance with Section 3 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio", published in the Official Gazette No. 29511 dated October 23, 2015, namely "The Calculation of the Amount Subject to Operational Risk". As of December 31, 2021, the total amount subject to operational risk is TL 46.346.961 (December 31, 2021 - TL 37.518.185) and the amount of the related capital requirement is TL 3.707.757 (December 31, 2021 - TL 3.001.455).

Current Period	2 Prior Period Value	1 Prior Period Value	Current Period value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	17.663.901	24.056.398	32.434.838	24.718.379	15,00%	3.707.757
Amount subject to operational risk (Total*12,5)						46.346.961

Prior Period	2 Prior Period Value	1 Prior Period Value	Current Period value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	18.308.797	17.663.901	24.056.398	20.009.699	15,00%	3.001.455
Amount subject to operational risk (Total*12,5)						37.518.185

3.8. Interest rate risk arising from banking accounts:

Interest rate risk means possible losses on financial structure or equity of the Bank by movements in interest rates. Changes in interest rates affect the Bank's earnings by changing the level of net interest incomes, other interest sensitive incomes and operating expenses. The change in interest rates also affects the underlying values of the Bank's assets for active, passive and off-balance sheet items by changing the economic values of future cash flows (and in some cases, the cash flows themselves).

Interest rate risk has three main reasons:

- Repricing Risk: It is caused by the inconsistency in pricing of active and passive items.
- Yield Curve Risk: It results from the variation of the curve and shape of the yield curve.
- Basis Risk: It's due to the low correlation of the earned and paid interest yields of different financial instruments with peer revaluation structure.

The customer's prepayment risk (option risk) is indirectly taken into account in managing and following the interest rate risk by following a specific risk protection rate.

Within the scope of the interest rate risk arising from banking accounts, the core deposit analysis for demand deposits is carried out according to the maximum maturity structure of the same regulation. In core deposit analysis, it is possible to distribute demand deposits up to 3 times using behavioral models reviewed once a year. In addition, Consumer Price Index bonds model and early payment model in real estate and consumer loans are also considered in the calculation of interest rate risk.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Interest rate risk is monitored weekly through internal reports and reports made to the Executive Board on a monthly basis.

In accordance with the "Regulation on Measurement and Evaluation of the Interest Rate on Banking Accounts by Standard Shock Method", the economic value differences arising from fluctuations in interest rates are stated in the table below as of December 31, 2022, based on the significant currencies of the Parent Bank.

Currency	Applied shock (+/- x basis points)	Current Period		Prior Period	
		Gains/Losses	Gains/SE- Losses/SE	Gains/Losses	Gains/SE- Losses/SE
TRY	(+)500 bp	(6.479.005)	(4,42)%	(3.565.705)	(4,46) %
TRY	(-)400 bp	6.097.199	4,16%	3.206.811	4,01%
EUR	(+)200 bp	764.516	0,52%	(310.186)	(0,39) %
EUR	(-)200 bp	(754.817)	(0,51)%	358.834	0,45%
USD	(+)200 bp	(3.930.975)	(2,68)%	(1.871.143)	(2,34) %
USD	(-)200 bp	4.983.463	3,40%	2.633.830	3,30%
Total (For negative shocks)		10.325.845	7,04%	6.199.475	7,76%
Total (For positive shocks)		(9.645.464)	(6,57)%	(5.747.034)	(7,19) %

4. Explanations on consolidated currency risk:

The difference between the Group's foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the "Net Foreign Currency Position" and it is the basis of currency risk. Cross currency risk is also taken into consideration for the currency risk calculations and measurements.

The Group keeps the amount of currency risk exposure within the related legal limits and follows the exchange position on a daily/regular basis. In addition, although the internal exchange position limit is lower when compared to the related legal limit, there has not been any limit exceeding during the period. As an instrument of currency risk management, derivatives such as swap and forwards are used to reduce risk whenever needed. In order to guard against extreme volatility during the year stress tests are applied. Value at risk method is used for the measurement of foreign exchange risk.

The details of hedging of the foreign currency debt instruments and net foreign currency investment risk with derivative instruments are disclosed in section four Note 10.

The Parent Bank's publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five working days prior to that date are as follows:

(Exchange rates presented as full TL)	USD	EUR
Balance sheet evaluation rate	18,6983	19,9349
First day current bid rate	18,6966	19,8816
Second day current bid rate	18,6964	19,8946
Third day current bid rate	18,6813	19,9087
Fourth day current bid rate	18,6649	19,8324
Fifth day current bid rate	18,6592	19,8044
Arithmetic average of the last 31 days:	18,6370	19,7164
Evaluation rate as of prior period:	12,9775	14,6823

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Information on currency risk of the Group:

Current Period	EUR	USD	Other FC ⁽⁴⁾	Total
Assets				
Cash (Cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	43.388.959	55.869.152	17.836.219	117.094.330
Banks	11.081.542	20.795.571	433.062	32.310.175
Financial assets measured at fair value through profit or loss	38.583	714.743	-	753.326
Money market placements	-	-	53.158	53.158
Financial assets measured at fair value through other comprehensive income	1.868.486	15.193.758	930.357	17.992.601
Loans ⁽¹⁾	96.274.085	95.032.005	7.839.744	199.145.834
Investments in associates, subsidiaries and joint ventures	-	-	2.871.962	2.871.962
Financial assets measured at amortised cost	9.824.178	62.553.614	-	72.377.792
Hedging derivative financial assets	990.403	2.907.278	-	3.897.681
Tangible assets	42.660	-	159.002	201.662
Other assets ⁽²⁾	8.256.149	22.210.555	4.208.250	34.674.954
Total assets	171.765.045	275.276.676	34.331.754	481.373.475
Liabilities				
Bank deposits	788.850	777.811	323.138	1.889.799
Foreign currency deposits	105.401.444	170.512.529	42.069.570	317.983.543
Funds from money market	4.533.259	2.866.964	-	7.400.223
Funds borrowed from other financial institutions	36.643.410	46.106.673	347.217	83.097.300
Marketable securities issued	5.285.934	28.211.101	3.908.106	37.405.141
Miscellaneous payables	4.132.569	880.955	51.979	5.065.503
Hedging derivative financial liabilities	-	-	-	-
Other liabilities ⁽³⁾	7.759.501	81.394.552	224.370	89.378.423
Total liabilities	164.544.967	330.750.585	46.924.380	542.219.932
Net on balance sheet position	7.220.078	(55.473.909)	(12.592.626)	(60.846.457)
Net off balance sheet position⁽⁵⁾	(6.373.179)	44.908.990	16.447.620	54.983.431
Financial derivative assets	24.199.658	124.124.582	18.612.685	166.936.925
Financial derivative liabilities	30.572.837	79.215.592	2.165.065	111.953.494
Net position	846.899	(10.564.919)	3.854.994	(5.863.026)
Non-cash loans	67.393.694	66.369.841	10.050.819	143.814.354
Prior Period				
Total assets	150.477.835	229.655.185	19.131.844	399.264.864
Total liabilities	134.337.150	292.863.402	28.296.923	455.497.475
Net on balance sheet position	16.140.685	(63.208.217)	(9.165.079)	(56.232.611)
Net off balance sheet position⁽⁵⁾	(14.512.454)	62.087.451	11.830.058	59.405.055
Financial derivative assets	16.417.457	90.301.009	17.198.355	123.916.821
Financial derivative liabilities	30.929.911	28.213.558	5.368.297	64.511.766
Net position	1.628.231	(1.120.766)	2.664.979	3.172.444
Non-cash loans	54.741.701	58.461.909	6.617.892	119.821.502

(1) Includes FX indexed loans amounting to TL 166.285 (December 31, 2021 - TL 320.109) which have been disclosed as TL in the financial statements.

(2) Does not include foreign currency prepaid expenses amounting to TL 1.061.744 (December 31, 2021 - TL 461.663) and intangible assets amounting to TL 89.886 (December 31, 2021 - TL 64.485).

(3) Does not include foreign currency other comprehensive income and expense under equity.

(4) Other FC column also includes gold balance.

(5) Forward transactions classified as commitments are also included.

Currency risk sensitivity analysis:

The table below represents the sensitivity of the Parent Bank to 15% change of currency exchange rates (USD and EUR).

15% change is the assumption of parity change that may be faced in a possible fluctuation used in the Bank's stress test scenarios.

	Current Period	Prior Period
Change in currency exchange rates ⁽¹⁾	Profit/loss effect ⁽²⁾	Profit/loss effect ⁽²⁾
(+) 15%	1.593.635	436.669
(-) 15%	(596.848)	(200.224)

(1) Represents the balances of the Parent Bank.

(2) Excluding tax effect.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

5. Explanations on consolidated interest rate risk:

The monitoring of interest rate sensitive assets and liabilities of the Parent Bank, including sensitivity analysis regarding the effect of interest rate fluctuations on the financial statements, is performed by the risk management department for all interest sensitive instruments over carrying values. The results are presented monthly to the Asset and Liability Management function of the Executive Committee. By using sensitivity and scenario analyses, the possible effects by interest rate volatility are analyzed. In these analyses possible losses are calculated for the change in fair value of interest sensitive products by applying shock tests to interest rates.

Sensitivity analyses are also calculated daily within Market Risk reporting on the basis of maturity and foreign exchange types and reported to Senior Management by checking them against the determined limits.

The Parent Bank utilizes TL/FC and TL/TL interest rate and money swap transactions in order to limit the interest and foreign currency risk arising from short-term deposit and long-term consumer loans within the balance sheet.

5.1. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	3.265.724	-	-	-	-	149.565.179	152.830.903
Banks	6.922.595	3.499.070	6.116.267	-	-	23.307.085	39.845.017
Financial assets measured at fair value through profit or loss	-	5.558	20.156	127.463	212.054	1.905.664	2.270.895
Receivables from money markets	2.514.757	-	-	-	-	-	2.514.757
Financial assets measured at fair value through other comprehensive income	10.492.500	18.750.666	20.417.815	13.157.038	15.477.650	175.822	78.471.491
Loans ⁽¹⁾	127.298.709	124.350.642	214.577.219	139.524.656	33.200.507	(14.762.220)	624.189.513
Financial assets measured at amortised cost	47.543.781	21.551.302	13.817.909	29.743.940	56.169.325	-	168.826.257
Other assets	1.520.613	4.716.818	4.082.287	8.477.949	4.050.277	92.470.237	115.318.181
Total assets	199.558.679	172.874.056	259.031.653	191.031.046	109.109.813	252.661.767	1.184.267.014
Liabilities							
Bank deposits	2.616.742	2.582.968	3.914.800	47.571	-	1.325.315	10.487.396
Other deposits	262.675.306	116.779.884	25.435.248	4.850.599	338.428	284.928.578	695.008.043
Funds from money market	34.804.618	5.490.412	-	-	-	-	40.295.030
Miscellaneous payables	-	-	-	-	-	44.512.534	44.512.534
Marketable securities issued	2.984.364	21.691.053	24.675.391	-	-	-	49.350.808
Funds borrowed from other financial institutions	25.875.731	25.283.522	29.910.175	12.116.997	929.973	-	94.116.398
Other liabilities ⁽²⁾	13.392.296	39.117.426	10.264.520	25.282.464	3.614.406	158.825.693	250.496.805
Total liabilities	342.349.057	210.945.265	94.200.134	42.297.631	4.882.807	489.592.120	1.184.267.014
Balance sheet long position	-	-	164.831.519	148.733.415	104.227.006	-	417.791.940
Balance sheet short position	(142.790.378)	(38.071.209)	-	-	-	(236.930.353)	(417.791.940)
Off-balance sheet long position	21.885.861	41.542.366	-	-	-	-	63.428.227
Off-balance sheet short position	-	-	(18.909.027)	(33.696.216)	(10.384.551)	-	(62.989.794)
Total position	(120.904.517)	3.471.157	145.922.492	115.037.199	93.842.455	(236.930.353)	438.433

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	68.178.110	-	-	-	-	51.570.131	119.748.241
Banks	8.309.675	1.226.728	4.062.073	-	-	20.805.882	34.404.358
Financial assets measured at fair value through profit or loss	-	3.196	5.683	58.396	139.374	595.005	801.654
Receivables from money markets	1.809.366	-	-	-	-	-	1.809.366
Financial assets measured at fair value through other comprehensive income	5.011.649	8.514.144	13.360.359	3.718.284	4.101.999	91.075	34.797.510
Loans ⁽¹⁾	61.116.734	57.767.824	158.844.116	120.411.758	25.989.739	(10.244.006)	413.886.165
Financial assets measured at amortised cost	20.420.050	11.074.959	13.410.483	11.672.177	39.709.143	-	96.286.812
Other assets	5.266.352	9.049.186	3.703.985	5.739.253	353.077	54.974.947	79.086.800
Total assets	170.111.936	87.636.037	193.386.699	141.599.868	70.293.332	117.793.034	780.820.906
Liabilities							
Bank deposits	2.782.299	823.611	1.736.802	11.573	-	1.783.052	7.137.337
Other deposits	189.198.407	34.961.966	8.447.559	2.886.264	276.996	177.019.529	412.790.721
Funds from money market	51.087.194	3.766.361	1.032.918	-	-	-	55.886.473
Miscellaneous payables	-	-	-	-	-	26.732.718	26.732.718
Marketable securities issued	3.359.088	22.492.961	15.724.962	-	-	-	41.577.011
Funds borrowed from other financial institutions	8.000.905	38.075.477	14.220.629	10.249.753	2.375.200	-	72.921.964
Other liabilities ⁽²⁾	5.132.873	30.050.685	13.956.009	31.854.517	3.401.689	79.378.909	163.774.682
Total liabilities	259.560.766	130.171.061	55.118.879	45.002.107	6.053.885	284.914.208	780.820.906
Balance sheet long position	-	-	138.267.820	96.597.761	64.239.447	-	299.105.028
Balance sheet short position	(89.448.830)	(42.535.024)	-	-	-	(167.121.174)	(299.105.028)
Off-balance sheet long position	18.455.630	43.104.916	-	-	-	-	61.560.546
Off-balance sheet short position	-	-	(6.524.939)	(44.274.928)	(8.012.207)	-	(58.812.074)
Total position	(70.993.200)	569.892	131.742.881	52.322.833	56.227.240	(167.121.174)	2.748.472

(1) Non-performing loans are presented in the "Non-Interest Bearing" column after being offset against expected loss provisions.

(2) Shareholders' equity is presented under "Non interest bearing"

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

5.2. Average interest rates for monetary financial instruments:

The following average interest rates of the Group are calculated by weighting the rates with their principal amounts outstanding as of the balance sheet date.

Current Period	EUR	USD	Yen	TL
	%	%	%	%
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	2,50	-	-	-
Banks	0,08	0,97	-	13,54
Financial assets measured at fair value through profit or loss	4,80	5,38	-	-
Receivables from money markets	-	-	-	11,86
Financial assets measured at fair value through other comprehensive income	3,32	7,56	-	48,68
Loans	6,09	8,18	-	22,83
Financial assets measured at amortised cost	2,62	6,39	-	53,69
Liabilities				
Bank deposits ⁽¹⁾	-	3,05	-	8,63
Other deposits ⁽¹⁾	0,25	1,09	-	8,16
Funds from money market	3,37	4,43	-	9,14
Miscellaneous payables	-	-	-	-
Marketable securities issued	4,69	7,15	-	20,33
Funds borrowed from other financial institutions	3,98	7,99	-	16,15

Prior Period	EUR	USD	Yen	TL
	%	%	%	%
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	8,89
Banks	0,78	0,45	-	14,07
Financial assets measured at fair value through profit or loss	3,87	3,43	-	15,57
Receivables from money markets	-	-	-	12,31
Financial assets measured at fair value through other comprehensive income	3,32	6,27	-	28,75
Loans	4,48	5,64	-	19,26
Financial assets measured at amortised cost	2,71	6,25	-	30,36
Liabilities				
Bank deposits ⁽¹⁾	-	-	-	16,08
Other deposits ⁽¹⁾	0,17	0,38	-	10,30
Funds from money market	0,92	-	-	12,16
Miscellaneous payables	-	-	-	-
Marketable securities issued	3,78	4,87	-	17,55
Funds borrowed from other financial institutions	2,06	2,64	-	17,24

(1) Demand deposit balances are included in average interest rate calculation.

6. Explanations on share certificates position risk from banking book:

None.

7. Explanations on consolidated liquidity risk management and liquidity coverage ratio:

Liquidity risk is defined as risk of unexpected loss to be occurred or Group to have difficulties in raising funds while meeting maturing liabilities. Liquidity management is daily monitored in the Bank under Treasury Management and Risk Management. The liquidity policy of the Group is approved by the Bank's Board of Directors. Treasury Management is responsible for carrying out transactions which are appropriate to Bank's policy, monitoring of liquidity position and submitting necessary reports to executives. Treasury management contributes to determine strategies and operating actions for the management of the liquidity position in addition to prepare funding plan and contingency funding plan of the Bank in cooperation with Treasury Management. Liquidity risk is evaluated with liquidity gap analysis, liquidity stress tests and supplementary precautions/measurements. Liquidity Gap analysis are performed for two different periods as short-term and long-term. Going concern scenario and structural positions are reported monthly. This reporting constitutes the basis of monitoring and management of liquidity position.

The Parent Bank does not function as a central funding institution in its relations with its subsidiaries. Intra-group liquidity management and funding strategies are limited with related legal boundaries and monitored regularly via various reports. Intraday liquidity is also monitored closely by the bank in its best effort.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

The Parent Bank issues an annual funding plan in order to sustain funding in a consistent and balanced way. Funding plan have to be updated at least annually and approved by the Executive Committee since it is complied with budgeting process and risk appetite frameworks. The primary purpose of the funding plan is to provide a reliable balance between assets and liabilities.

Both short-term liquidity and medium/long-term (structural) liquidity measurement and reporting for all major types of currencies are periodically made in Bank and its subsidiaries. There are limits which are predetermined and approved by the Board of Directors on the basis of all major currencies for each period.

The Parent Bank mainly uses derivative transactions as managing liquidity risk and monitors cash inflow and outflow periods in the framework of funding plan balancing the distribution among currencies.

The Parent Bank aims to reduce the risks to the lowest level if required via measuring possible risks in liquidity with stress tests. Stress tests make it possible for the Bank to reinterpret analysis of its liquidity position according to scenarios depending on possible cases and tail risks except for crisis situations. Liquidity Stress Test methodology makes a similar approach with Liquidity Coverage Ratio (LCR) template and hence allows the overview of the results in line with Basel approaches. The Parent Bank applies and reports liquidity stress tests consisting of different scenarios and maturity segments both on unconsolidated and consolidated level and the results are compared with both liquidity stress tests and other liquidity limit and trigger levels set, with different frequencies (weekly, monthly etc.) according to the scenarios.

"Liquidity Contingency Plan" is applied if the Parent Bank needs more liquidity than its daily liquidity need because of possible financial events in future. Duties and responsibilities are defined in detail in the aforementioned plan. Both the liquidity policy and liquidity contingency policy are in line with BRSA best practice documents on liquidity risk management. The abovementioned policies and the thresholds (limits etc.) covered within liquidity risk management framework are updated and approved at least annually.

Funding sources of the Group mainly consist of deposits which constitute 60% of total liabilities of the Bank (December 31, 2021 – 54%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated loans and borrowings.

The Parent Bank calculates and reports the LCR on a both solo and consolidated level in full compliance with the regulations. LCR is a metric measuring the adequacy of unencumbered free liquid assets owned by banks (called high quality liquid assets) to meet expected net cash outflows over the next 30 days. The metric is an important Basel regulation that measures short-term liquidity and is closely monitored in the Bank. In addition to the Parent Bank LCR, the Net Stable Funding Rate (NSFR), which is considered another complementary element and provides another important medium/ long-term liquidity risk measurement, has also measures internally. These two metrics are also included within the Risk Appetite Indicators and closely monitored at the Bank.

High quality liquid assets mentioned in LCR calculation consist of cash, effective money, Central Bank of the Republic of Turkey ("CBRT") accounts and reserves and debt instruments issued by Treasury of the Republic of Turkey treated as high quality liquid assets.

Cash outflows from derivative transactions in liquidity coverage ratio calculation are based on inclusion of net cash flows with maturity of 30 days in the calculation. Additionally, transactions having a margin possibility are included in liquidity coverage ratio calculation by taking the largest outflow amount according to the negative values of net margin flows realized in the last 24 months in respect of 30 days period or for liability into consideration as cash outflow.

Secured funding consists of repo and other secured borrowings. A large part of securities which are subject to the aforementioned funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out in both CBRT market and interbank market.

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

All cash inflow and outflow items related to liquidity profile of the bank are included in liquidity coverage ratio tables below for the last three months.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Average amounts of weekly liquidity coverage ratio calculations related to the last three months of current period are explained in the table below.

Current Period	Unweighted Amounts		Weighted Amounts	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			272.983.478	131.335.615
Cash Outflows				
Retail and Small Business Customers Deposits	397.165.767	188.483.727	36.092.366	18.795.427
Stable deposits	72.484.220	1.058.912	3.624.211	52.946
Less stable deposits	324.681.547	187.424.815	32.468.155	18.742.481
Unsecured Funding other than Retail and Small Business Customers Deposits	281.926.371	142.155.176	168.334.921	81.418.756
Operational deposits	-	-	-	-
Non-Operational deposits	202.790.483	105.269.760	97.785.352	44.533.340
Other Unsecured funding	79.135.888	36.885.416	70.549.569	36.885.416
Secured funding			116.510	86.724
Other Cash Outflows	3.475.231	3.475.231	3.475.231	3.475.231
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	3.475.231	3.475.231	3.475.231	3.475.231
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	258.290.430	144.736.960	12.914.521	7.236.848
Other irrevocable or conditionally revocable commitments	251.677.440	38.594.558	22.214.640	5.678.798
Total Cash Outflows			243.148.189	116.691.784
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	82.979.532	40.250.599	62.709.823	35.883.439
Other contractual cash inflows	302.562	76.848.953	302.561	76.848.954
Total Cash Inflows	83.282.094	117.099.552	63.012.384	112.732.393
Capped Amounts				
Total High Quality Liquid Assets			272.983.478	131.335.615
Total Net Cash Outflows			180.135.805	29.172.946
Liquidity Coverage Ratio (%)			151,54	450,20

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of current period are explained in the table below.

Current Period	Minimum FC (%)	Minimum TL+FC (%)	Maximum FC (%)	Maximum TL+FC (%)
Week	November 11, 2022	December 2, 2022	October 7, 2022	October 7, 2022
Ratio (%)	432,12	137,02	580,31	170,73

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Simple arithmetic average calculated for the last three months of previous period liquidity coverage ratio by using the amounts calculated based on simple arithmetic averages are explained in the table below.

Prior Period	Unweighted Amounts		Weighted Amounts	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			135.289.945	99.238.215
Cash Outflows				
Retail and Small Business Customers Deposits	222.091.449	135.072.946	20.502.830	13.507.117
Stable deposits	34.126.292	3.543	1.706.314	177
Less stable deposits	187.965.157	135.069.403	18.796.516	13.506.940
Unsecured Funding other than Retail and Small Business				
Customers Deposits	160.275.133	91.509.499	85.004.807	43.732.987
Operational deposits	-	-	-	-
Non-Operational deposits	127.816.630	82.744.975	57.566.721	34.968.463
Other Unsecured funding	32.458.503	8.764.524	27.438.086	8.764.524
Secured funding			37.287	-
Other Cash Outflows	2.272.511	2.272.511	2.272.511	2.272.511
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.272.511	2.272.511	2.272.511	2.272.511
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	144.854.244	104.453.220	7.242.712	5.222.661
Other irrevocable or conditionally revocable commitments	130.053.964	27.211.271	11.552.724	4.003.631
Total Cash Outflows			126.612.871	68.738.907
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	53.820.044	33.788.164	43.575.725	30.494.403
Other contractual cash inflows	1.489.259	29.970.732	1.489.259	29.970.732
Total Cash Inflows	55.309.303	63.758.896	45.064.984	60.465.135
Capped Amounts				
Total High Quality Liquid Assets			135.289.945	99.238.215
Total Net Cash Outflows			81.547.887	17.184.727
Liquidity Coverage Ratio (%)			165,90	577,48

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of prior period for the Parent Bank are explained in the table below.

	Minimum FC (%)	Minimum TL+FC (%)	Maximum FC (%)	Maximum TL+FC (%)
Week	November 5, 2021	October 29, 2021	November 12, 2021	December 17, 2021
Ratio (%)	446,46	137,62	662,13	189,47

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Breakdown of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unclassified ⁽¹⁾⁽²⁾	Total
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	90.558.846	62.272.057	-	-	-	-	-	152.830.903
Banks	23.307.085	6.922.595	3.499.070	6.116.267	-	-	-	39.845.017
Financial assets measured at fair value through profit or loss	31.895	-	5.558	20.156	127.463	212.054	1.873.769	2.270.895
Receivables from money markets	-	2.514.757	-	-	-	-	-	2.514.757
Financial assets measured at fair value through other comprehensive income	-	221.174	435.165	10.007.510	36.774.190	30.857.630	175.822	78.471.491
Loans ⁽¹⁾	-	118.732.969	104.639.722	203.001.194	168.756.509	43.821.339	(14.762.220)	624.189.513
Financial assets measured at amortised cost	-	188.660	746.156	7.598.035	69.400.548	90.892.858	-	168.826.257
Other assets	51.188.979	745.664	3.599.346	5.361.981	9.077.493	4.202.738	41.141.980	115.318.181
Total assets	165.086.805	191.597.876	112.925.017	232.105.143	284.136.203	169.986.619	28.429.351	1.184.267.014
Liabilities								
Bank deposits	1.325.315	2.616.742	2.582.968	3.914.800	47.571	-	-	10.487.396
Other deposits	284.928.578	262.675.306	116.779.884	25.435.248	4.850.599	338.428	-	695.008.043
Funds borrowed from other financial institutions	-	16.510.471	12.176.532	49.890.542	14.368.766	1.170.087	-	94.116.398
Funds from money market	-	34.804.618	5.490.412	-	-	-	-	40.295.030
Marketable securities issued	-	2.987.057	21.288.124	5.762.030	19.313.597	-	-	49.350.808
Miscellaneous payables	343.710	40.319.934	1.325.193	1.017.762	-	-	1.505.935	44.512.534
Other liabilities ⁽²⁾	11.672.926	12.199.617	7.187.489	15.893.613	40.060.428	26.906.246	136.576.486	250.496.805
Total liabilities	298.270.529	372.113.745	166.830.602	101.913.995	78.640.961	28.414.761	138.082.421	1.184.267.014
Net liquidity gap	(133.183.724)	(180.515.869)	(53.905.585)	130.191.148	205.495.242	141.571.858	(109.653.070)	-
Net Off-Balance Sheet Position	-	310.948	(464.320)	(2.441.667)	195.183	2.838.289	-	438.433
Derivative Financial Assets	-	115.903.014	98.470.965	55.647.990	101.652.927	72.725.965	-	444.400.861
Derivative Financial Liabilities	-	115.592.066	98.935.285	58.089.657	101.457.744	69.887.676	-	443.962.428
Non-Cash Loans	-	9.000.062	26.001.548	109.920.445	31.154.551	12.732.663	54.982.270	243.791.539
Prior Period								
Total assets	98.691.915	127.226.600	58.375.841	150.294.759	203.603.931	108.501.898	34.125.962	780.820.906
Total liabilities	184.464.868	280.995.554	58.781.036	77.215.196	86.799.754	23.319.077	69.245.421	780.820.906
Net liquidity gap	(85.772.953)	(153.768.954)	(405.195)	73.079.563	116.804.177	85.182.821	(35.119.459)	-
Net Off-Balance Sheet Position	-	612.218	1.615.842	111.974	(1.789.673)	2.198.111	-	2.748.472
Derivative Financial Assets	-	75.753.002	78.508.763	33.778.541	86.225.645	62.561.723	-	336.827.674
Derivative Financial Liabilities	-	75.140.784	76.892.921	33.666.567	88.015.318	60.363.612	-	334.079.202
Non-Cash Loans	-	7.276.512	20.429.352	65.452.594	22.042.113	9.225.928	36.490.608	160.917.107

(1) Non-performing loans are presented in the "Unclassified" column after being offset against expected loss provisions.

(2) Shareholders' equity is presented in the "Unclassified" column.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Breakdown of financial liabilities according to their remaining contractual maturities:

The maturity distribution of values at contracted maturity date of non-derivative financial liabilities is presented below. Maturity segments also include the interests of related assets and liabilities.

Current Period⁽¹⁾	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	554.940.662	123.601.727	31.403.736	4.912.009	338.727	715.196.861
Borrowings	16.657.999	12.807.788	52.159.023	15.557.561	1.381.667	98.564.038
Financial liabilities measured at fair value through profit or loss	735.241	1.498.167	5.498.769	31.525.794	17.047.205	56.305.176
Funds from money market	34.879.888	5.608.915	-	-	-	40.488.803
Subordinated loans	12.222.546	121.714	6.703.541	16.817.742	12.985.673	48.851.216
Marketable securities issued	3.008.046	21.507.327	6.235.755	19.715.346	-	50.466.474
Total	622.444.382	165.145.638	102.000.824	88.528.452	31.753.272	1.009.872.568

Prior Period⁽¹⁾	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	370.725.229	36.369.142	10.361.932	2.935.781	393.885	420.785.969
Borrowings	8.046.249	5.106.058	42.704.256	17.814.946	1.979.667	75.651.176
Financial liabilities measured at fair value through profit or loss	-	388.705	2.467.767	21.511.330	14.813.084	39.180.886
Funds from money market	51.234.055	469.646	1.682.050	2.670.754	-	56.056.505
Subordinated loans	840.699	175.471	13.925.427	24.296.937	9.946.031	49.184.565
Marketable securities issued	1.874.373	9.981.830	6.639.390	24.257.024	393.128	43.145.745
Total	432.720.605	52.490.852	77.780.822	93.486.772	27.525.795	684.004.846

(1) Maturities of non-cash loans are described in Note 3 of Section 5.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

8. Explanations on consolidated leverage ratio:

The main reason for increase in leverage ratio for the current period is the increase in Tier 1 capital.

The summary information for the comparison of total assets in consolidated financials prepared in accordance with TAS and total exposures:

		Current Period ⁽²⁾	Prior Period ⁽²⁾
1	Total assets in the consolidated financial statements prepared in accordance with TAS ⁽¹⁾	1.147.430.043	714.154.420
2	Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communiqué on Preparation of Consolidated Financial Statements of the Banks	5.130.104	1.973.316
3	Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	5.202.695	2.728.941
4	Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(31.916.083)	(48.041.718)
5	Differences between off-balance sheet items in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(47.918.699)	(21.579.970)
6	Other differences in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	38.286.704	52.788.654
7	Total Risks	1.662.188.119	1.000.514.763

(1) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks.

(2) The arithmetic average of the last 3 months in the related periods.

		Current Period ⁽¹⁾	Prior Period ⁽¹⁾
	On-Balance sheet exposures		
1	On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	1.155.479.635	713.710.807
2	(Asset amounts deducted in determining Tier 1 capital)	(8.994.462)	(6.704.089)
3	Total on-Balance sheet exposures	1.146.485.173	707.006.718
	Derivative financial instruments and credit derivatives		
4	Replacement cost of derivative financial instruments and credit derivatives	12.074.956	2.686.719
5	Potential credit risk of derivative financial instruments and credit derivatives	5.202.695	14.021.321
6	Total derivative financial instruments and credit derivatives exposure	17.277.651	16.708.040
	Securities financing transaction exposure		
7	Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	1.425.925	681.361
8	Agent transaction exposures	-	-
9	Total securities financing transaction exposures	1.425.925	681.361
	Off-balance sheet items		
10	Off-balance sheet exposure at gross notional amount	544.918.069	297.698.614
11	(Adjustments for conversion to credit equivalent amounts)	(47.918.699)	(21.579.970)
12	Total risk of off-balance sheet items	496.999.370	276.118.644
	Capital and total exposure		
13	Tier 1 capital	129.117.257	64.211.039
14	Total exposures	1.662.188.119	1.000.514.763
15	Leverage ratio (%)	7,77	6,45

(1) The arithmetic average of the last 3 months in the related periods.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

9. Explanations on the presentation of financial assets and liabilities at fair values:

The following table summarises the carrying values and fair values of some financial assets and liabilities of the Group. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Book value		Fair value	
	Current period	Prior period	Current period	Prior period
Financial assets	950.875.553	611.660.565	971.968.516	605.876.551
Due from money market	2.514.757	1.809.366	2.514.757	1.809.366
Banks	39.845.017	34.404.358	39.922.535	34.429.736
Financial assets at fair value through other comprehensive income	78.471.491	34.797.510	78.471.491	34.797.510
Financial assets measured at amortised cost	168.826.257	96.286.812	192.651.507	98.392.565
Loans	661.218.031	444.362.519	658.408.226	436.447.374
Financial liabilities	969.322.834	625.909.972	969.259.338	625.442.847
Bank deposits	10.487.396	7.137.337	10.486.500	7.027.865
Other deposits	695.008.043	412.790.721	695.480.726	412.826.348
Funds borrowed from other financial institutions	94.116.398	72.921.964	94.852.421	72.123.960
Financial liabilities measured at fair value through profit or loss	36.459.423	25.308.222	36.459.423	25.308.222
Subordinated loans	39.388.232	39.441.999	40.684.977	42.248.368
Marketable securities issued	49.350.808	41.577.011	46.782.757	39.175.366
Miscellaneous payables	44.512.534	26.732.718	44.512.534	26.732.718

The fair values of deposits, banks, securities issued and funds borrowed from other financial institutions are determined by calculating the discounted cash flows using the current market interest rates.

The fair value of held-to-maturity assets is determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of loans and receivables is determined by calculating the discounted cash flows using the current market interest rates for the loans with fixed interest rates. For the loans with floating interest rates (such as overdrafts and credit card receivables), it is assumed that the carrying value approaches to the fair value.

TFRS 13, "Fair Value Measurement", requires classification of line items at fair value presented at the financial statements according to the defined levels. These levels depend on the observability of data used for fair value calculations. Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

According to these classification principles stated, the Group's classification of financial assets and liabilities carried at their fair value are as follows:

Current Period	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss	1.882.798	388.097	-	2.270.895
Financial assets measured at fair value through other comprehensive income	76.396.958	1.968.158	-	78.365.116
Derivative financial assets	-	18.783.430	-	18.783.430
Total assets	78.279.756	21.139.685	-	99.419.441
Derivative financial liabilities	-	13.969.063	-	13.969.063
Financial liabilities measured at fair value through profit or loss	-	36.459.423	-	36.459.423
Total liabilities	-	50.428.486	-	50.428.486

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss	287.992	285.216	228.446	801.654
Financial assets measured at fair value through other comprehensive income	33.752.392	1.022.565	-	34.774.957
Derivative financial assets	-	21.835.718	-	21.835.718
Total assets	34.040.384	23.143.499	228.446	57.412.329
Derivative financial liabilities	-	18.335.783	-	18.335.783
Financial liabilities at fair value through profit or loss	-	25.308.222	-	25.308.222
Total liabilities	-	43.644.005	-	43.644.005

The Group classify its buildings carried at their fair value within property and equipment under level 3.

10. Explanations on hedge accounting:

The Group applies the following hedge accounting models as of December 31, 2022:

- Fair value Hedge ("FVH")
- Cash Flow Hedge ("CFH")

If the fair value of the hedging instrument within fair value hedge ("FVH") is positive it is classified under, "Derivative financial assets measured at fair value through profit or loss"; if the fair value is negative, it is classified under "Derivative financial liabilities measured at fair value through profit or loss".

If the fair value of the hedging instrument under hedge of cash flow hedge ("CFH") is positive, it is classified under "Derivative financial assets measured at fair value through other comprehensive income" if the fair value is negative, it is classified under "Derivative financial liabilities measured at fair value through other comprehensive income".

Cross currency interest rate swaps and interest rate swaps are used as hedging instrument in FVH. Interest rate swaps, currency swaps and cross currency swaps are used as hedging instrument in CFH.

Contractual amounts and the fair values as at December 31, 2022 of these hedging instruments are presented in the table below:

Hedging instrument	Current Period			Prior Period		
	Notional ⁽¹⁾	Asset	Liability	Notional ⁽¹⁾	Asset	Liability
Interest rate swap / Currency swap / Cross currency interest rate swap (CFH)	58.891.229	7.357.997	32.350	55.477.585	3.532.488	683.193
Interest rate swap / Cross currency interest rate swap (FVH)	3.213.127	197.754	1.380.313	2.234.117	19.572	988.874
Total	62.104.356	7.555.751	1.412.663	57.711.702	3.552.060	1.672.067

(1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 60.695.779 (December 31, 2021 - TL 56.747.269) the total notional of derivative financial assets amounting to TL 122.800.135 (December 31, 2021 - TL 114.458.971) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

The fair valuation methodology of the derivatives presented in the above table is disclosed in detail in the accounting principles section of these financial statements in Section 3 Part 4.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

10.1. Fair value hedge accounting:

Starting from March 1, 2009, the Parent Bank has hedged the possible fair value effects of changes in market interest rates on some of its fixed interest loan portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency funds by using cross-currency interest rate swaps.

Starting from July 28, 2015, the Parent Bank has hedged the possible fair value effects of changes in market interest rates and foreign exchange rates on marketable securities by using interest rate swaps and cross-currency interest rate swaps.

The Bank selected to apply macro FVH accounting for such relationship in accordance with "TAS 39 - Financial Instruments: Recognition and Measurement".

The impact of application of FVH accounting is summarized below;

Current Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item ⁽¹⁾	Net fair value of the hedging instrument ⁽²⁾		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) ⁽³⁾
				Asset	Liability	
Interest rate swaps/ Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	(10.461)	-	1.380.313	(23.015)

Prior Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item ⁽¹⁾	Net fair value of the hedging instrument ⁽²⁾		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) ⁽³⁾
				Asset	Liability	
Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	12.554	-	988.874	10.081

(1) The amount refers to the fair value of the hedged item calculated for some of fixed interest loan portfolios in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.

(2) The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.

(3) The ineffective portion of the mentioned hedging transaction is TL 9.054 loss (December 31 2021- TL 35.632 loss).

At the inception date, the Parent Bank documents the relationship between the hedging instruments and hedged items required by the FVH accounting application in accordance with "TAS 39- Financial Instruments: Recognition and Measurement" and its own risk management policies and principles. Every individual relationship is approved and documented in the same methodology. In accordance with "TAS 39- Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies. In the effectiveness tests, the fair values of the hedged item are calculated using the same assumptions used in calculation of fair values of the derivatives.

The effectiveness tests are performed prospectively and retrospectively on a monthly basis and the effectiveness of risk relationships are measured. At the inception date the effectiveness tests are performed prospectively. If the underlying hedge does not conform to the FVH accounting requirements (out of the 80% - 125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation, the adjustments made to the carrying value (amortized cost) of the hedged item are amortized with the straight line method and recognized in the profit or loss accounts within the remaining maturity. In addition if the hedging instrument is sold or closed before its maturity, the amount of the fair value adjustments of the hedged items are amortized to profit or loss accounts with the straight line method within the remaining maturity.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

10.2. Cash flow hedge accounting:

The Parent Bank started to apply macro cash flow hedge accounting from January 1, 2010 onwards in order to hedge its cash flow risk from floating interest rate liabilities. The hedging instruments are USD, EUR and TL interest rate swaps, currency swaps and cross currency swaps with floating receive, fixed pay legs, and the hedged item is the cash outflows due to financing of interests of repricing USD, EUR and TL deposits, borrowings and repos.

The impact of application of CFH accounting is summarized below:

Current Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds ⁽¹⁾	Net gain/(loss) reclassified to equity ⁽²⁾⁽³⁾
			Asset	Liability		
Interest rate swaps/ currency swaps/Cross currency interest rate swaps	Customer deposits, repos and borrowings	Cash flow risk due to the changes in the interest rates	7.357.997	32.350	5.379.550	3.046.675

Prior Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds ⁽¹⁾	Net gain/(loss) reclassified to equity ⁽²⁾⁽³⁾
			Asset	Liability		
Interest rate swaps/ Cross currency interest rate swap	Customer deposits, repos and borrowings	Cash flow risk due to the changes in the interest rates	3.532.488	683.193	2.332.875	3.309.704

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 358.721 gain (December 31, 2021 – TL 228.112 gain).

At the inception date, the Parent Bank documents the relationship between the hedging instruments and hedged items required by the CFH accounting application in accordance with “TAS 39- Financial Instruments: Recognition and Measurement” and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with “TAS 39- Financial Instruments: Recognition and Measurement”, the effectiveness tests of the relationships are performed in accordance with the Bank’s risk management policies.

The effectiveness tests are performed on a monthly basis and the effectiveness of risk relationships are measured. If the underlying hedge does not conform to the CFH accounting requirements (out of the 80%-125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur. When the hedged forecasted transactions are no longer expected to occur, the net cumulative gain or loss is reclassified from other comprehensive income to profit or loss.

10.3. Hedge From Foreign Net Investment Risk:

The Group hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Group’s Euro denominated borrowing is designated as a hedge of the net investment in the Group’s certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2022 is EUR 469 million (December 31, 2021 - EUR 495 million).

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

11. Explanations on the activities carried out on behalf of others and fiduciary transactions:

The Group carries out trading, custody, management and consulting services on behalf of customers and on their account. The Group has no fiduciary transactions.

12. Explanations on consolidated operating segments:

The Group carries out its banking operations through three main business units:

- Retail Banking
- Corporate Banking
- Commercial and SME Banking.

The Parent Bank's Retail Banking activities include card payment systems, individual, individual portfolio, blue class, private banking. Retail Banking products and services offered to customers include card payment systems, consumer loans (including general purpose loans, auto loans, mortgages), commercial installment loans, time and demand deposits, gold banking, investment accounts, life and non-life insurance products and payroll services. In addition, customers who receive their monthly salary/SSI payments through our bank are offered privileges covering various banking transactions. Card payment systems cover the management of products, services, campaigns for member merchants as well as the sales and activities for a variety of customer types. Crystal, Play, Adios and Taksitçi are the other card brands providing services for the different segments within the World brand, shopping and marketing platform of the Parent Bank. Through its Blue Class and Private Banking activities, the Bank serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to Private Banking customers are time deposit products, mutual funds, foreign exchange, gold and equity trading. Also, personal art advisory, inheritance advisory, real estate advisory, tax advisory, education and philanthropic advisory are offered within the Private Banking and Wealth Management activities.

Corporate, Commercial and SME Banking segment is organized into three subgroups: Corporate Banking for large-scale, international and multinational companies and Commercial Banking for medium-sized enterprises and SME Banking for SME companies. Corporate and Commercial Banking, has a product range of working capital finance, trade finance, project finance, domestic and international non-cash loans such as letters of credit and letters of guarantee, cash management, internet banking, financial advisory and equity management advisory. SME Banking offer to customers SME loans and SME banking packages products.

The Group's widespread branch network and alternative distribution channels including ATMs, telephone banking, internet banking and mobile banking are utilized to serve customers in all segments. Treasury, Asset – Liability Management and other operations, mainly consist of treasury management's results, operations of supporting business units and other unallocated transactions.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Major balance sheet and income statement items based on operating segments:

The below table is prepared in accordance with the Management Information System (MIS) data of the Bank.

Current Period	Retail banking	Corporate banking	Commercial and SME banking	Other foreign operations	Other domestic operations	Treasury, Asset-Liability Management and Other	Consolidation adjustments ⁽¹⁾	Total operations of the Group
Operating revenue continuing	20.936.911	6.562.696	18.276.595	1.450.116	3.963.319	57.790.941	(38.683)	108.941.895
Operating expenses continuing	(15.442.780)	(4.982.023)	(7.397.186)	(542.401)	(1.162.091)	(10.584.552)	38.683	(40.072.350)
Net operating income continuing	5.494.131	1.580.673	10.879.409	907.715	2.801.228	47.206.389	-	68.869.545
Dividend income ⁽²⁾	-	-	-	-	-	88.694	-	88.694
Income/Loss from Investments accounted based on equity method ⁽²⁾	-	-	-	-	-	235.529	-	235.529
Profit before tax	5.494.131	1.580.673	10.879.409	907.715	2.801.228	47.530.612	-	69.193.768
Tax expense ⁽²⁾	-	-	-	-	-	(16.448.467)	-	(16.448.467)
Net period income from continuing operations	5.494.131	1.580.673	10.879.409	907.715	2.801.228	31.082.145	-	52.745.301
Minority interest (-)	-	-	-	-	-	(612)	-	(612)
Group income/loss	5.494.131	1.580.673	10.879.409	907.715	2.801.228	31.081.533	-	52.744.689
Segment assets	218.433.296	136.525.915	196.590.142	49.506.595	49.406.881	535.695.783	(5.489.291)	1.180.669.321
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-	3.597.693	-	3.597.693
Total assets	218.433.296	136.525.915	196.590.142	49.506.595	49.406.881	539.293.476	(5.489.291)	1.184.267.014
Segment liabilities	406.396.874	91.213.313	164.104.986	39.080.311	42.576.852	320.122.030	(5.489.291)	1.058.005.075
Shareholders' equity	-	-	-	-	-	126.261.939	-	126.261.939
Total liabilities	406.396.874	91.213.313	164.104.986	39.080.311	42.576.852	446.383.969	(5.489.291)	1.184.267.014
Prior Period	Retail banking	Corporate banking	Commercial and SME banking	Other foreign operations	Other domestic operations	Treasury, Asset-Liability Management and Other	Consolidation adjustments ⁽¹⁾	Total operations of the Group
Operating revenue continuing	9.800.572	2.987.865	7.186.192	623.469	2.131.275	12.272.579	(8.716)	34.993.236
Operating expenses continuing	(7.353.332)	(3.219.209)	(4.673.253)	(308.045)	(898.152)	(4.812.067)	8.716	(21.255.342)
Net operating income continuing	2.447.240	(231.344)	2.512.939	315.424	1.233.123	7.460.512	-	13.737.894
Dividend income ⁽²⁾	-	-	-	-	-	17.251	-	17.251
Income/Loss from Investments accounted based on equity method ⁽²⁾	-	-	-	-	-	138.629	-	138.629
Profit before tax	2.447.240	(231.344)	2.512.939	315.424	1.233.123	7.616.392	-	13.893.774
Tax expense ⁽²⁾	-	-	-	-	-	(3.403.758)	-	(3.403.758)
Net period income from continuing operations	2.447.240	(231.344)	2.512.939	315.424	1.233.123	4.212.634	-	10.490.016
Minority interest (-)	-	-	-	-	-	(258)	-	(258)
Group income/loss	2.447.240	(231.344)	2.512.939	315.424	1.233.123	4.212.376	-	10.489.758
Segment assets	124.175.913	117.006.139	141.408.200	31.438.291	28.725.334	338.972.405	(3.427.523)	778.298.759
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-	2.522.147	-	2.522.147
Total assets	124.175.913	117.006.139	141.408.200	31.438.291	28.725.334	341.494.552	(3.427.523)	780.820.906
Segment liabilities	254.056.183	67.134.745	97.106.314	23.479.759	23.993.876	254.988.346	(3.427.523)	717.331.700
Shareholders' equity	-	-	-	-	-	63.489.206	-	63.489.206
Total liabilities	254.056.183	67.134.745	97.106.314	23.479.759	23.993.876	318.477.552	(3.427.523)	780.820.906

(1) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.

(2) Related items expenses have not been distributed based on operating segments and have been presented under "Treasury, Asset-Liability Management and Other".

13. Explanations on fees for services received from independent auditor ⁽¹⁾:

Pursuant to decision of POA dated March 26, 2021 and numbered 660, fees for services received from independent auditor are presented below:

	Current Period	Prior Period
Independent audit fee	18.405	7.350
Tax advisory services fee	549	-
Other assurance services fee	1.696	884
Total ⁽²⁾	20.650	8.234

(1) Value added tax (VAT) excluded amounts are presented.

(2) Relevant amounts are presented on a consolidated basis, including domestic and foreign subsidiaries of the Bank.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Section five - Explanations and notes related to consolidated financial statements

1. Explanations and notes related to consolidated assets:

1.1. Information related to cash and the account of the Central Bank:

1.1.1. Information on cash and the account of the Central Bank of the Republic of Turkey ("the CBRT"):

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	2.606.808	10.570.726	1.906.147	10.978.077
The CBRT ⁽¹⁾	33.129.765	97.841.163	20.761.039	82.670.116
Other	-	8.682.441	-	3.432.862
Total	35.736.573	117.094.330	22.667.186	97.081.055

(1) The balance of gold amounting to TL 14.779.986 is accounted for under the Central Bank foreign currency account (December 31, 2021 – TL 8.606.660).

1.1.2. Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand unrestricted amount ⁽¹⁾	33.129.765	35.844.180	18.760.345	31.597.785
Time unrestricted amount	-	-	2.000.694	-
Time restricted amount	-	2.990.650	-	2.936.460
Reserve requirement ⁽²⁾	-	59.006.333	-	48.135.871
Total	33.129.765	97.841.163	20.761.039	82.670.116

(1) The TL reserve requirement has been classified in "Central Bank Demand Unrestricted Account" based on the correspondence with BRSA letter as of January 3, 2008.

(2) The Group keeps TL, USD, EUR and Gold reserve deposits for its TL and FX liabilities at Central Bank accounts in accordance with the legislation of the Central Bank numbered 2013/15, "Decree on Reserve Deposits".

1.2. Information on financial assets measured at fair value through profit or loss:

The Group does not have financial assets measured at fair value through profit or loss subject to repo transactions and there is no financial assets at fair value through profit or loss given as collateral/blocked (December 31, 2021 - None).

1.3. Information on derivative financial assets:

1.3.1. Positive differences related to derivative financial assets held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	1.033.868	6.421	1.233.040	4.883
Swap transactions	5.256.728	3.735.073	14.415.522	2.444.324
Futures transactions	23.185	-	22.123	-
Options	279.107	893.297	94.587	69.179
Other	-	-	-	-
Total	6.592.888	4.634.791	15.765.272	2.518.386

1.3.2. Positive differences related to derivative financial assets held for hedging:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedges ⁽¹⁾	-	197.754	-	19.572
Cash flow hedges ⁽¹⁾	3.658.070	3.699.927	3.486.396	46.092
Hedges for investments made in foreign countries	-	-	-	-
Total	3.658.070	3.897.681	3.486.396	65.664

(1) Explained in Note 10 of section 4.

1.4. Information on banks:

1.4.1. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	7.534.841	8.087.731	6.546.138	6.514.182
Foreign	1	24.222.444	-	21.344.038
Headquarters and branches abroad	-	-	-	-
Total	7.534.842	32.310.175	6.546.138	27.858.220

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.4.2. Information on foreign banks account:

	Unrestricted amount		Restricted amount	
	Current Period	Prior Period	Current Period	Prior Period
EU countries	5.602.272	1.329.360	67.831	46.910
USA, Canada	16.649.137	18.840.694	1.515.978	732.093
OECD countries ⁽¹⁾	40.007	45.536	-	-
Off-shore banking regions	1.556	543	-	-
Other	345.664	237.013	-	111.889
Total	22.638.636	20.453.146	1.583.809	890.892

(1) OECD countries except EU countries, USA and Canada.

1.4.3. Information on money markets receivables:

As of December 31, 2022 the total amount of TL 2.461.599 money markets transactions with domestic banks and reverse repo transaction amounting to TL 53.158 included in money market receivables.

1.5. Information on financial assets at fair value through other comprehensive income which are subject to repurchase agreements and given as collateral / blocked:

As of December 31, 2022 financial assets measured at fair value through other comprehensive income given as repo transactions amounting to TL 827.520 (December 31, 2021 – TL 11.993.150). The securities subject to collateral/blocked are TL 28.421.698 (December 31, 2021 - TL 3.864.510) of which blocked at the CBRT is TL 12.534.283.

1.6. Information on financial assets at fair value through other comprehensive income:

	Current Period	Prior Period
Debt securities	79.553.354	35.457.562
Quoted on stock exchange	77.776.653	35.457.562
Not quoted	1.776.701	-
Share certificates	139.910	136.511
Quoted on stock exchange	2.667	1.851
Not quoted	137.243	134.660
Impairment provision (-) ⁽¹⁾	1.221.773	796.563
Total	78.471.491	34.797.510

(1) Includes the negative differences between the acquisition cost and the market price, related to the securities portfolio.

1.7. Explanations on loans:

1.7.1. Information on all types of loans or advance balances given to shareholders and employees of the Group:

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	107.694	903.139	296.623	1.070.846
Loans granted to employees	502.075	1.338	317.270	844
Total	609.769	904.477	613.893	1.071.690

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.7.2. Information on the first and second group loans and other receivables and loans and other receivables that have been restructured or rescheduled:

Cash Loans	Standard Loans	Not under the scope of restructuring	Loans under close monitoring	
			Loans under restructuring	
			Modifications on agreement conditions	Refinancing
Non-specialized loans	526.404.669	29.880.272	8.070.133	42.167.839
Loans given to enterprises	189.550.729	10.953.669	7.787.566	22.941.973
Export loans	56.000.275	2.082.299	186.519	12.822.569
Import loans	-	-	-	-
Loans given to financial sector	22.484.868	-	-	-
Consumer loans	104.081.716	6.062.480	3.828	2.214.536
Credit cards	103.407.456	5.646.586	-	982.092
Other ⁽¹⁾	50.879.625	5.135.238	92.220	3.206.669
Specialized loans	-	-	-	-
Other receivables	31.087.778	1.341.042	-	-
Total	557.492.447	31.221.314	8.070.133	42.167.839

	Standard loans	Loans under close monitoring
12-month provisions for possible losses	4.761.203	-
Significant increase in credit risk	-	15.674.510
Total	4.761.203	15.674.510

1.7.3. Loans according to their maturity structure:

	Standard loans	Loans under close monitoring	
		Not under the scope of restructuring	Agreement conditions modified
Short-term loans	285.521.541	10.222.709	2.126.313
Medium and long-term loans	271.970.906	20.998.605	48.111.659
Total	557.492.447	31.221.314	50.237.972

1.7.4. Information on loans by types and specific provisions

1.7.4.1. Information on loans by types and specific provisions:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial Leasing	Factoring	Total
Standard loans	318.915.497	104.081.716	103.407.456	19.281.878	11.805.900	557.492.447
Watch list	65.208.722	8.280.844	6.628.678	765.372	575.670	81.459.286
Loans under legal follow-up	15.598.722	4.661.054	1.405.721	500.903	99.898	22.266.298
Specific provisions (-)	10.587.775	4.284.070	1.281.113	367.751	72.096	16.592.805
Total	389.135.166	112.739.544	110.160.742	20.180.402	12.409.372	644.625.226

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial Leasing	Factoring	Total
Standard loans	224.138.811	65.257.787	47.538.407	14.112.911	5.194.863	356.242.779
Watch list	56.923.062	5.831.282	3.460.004	887.476	785.568	67.887.392
Loans under legal follow-up	15.187.325	3.025.919	1.443.364	437.941	137.799	20.232.348
Specific provisions (-)	10.127.194	2.622.507	1.272.640	343.226	113.574	14.479.141
Total	286.122.004	71.492.481	51.169.135	15.095.102	6.004.656	429.883.378

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.7.4.2. Specific provisions on loans:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial leasing receivables	Factoring receivables	Total
Opening balance	10.127.194	2.622.507	1.272.640	343.226	113.574	14.479.141
Allowance for impairment	5.831.894	3.735.621	892.585	54.168	26.916	10.541.184
Amount recovered during the period(-)	2.110.007	1.124.096	427.194	40.394	12.747	3.714.438
Loans written off during the period as uncollectible (-)	3.319.213	1.001.601	467.152	-	55.647	4.843.613
Exchange difference	57.907	51.639	10.234	10.751	-	130.531
December 31	10.587.775	4.284.070	1.281.113	367.751	72.096	16.592.805

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial leasing receivables	Factoring receivables	Total
Opening balance	10.683.359	1.413.622	1.124.999	330.542	104.555	13.657.077
Allowance for impairment	2.078.237	1.520.499	387.276	152.221	21.601	4.159.834
Amount recovered during the period(-)	1.655.059	337.330	249.024	70.910	12.453	2.324.776
Loans written off during the period as uncollectible (-)	1.027.720	29.920	1.516	68.627	129	1.127.912
Exchange difference	48.377	55.636	10.905	-	-	114.918
December 31	10.127.194	2.622.507	1.272.640	343.226	113.574	14.479.141

1.7.4.3. Fair value of collaterals:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial Leasing	Factoring	Total
Watch List	42.650.060	199.734	11	765.372	-	43.615.177
Loans under legal follow-up	4.847.433	177.922	-	500.903	-	5.526.258
Total	47.497.493	377.656	11	1.266.275	-	49.141.435

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Financial Leasing	Factoring	Total
Watch List	34.645.654	313.989	-	887.476	-	35.847.119
Loans under legal follow-up	5.717.111	197.269	23	437.941	-	6.352.344
Total	40.362.765	511.258	23	1.325.417	-	42.199.463

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.7.5. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

	Short-term	Medium and long-term	Total
Consumer loans-TL	15.091.052	86.831.064	101.922.116
Real estate loans	55.845	13.531.526	13.587.371
Automotive loans	393.353	7.852.464	8.245.817
Consumer loans	14.641.854	65.447.074	80.088.928
Other	-	-	-
Consumer loans-FC indexed	-	24.758	24.758
Real estate loans	-	23.704	23.704
Automotive loans	-	-	-
Consumer loans	-	1.054	1.054
Other	-	-	-
Consumer loans-FC	46.031	494.374	540.405
Real estate loans	1.518	232.442	233.960
Automotive loans	-	1.067	1.067
Consumer loans	22.020	244.508	266.528
Other	22.493	16.357	38.850
Individual credit cards-TL	78.120.791	397.582	78.518.373
With installments	43.340.300	20.735	43.361.035
Without installments	34.780.491	376.847	35.157.338
Individual credit cards-FC	285.684	82.965	368.649
With installments	37.122	82.965	120.087
Without installments	248.562	-	248.562
Personnel loans-TL	44.282	132.181	176.463
Real estate loans	-	2.499	2.499
Automotive loans	376	3.240	3.616
Consumer loans	43.906	126.442	170.348
Other	-	-	-
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	506	22.031	22.537
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	506	22.031	22.537
Other	-	-	-
Personnel credit cards-TL	272.001	550	272.551
With installments	156.342	413	156.755
Without installments	115.659	137	115.796
Personnel credit cards-FC	1.471	1.155	2.626
With installments	55	1.155	1.210
Without installments	1.416	-	1.416
Credit deposit account-TL (Real Person)(1)	9.676.281	-	9.676.281
Credit deposit account-FC (Real Person)	-	-	-
Total	103.538.099	87.986.660	191.524.759

(1) TL 27.898 of the credit deposit account belongs to the loans used by personnel.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.7.6. Information on commercial installment loans and corporate credit cards:

Current Period			
	Short-term	Medium and long-term	Total
Commercial installments loans-TL	6.205.753	28.084.292	34.290.045
Business loans	3.084	1.884.307	1.887.391
Automotive loans	1.136.038	14.562.304	15.698.342
Consumer loans	5.066.631	11.637.681	16.704.312
Commercial installments loans-FC indexed	-	984	984
Business loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	984	984
Corporate credit cards-TL	30.543.647	324.026	30.867.673
With installment	22.118.096	319.034	22.437.130
Without installment	8.425.551	4.992	8.430.543
Corporate credit cards-FC	6.262	-	6.262
With installment	-	-	-
Without installment	6.262	-	6.262
Credit deposit account-TL (legal person)	1.805.210	-	1.805.210
Total	38.560.872	28.409.302	66.970.174

1.7.7. Distribution of domestic and foreign loans ⁽¹⁾:

	Current Period	Prior Period
Public	17.038.689	7.734.359
Private	621.913.044	416.395.812
Total	638.951.733	424.130.171

(1) Non-performing loans are not included.

1.7.8. Distribution of domestic and foreign loans ⁽¹⁾:

Distribution has been disclosed based on the location where the customers operate:

	Current Period	Prior Period
Domestic loans	609.629.917	403.339.415
Foreign loans	29.321.816	20.790.756
Total	638.951.733	424.130.171

(1) Non-performing loans are not included.

1.7.9. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	14.605	18.011
Indirect loans granted to associates and subsidiaries	-	-
Total	14.605	18.011

1.7.10. Information on credit-impaired (Stage 3):

	Current Period	Prior Period
Loans and other receivables with limited collectability	2.263.398	1.237.594
Loans and other receivables with doubtful collectability	3.235.026	1.048.700
Uncollectible loans and other receivables	11.094.381	12.192.847
Total	16.592.805	14.479.141

1.7.11. Information on non-performing loans (net):

1.7.11.1. Information on non-performing loans restructured or rescheduled, and other receivables:

	III. Group Loans with limited collectibility	IV. Group Loans with doubtful collectibility	V. Group Uncollectible loans
Current Period			
(Gross amounts before specific reserves)	670.884	370.519	4.128.764
Restructured loans	670.884	370.519	4.128.764
Prior Period			
(Gross amounts before specific reserves)	224.398	264.332	2.593.383
Restructured loans	224.398	264.332	2.593.383

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.7.11.2. Information on the movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectibility	Loans with doubtful collectibility	Uncollectible loans
Prior Period	1.836.501	1.521.216	16.874.631
Additions (+)	8.162.931	343.178	3.376.652
Transfers from other categories of non-performing loans (+)	-	6.040.205	3.400.075
Transfer to other categories of non-performing loans (-)	6.040.205	3.400.075	-
Collections (-)	517.628	623.708	4.045.158
FX valuation differences	19.736	18.938	142.622
Write-offs (-)	-	-	3.171.121
Sold (-)	-	-	1.672.492
Corporate and commercial loans	-	-	208.612
Consumer loans	-	-	996.783
Credit cards	-	-	467.097
Other	-	-	-
Current Period	3.461.335	3.899.754	14.905.209
Provision (-)	2.263.398	3.235.026	11.094.381
Net balance on balance sheet	1.197.937	664.728	3.810.828

As of December 31, 2022, in accordance with the changes on "Provisioning Regulation" published in the Official Gazette No. 30961 dated November 27, 2019 by BRSA, the Group has written off corporate loans amounting to TL 3.171.121 that are classified under Group 5, after collaterals deducted approximately 100% of the remaining receivables provisioned hence there is no reasonable expectation of recovery. After the loans had written off within the period in accordance with the changes on Provisioning Regulation, non performing loan ratio decreased from 3,83% to 3,37%.

TL 1.889.254 of non-performing loans, some of which were written off in previous periods, were sold to various asset management companies for TL 318.031.

1.7.11.3. Information on non-performing loans granted as foreign currency loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectibility	Loans with doubtful collectibility	Uncollectible loans
Current Period			
Period end balance	1.981.534	1.819.298	6.821.279
Provision amount(-)	1.390.844	1.803.510	3.757.333
Net balance on-balance sheet	590.690	15.788	3.063.946
Prior Period			
Period end balance	155.677	181.274	5.029.074
Provision amount(-)	16.313	141.757	2.727.382
Net balance on-balance sheet	139.364	39.517	2.301.692

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.7.11.4. Information on the gross and net amounts of the non-performing loans according to types of borrowers:

	III. Group Loans with limited collectibility	IV. Group Loans with doubtful collectibility	V. Group Uncollectible loans
Current Period (net)	1.197.937	664.728	3.810.828
Loans granted to real persons and corporate entities (gross)	3.461.335	3.899.754	14.820.535
Provision amount (-)	2.263.398	3.235.026	11.009.707
Loans granted to real persons and corporate entities (net)	1.197.937	664.728	3.810.828
Banks (gross)	-	-	774
Provision amount (-)	-	-	774
Banks (net)	-	-	-
Other loans (gross)	-	-	83.900
Provision amount (-)	-	-	83.900
Other loans (Net)	-	-	-
Prior Period (net)	598.907	472.516	4.681.784
Loans granted to real persons and corporate entities (gross)	1.836.501	1.521.216	16.789.957
Provision amount (-)	1.237.594	1.048.700	12.108.173
Loans granted to real persons and corporate entities (Net)	598.907	472.516	4.681.784
Banks (gross)	-	-	774
Provision amount (-)	-	-	774
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.900
Provision amount (-)	-	-	83.900
Other loans and receivables (Net)	-	-	-

1.7.11.5. Information on interest accruals, rediscounts and valuation differences calculated for non-performing loans and their provisions:

	III. Group Loans with limited collectibility	IV. Group Loans with doubtful collectibility	V. Group Uncollectible loans
Current Period (net)	147.012	140.162	314.154
Interest accruals and rediscounts and valuation differences	422.447	475.126	1.227.208
Provision amount (-)	275.435	334.964	913.054
Prior Period (net)	44.797	48.357	473.687
Interest accruals and rediscounts and valuation differences	141.651	159.451	1.384.551
Provision amount (-)	96.854	111.094	910.864

1.7.12. Explanation on liquidation policy for uncollectible loans and receivables:

Uncollectible loans and receivables, which are classified in accordance with the Provisioning Regulation, are collected through legal follow-up, voluntary payments and liquidation of collaterals.

1.7.13. Explanation on "Write-off" policies:

In order to ensure the liquidation of non-performing loans and other receivables related to the liquidation policy, to provide the maximum collection all possible alternatives within the framework of the legislation are applied, and in case of collection, liquidation or receivables with no possibility of restructuring, the legal follow-up and conversion of collaterals into cash method is applied.

The receivables that are determined to be uncollectible in the Legal Follow-up process regarding the write-off policy can be deleted by the resolution of the Board of Directors by fulfilling the requirements in the relevant laws, regulations and internal directives.

Besides, in accordance with the changes on "Provisioning Regulation" published in the Official Gazette No. 30961 dated November 27, 2019 by BRSA, the Parent Bank, during the period deemed appropriate under TFRS 9, may write off part of the loans in appropriate meantime for which the Parent Bank has no reasonable expectation of recovery and that are classified under group 5 with a life time expected credit loss due to the default of debtor, in an appropriate timeline starting from the following reporting date that the loan is classified in group 5. Write off is only an accounting application in accordance with the related change in the regulation and it does not result in waive from the Parent Bank's right to receive.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.8. Information on financial assets at amortized cost:

1.8.1. Information on financial assets measured at amortised cost which are subject to repurchase agreements and given as collateral / blocked:

As of December 31, 2022 financial assets measured at amortised cost given as repo transactions amounting to TL 29.017.189 (December 31, 2021: TL 39.455.696). The securities subject to collateral/blocked are TL 77.548.753 (December 31, 2021: TL 37.200.125) of which blocked securities at the CBRT is TL 14.502.644.

1.8.2. Information on public sector debt securities measured at amortized cost:

	Current Period	Prior Period
Government bond	163.629.166	91.916.790
Treasury bill	-	-
Other debt securities	5.197.091	4.370.022
Total	168.826.257	96.286.812

1.8.3. Information on financial assets measured at amortized cost:

	Current Period	Prior Period
Debt securities	173.486.404	98.897.017
Quoted on stock exchange	173.486.404	98.897.017
Not quoted	-	-
Impairment provision (-) ⁽¹⁾	4.660.147	2.610.205
Total	168.826.257	96.286.812

(1) Includes amortization of the premiums paid during the purchase of the securities throughout the maturity of the securities.

1.8.4. Movement of financial assets measured at amortized cost within the period:

	Current Period	Prior Period
Beginning balance	96.286.812	53.028.224
Foreign currency differences on monetary assets ⁽¹⁾	52.091.895	22.997.977
Purchases during year	31.057.183	23.581.751
Disposals through sales and redemptions	8.559.691	2.025.213
Impairment provision (-) ⁽²⁾	2.049.942	1.295.927
Period end balance	168.826.257	96.286.812

(1) Also includes the changes in the interest income accruals.

(2) Includes amortization of the premiums paid during the purchase of the securities throughout the maturity of the securities.

1.9. Information on investments in associates (net):

1.9.1. Information on unconsolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	Istanbul/Turkey	38,05	38,05
2	Kredi Kayıt Bürosu ⁽¹⁾	Istanbul/Turkey	18,18	18,18
3	Bankalararası Kart Merkezi A.Ş. ⁽¹⁾	Istanbul/Turkey	4,89	4,89

1.9.2. Main financial figures of the investments in associates in the order of the above table:

No	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	92.633	19.343	43.098	5.167	-	(41.648)	(4.539)	-
2	766.973	155.774	320.818	25.990	-	29.975	47.719	-
3	679.563	579.361	114.819	53.202	-	207.417	93.651	-

(1) Financial statement information is September 30, 2022

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.9.3. Consolidated investments in associates:

1.9.4. Information on consolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Other Shareholders' shareholding percentage (%) ⁽¹⁾
1	Banque de Commerce et de Placements S.A.	Geneva/ Switzerland	30,67	-
2	Allianz Yaşam ve Emeklilik A.Ş.	Istanbul/Turkey	-	20,00

(1) The other shareholders represent the consolidated Group companies.

1.9.5. Main financial figures of the consolidated investments in associates in order of the above table:

No	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	70.708.263	12.236.665	43.092	1.732.652	239.300	716.296	220.850	-
2	7.495.022	2.513.461	152.630	1.015.301	-	1.164.952	681.472	-

1.9.6. Movement of consolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	2.476.401	1.562.641
Movements during the period	1.050.530	913.760
Purchases	-	-
Bonus shares obtained	-	-
Share of current year income	235.529	138.582
Sales	-	-
Foreign exchange gain/(loss) stems from the foreign subsidiaries ⁽¹⁾	940.691	825.992
Impairment provision (-) ⁽²⁾	125.690	50.814
Balance at the end of the period	3.526.931	2.476.401
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

(1) Includes the differences in the other comprehensive income related with the equity method accounting.

(2) Includes dividend income received in the current period

1.9.7. Information on sectors and the carrying amounts of consolidated investments in associates:

	Current Period	Prior Period
Banks	2.871.962	2.050.744
Insurance companies	654.969	425.657
Total financial investments	3.526.931	2.476.401

1.9.8. Investments in associates quoted on stock exchange:

None (December 31, 2021-None).

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.10. Information on subsidiaries (net):

There is no deficit of regulatory limits on capital structure of the subsidiaries which are included in the consolidated capital adequacy ratio calculation in accordance with the capital adequacy ratio limits.

1.10.1. Information on shareholders' equity of the significant subsidiaries:

	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Yapı Kredi Faktoring A.Ş.	Yapı Kredi Finansal Kiralama A.O.	Yapı Kredi Portföy Yönetimi A.Ş.	Yapı Kredi Bank Nederland N.V.
Core capital					
Paid in Capital	98.918	130.000	389.928	17.642	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Other Capital Reserves	104.470	-	(217.104)	-	-
Other comprehensive income that will not be classified under profit or loss	39.576	(15.929)	38.644	(4.255)	-
Other comprehensive income that will be classified under profit or loss	829	-	-	-	7.260.945
Legal Reserves	76.081	26.000	79.305	62.454	-
Extraordinary Reserves	600.750	483.838	659.399	-	1.332.429
Other Profit Reserves	-	-	-	-	-
Income or Loss	928.037	390.435	3.288.085	331.233	616.341
Current Year Income/Loss	997.983	390.435	837.136	331.233	616.341
Prior Years' Income/Loss	(69.946)	-	2.450.949	-	-
Leasehold improvements (-)	-	547	-	297	26
Intangible assets (-)	31.053	8.799	21.781	1.517	7.097
Total core capital	1.817.608	1.004.998	4.216.476	405.260	9.315.034
Supplementary capital	25.160	65.826	247.868	-	66.284
Capital	1.842.768	1.070.824	4.464.344	405.260	9.381.318
Deductions from the capital	-	-	-	-	-
Total shareholders' equity	1.842.768	1.070.824	4.464.344	405.260	9.381.318

The above information is based on the information extracted from the individual financial statements of subsidiaries, used for consolidated financial statements of the Bank as of December 31, 2022.

The internal capital adequacy for the subsidiaries is calculated with the model and approaches used in the Parent Bank within the scope of the consolidated ICAAP report.

Paid-in capital is a capital which have been disclosed as Turkish Lira in the articles of incorporation and registered in trade register.

Inflation adjustment to share capital is the adjustment difference arising from inflation accounting.

Extraordinary Reserves are the reserves which represent the remaining net income of the previous periods after providing the legal reserves in accordance with the General Assembly of the Bank.

Legal reserves are the income reserves that are provided according to the first paragraph and the third subparagraph of the second paragraph of the article no 466 and no 467 of the Turkish Commercial Code No. 6762 allocated as capital reserves separated from annual profit according to the laws of foundation.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.10.2. Unconsolidated subsidiaries:

1.10.2.1. Information on unconsolidated subsidiaries

Since the subsidiaries below are not financial subsidiaries, the related subsidiaries are unconsolidated and are carried at restated cost.

Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1 Yapı Kredi-Kültür Sanat Yayıncılık Tic. ve San. A.Ş.	Istanbul/Turkey	100,00	100,00
2 Enternasyonal Turizm Yatırım A.Ş.	Istanbul/Turkey	99,99	99,99
3 Yapı Kredi Teknoloji A.Ş.	Istanbul/Turkey	100,00	100,00
4 Yapı Kredi Finansal Teknolojiler A.Ş. ⁽¹⁾	Istanbul/Turkey	100,00	100,00

(1) In order to carry out the new business areas to be created through digital channels, the Parent Bank established Yapı Kredi Financial Technologies A.Ş. and registered it on February 7, 2022.

1.10.2.2. Main financial figures of the subsidiaries in order of the above table:

	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Market Value
1	112.177	62.671	1.770	98	-	4.270	12.688	-
2	76.005	63.108	12.276	5.222	-	6.390	5.613	-
3	60.992	24.201	3.405	2.458	-	939	6.317	-
4	25.015	25.015	-	-	-	-	-	-

1.10.3. Consolidated subsidiaries:

1.10.3.1. Information on consolidated subsidiaries⁽¹⁾:

Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1 Yapı Kredi Holding B.V.	Amsterdam/Netherlands	100,00	100,00
2 Yapı Kredi Menkul	Istanbul/Turkey	99,98	100,00
3 Yapı Kredi Faktoring	Istanbul/Turkey	99,95	100,00
4 Yapı Kredi Leasing	Istanbul/Turkey	99,99	99,99
5 Yapı Kredi Portföy	Istanbul/Turkey	12,65	99,99
6 Yapı Kredi Bank Nederland NV ⁽²⁾	Amsterdam/Netherlands	67,24	100,00
7 Yapı Kredi Azerbaijan	Bakü/Azerbaijan	99,80	100,00

(1) It has been decided to purchase all the shares of Bankhaus J. Faiss oHG ("BHF"), which has banking licenses, in order to carry out banking activities in Germany, and the process of obtaining legal permissions continues.

(2) Includes the balances for Stichting Custody Services YKB.

Although Yapı Kredi Diversified Payment Rights Finance Company ("Special Purpose Entity") which is established for securitisation transactions of Yapı Kredi is not a subsidiary, it is included in the consolidation.

1.10.3.2. Main financial figures of the consolidated subsidiaries in the order of the below table:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Market value	Required equity
1	88.750	87.275	-	-	-	938	574	-	-
2	12.576.106	1.848.661	74.705	804.297	15.280	997.983	382.664	-	-
3	10.897.824	1.014.344	15.440	1.394.988	-	390.435	130.809	-	-
4	26.102.749	4.238.257	29.926	2.064.569	-	837.136	458.471	-	-
5	499.660	407.074	4.510	48.186	-	331.233	162.118	-	-
6	43.903.348	9.322.158	49.758	1.116.233	56.451	616.341	250.238	-	-
7	5.561.842	1.064.197	241.791	186.722	16.980	53.598	(15.409)	-	-

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.10.4. Movement schedule of consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	13.110.619	8.811.658
Movements during the period	4.795.114	4.298.961
Purchases	-	-
Free shares obtained profit from current years share	-	-
Share of current year income	3.102.944	1.293.019
Sales (-) ⁽¹⁾	163.842	-
Revaluation increase/decrease ^{(1), (2)}	1.995.716	3.048.890
Impairment provision (-) ⁽³⁾	139.704	42.948
Balance at the end of the period	17.905.733	13.110.619
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

- (1) The paid in capital amounting to EUR 60 million of Yapı Kredi Bank Malta Ltd, of which 100% of its shares indirectly owned by the Bank through Yapı Kredi Holding B.V., was reduced within the framework of the liquidation process on 20 May 2022 and concurrently the paid in capital of Yapı Kredi Holding B.V. amounting to EUR 102 million, was reduced to EUR 42 million. As a result of reduce in paid in capital, Yapı Kredi Bank Malta Ltd is deconsolidated.
- (2) Includes the differences in the other comprehensive income related with the equity method accounting.
- (3) Includes dividend income received in the corresponded period.

1.10.5. Sectoral information on financial subsidiaries and the related carrying amounts:

Financial Subsidiaries	Current Period	Prior Period
Banks	7.330.588	4.961.699
Insurance companies	-	-
Factoring companies	1.015.337	635.757
Leasing companies	4.237.311	3.340.483
Finance companies	-	-
Other financial subsidiaries	5.322.497	4.172.680
Total financial subsidiaries	17.905.733	13.110.619

1.10.6. Subsidiaries quoted on stock exchange:

None (December 31, 2021-None).

1.11. Information on joint ventures (net):

1.11.1. Unconsolidated joint ventures:

None (December 31, 2021-None).

1.12. Information on lease receivables (net):

1.12.1. Breakdown according to maturities:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	9.908.435	7.743.367	7.125.214	5.905.064
Between 1- 4 years	13.306.000	11.328.153	9.117.589	7.890.775
More than 4 years	1.652.678	1.476.633	1.775.435	1.642.489
Total	24.867.113	20.548.153	18.018.238	15.438.328

1.12.2. Information for net investments in finance leases:

	Current Period		Prior Period	
	TL	FC	TL	FC
Gross lease receivables	10.175.602	14.691.511	5.832.473	12.185.765
Unearned financial income from leases (-)	2.805.182	1.513.778	1.207.223	1.372.687
Amount of cancelled leases (-)	-	-	-	-
Total	7.370.420	13.177.733	4.625.250	10.813.078

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.13. Information on tangible assets:

	Immovable	Leased fixed assets	Vehicles	Right-of-use assets ⁽¹⁾	Other tangible fixed assets	Total
Prior Period						
Cost	3.456.159	235.234	4.246	1.755.375	2.401.480	7.852.494
Accumulated depreciation (-)	932.777	222.645	3.004	471.906	1.248.006	2.878.338
Net book value	2.523.382	12.589	1.242	1.283.469	1.153.474	4.974.156
Current Period						
Net book value at beginning of the period	2.523.382	12.589	1.242	1.283.469	1.153.474	4.974.156
Additions ⁽²⁾	3.910.344	26.958	2.151	1.198.642	943.379	6.081.474
Disposals (-), net	183.514	4	18	247.834	1.748	433.118
Reversal of impairment, net	207.329	-	-	-	-	207.329
Impairment (-)	-	-	-	-	-	-
Depreciation (-)	43.564	4.090	526	448.041	331.830	828.051
Foreign exchange differences, net	-	1.131	431	91.278	15.140	107.980
Net book value at end of the period	6.413.977	36.584	3.280	1.877.514	1.778.415	10.109.770
Cost at the end of the period	7.352.925	182.804	6.941	2.681.739	3.307.982	13.532.391
Accumulated depreciation at the period end (-)	938.948	146.220	3.661	804.225	1.529.567	3.422.621
Net book value	6.413.977	36.584	3.280	1.877.514	1.778.415	10.109.770

(1) Includes branch and atm leases accounted within the scope of TFRS 16.

(2) As of June 30, 2022 the Parent Bank is revalued its land and buildings and the revaluation increase amounting to TL 3.748.858 is presented in additions.

As of December 31, 2022, the Parent Bank had no total provision for impairment (December 31, 2021 – TL 207.329) for the property and equipment.

1.14. Information on intangible assets:

	Current Period	Previous Period
Balance at the beginning of the period	2.121.208	2.003.526
Additions during the period	478.433	332.266
Unused and disposed items (-)	1.397	2.629
Provision for goodwill impairment (-)	979.493	-
Amortization expenses (-)	286.579	241.931
Translation differences	27.815	29.976
Balance at the end of the period	1.359.987	2.121.208

1.15. Information on investment property:

None. (December 31, 2021 - None).

1.16. Information on deferred tax:

	Current Period		Prior Period	
	Tax base	Deferred tax	Tax base	Deferred tax
Expected credit losses	23.469.274	5.867.319	17.852.926	3.756.236
Provision for employee benefit	3.290.363	822.223	1.120.683	224.497
Provision for pension fund	2.945.243	736.311	1.813.098	362.620
Valuation difference of securities portfolio	1.683.713	420.929	3.086.132	837.913
Subsidiaries, investment in associates and share certificates	868.614	217.153	137.184	27.723
Other	5.043.940	1.238.828	2.672.054	526.238
Total deferred tax asset	37.301.147	9.302.763	26.682.077	5.735.227
Property, equipment and intangibles, net	8.066.597	1.501.716	3.717.614	544.206
Derivative financial assets	3.246.659	769.870	5.038.961	1.111.844
Other	6.695.613	1.644.891	1.214.376	273.819
Total deferred tax liability	18.008.869	3.916.477	9.970.951	1.929.869
Deferred tax asset / (liability), net	19.292.278	5.386.286	16.711.126	3.805.358

There is a deferred tax asset amounting to TL 5.409.021 and deferred tax liability amounting to TL 22.735 as of December 31, 2022 reflected in the consolidated financial statements after the deferred tax assets and liabilities of each entity in consolidation has been netted off in their standalone financial statements as per TAS 12 (December 31, 2021 - TL 3.820.176 deferred tax asset and TL 14.818 deferred tax liability).

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.17. Movement schedule of assets held for resale and related to discontinued operations:

	Current Period	Prior Period
Net book value at the beginning of the period	1.354.937	724.207
Additions ⁽¹⁾	244.072	1.052.570
Disposals (-), net	523.843	431.912
Impairment provision reversal	16	1.400
Impairment provision (-)	292	703
Translation differences	10.815	9.375
Net book value at the end of the period	1.085.705	1.354.937
Cost at the end of the period	1.089.321	1.357.811
Accumulated depreciation at the end of the period (-)	3.616	2.874
Net book value at the end of the period	1.085.705	1.354.937

(1) In current period, the carrying value of asset held for resale with a right of repurchase is TL 33.196 (December 31, 2021 – TL 900.827). The total net carrying value of asset held for resale with a right of repurchase is TL 913.642 (December 31, 2021 – TL 1.196.027).

As of December 31, 2022, the Group booked impairment provision on assets held for resale with an amount of TL 2.120 (December 31, 2021 – TL 1.844).

1.18. Information on other assets:

As of December 31, 2022, other assets do not exceed 10% of the total assets.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2. Explanations and notes related to consolidated liabilities:

2.1. Information on deposits:

2.1.1. Information on maturity structure of deposits/collected funds:

Current Period	Demand	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year and over	Cumulative savings account	Total
Saving deposits ⁽¹⁾	48.659.040	5.628.551	147.023.414	7.064.785	735.023	4.350.934	472	213.462.219
Foreign currency deposits	160.693.649	41.185.234	64.999.846	5.990.576	4.360.361	7.116.769	-	284.346.435
Residents in Turkey	146.810.112	33.935.416	62.220.315	4.783.271	1.932.781	1.135.962	-	250.817.857
Residents abroad	13.883.537	7.249.818	2.779.531	1.207.305	2.427.580	5.980.807	-	33.528.578
Public sector deposits	1.073.991	1.812.672	106.067	3.730	-	-	-	2.996.460
Commercial deposits	42.934.974	28.267.542	63.925.448	13.448.552	109.747	7.225.835	-	155.912.098
Other institutions deposits	340.198	606.623	3.278.473	414.220	722	13.487	-	4.653.723
Precious metals vault	31.226.726	-	1.125.635	-	1.152.310	132.437	-	33.637.108
Bank deposits	1.325.315	2.286.606	1.710.701	3.042.361	1.955.815	166.598	-	10.487.396
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	4.348	2.154.596	887.874	3.042.361	1.955.815	166.598	-	8.211.592
Foreign banks	561.811	132.010	822.827	-	-	-	-	1.516.648
Participation banks	759.156	-	-	-	-	-	-	759.156
Other	-	-	-	-	-	-	-	-
Total	286.253.893	79.787.228	282.169.584	29.964.224	8.313.978	19.006.060	472	705.495.439

Prior Period	Demand	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year and over	Cumulative savings account	Total
Saving deposits	22.116.407	4.200.415	47.951.379	912.374	217.581	481.799	688	75.880.643
Foreign currency deposits	118.653.305	30.876.917	82.217.111	9.630.737	4.662.277	4.634.886	-	250.675.233
Residents in Turkey	108.343.972	28.245.189	77.745.954	8.826.800	1.853.900	1.097.109	-	226.112.924
Residents abroad	10.309.333	2.631.728	4.471.157	803.937	2.808.377	3.537.777	-	24.562.309
Public sector deposits	1.832.847	9.106	38.455	21.947	131	41	-	1.902.527
Commercial deposits	14.035.320	19.744.903	25.198.224	117.320	696.524	27.873	-	59.820.164
Other institutions deposits	201.166	237.363	1.728.377	24.270	67.643	255.287	-	2.514.106
Precious metals vault	20.180.484	-	416.447	-	1.332.472	68.645	-	21.998.048
Bank deposits	1.783.052	2.626.143	488.047	1.228.300	924.793	87.002	-	7.137.337
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	7.055	2.579.646	472.761	1.228.300	924.793	87.002	-	5.299.557
Foreign banks	784.602	46.497	15.286	-	-	-	-	846.385
Participation banks	991.395	-	-	-	-	-	-	991.395
Other	-	-	-	-	-	-	-	-
Total	178.802.581	57.694.847	158.038.040	11.934.948	7.901.421	5.555.533	688	419.928.058

- (1) Within the scope of the "Decision on Supporting Deposit and Participation Accounts Against Exchange Rate Increases (Decision No: 5206)" published in the Official Gazette dated February 24, 2022 and numbered 31760, and the CBRT's communiqués numbered 2021/14, 2021/16, 2022/7 and 2022/11, the "Currency protected TL deposit" product which provide protection against foreign currency exchange rate changes for TL deposits was launched for customers. In this context as of the report date, the total amount of deposits opened is TL 121.858.904 (31 December 2021 – TL 3.193.103).

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.1.2. Information on deposits insurance:

2.1.2.1. Information on deposits under the guarantee of the deposits insurance fund and exceeding the limit of deposit insurance fund:

Saving deposits ⁽²⁾	Under the guarantee of deposit insurance		Exceeding the limit of the insurance deposit	
	Current Period ⁽¹⁾	Prior Period	Current Period ⁽¹⁾	Prior Period
Deposits	81.939.051	38.494.969	131.547.356	37.385.662
Foreign currency deposits	43.253.864	34.456.509	111.893.910	111.402.352
Other deposits	13.580.277	8.382.987	16.621.798	11.481.306
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

Legal entities' deposits ⁽²⁾	Under the guarantee of deposit insurance		Exceeding the limit of the insurance deposit	
	Current Period ⁽¹⁾	Prior Period	Current Period ⁽¹⁾	Prior Period
Deposits	13.506.632	-	125.985.183	-
Foreign currency deposits	4.030.620	-	113.937.868	-
Other deposits	453.968	-	2.980.166	-
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

- (1) The balances from foreign subsidiaries, calculated in accordance with their own regulation, are included.
- (2) All deposit and participation funds have been covered by insurance except official institutions, credit institutions and financial institutions in accordance with the "Amendment of Regulation on the Insurable Deposit and Participation Funds and Premiums to be Collected by the Savings Deposit Insurance Fund" published in the Official Gazette dated August 27, 2022 and numbered 31936.

2.1.2.2. Deposits which are not under the guarantee of saving deposit insurance fund:

	Current Period ⁽¹⁾	Prior Period
Foreign branches' deposits and other accounts	3.017.032	22.114
Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care	1.076.232	363.589
Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004	-	-
Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely	-	-

- (1) Deposits of legal entities which are not covered by Deposit Insurance Fund, are included for the current.

2.2. Information on trading derivative financial liabilities:

2.2.1. Negative differences table for derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	212.753	8.790	1.609.956	8.951
Swap transactions	6.271.967	5.718.565	11.351.752	3.629.066
Futures transactions	13.354	-	3.346	-
Options	126.456	204.515	9.660	50.985
Other	-	-	-	-
Total	6.624.530	5.931.870	12.974.714	3.689.002

2.2.2. Negative differences table for derivative financial liabilities held for hedging:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedges ⁽¹⁾	1.380.313	-	988.874	-
Cash flow hedges ⁽¹⁾	32.350	-	-	683.193
Hedges for investments made in foreign countries	-	-	-	-
Total	1.412.663	-	988.874	683.193

- (1) Explained in Note 10 of section 4

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.3. Information on banks and other financial institutions:

2.3.1. Information on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey borrowings	-	-	-	-
From domestic banks and institutions	10.069.627	7.015.365	4.860.180	6.250.190
From foreign banks, institutions and funds	949.471	76.081.935	748.055	61.063.539
Total	11.019.098	83.097.300	5.608.235	67.313.729

2.3.2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	9.608.706	21.306.245	4.037.994	12.305.909
Medium and long-term	1.410.392	61.791.055	1.570.241	55.007.820
Total	11.019.098	83.097.300	5.608.235	67.313.729

2.3.3. Information on marketable securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	11.280.086	2.031.595	7.168.860	-
Asset backed securities ⁽¹⁾	-	4.940.364	-	5.998.334
Bonds ⁽²⁾	665.581	30.433.182	1.396.623	27.013.194
Total	11.945.667	37.405.141	8.565.483	33.011.528

(1) The Group obtains borrowings via its structured entity, Diversified Payment Rights Finance Company, with securitization transactions which is founded on its future money transfers within its funding program.

(2) Including mortgage backed securities amounting to TL 1.483.345 as of December 31, 2022 (December 31, 2021 – TL 2.037.105).

2.3.4. Information on financial liabilities fair value through profit or loss:

The Group classified some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with TFRS 9. As of December 31, 2022, the total amount of financial liabilities classified as fair value through profit/loss is TL 36.459.423 (December 31, 2021 – TL 25.308.222) with an accrued interest income of TL 2.211.815 (December 31, 2021- TL 1.349.454 income) and with a fair value difference of TL 1.116.156 recognized in the income statement as an income (December 31, 2021 - TL 1.017.318 income). On the other hand, the buy and sell nominal amounts of the total return swaps and bond forwards which are closely related with these financial liabilities as of December 31, 2022 are TL 38.671.238 (December 31, 2021: TL 26.657.676) with a fair value differences amounting to TL 2.554.954 liability (December 31, 2021 – TL 1.377.439 liability). The mentioned total return swaps have 8 year maturity in average.

2.4. Information on other liabilities:

As of December 31, 2022, other liabilities do not exceed 10% of the total balance sheet commitments.

2.5. Information on lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	637.964	451.894	451.979	307.281
Between 1-4 Years	1.266.656	890.701	894.534	604.502
More than 4 Years	893.273	633.318	644.312	435.347
Total	2.797.893	1.975.913	1.990.825	1.347.130

2.6. Information on provisions:

2.6.1. Information on reserve for employee benefit:

In accordance with Turkish Labour Law, the reserve for employment termination benefits is calculated as the present value of the probable future obligation in case of the retirement of employees. "TAS 19- Employee Benefits", necessitates actuarial valuation methods to calculate the liabilities of enterprises.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

The following actuarial assumptions were used in the calculation of total liabilities:

	Current Period	Prior Period
Discount rate (%)	0,55	4,45
Possibility of being eligible for retirement (%)	95,20	95,39

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 19.982,83 effective from January 1, 2023 has been taken into consideration in calculating the reserve for employment termination benefits (January 1, 2022 - TL 10.848,59).

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
Prior period ending balance	928.857	657.105
Changes during the period	196.835	93.294
Recognized in equity	1.824.127	252.885
Paid during the period	(104.794)	(74.427)
Balance at the end of the period	2.845.025	928.857

In addition, the Group has accounted for unused vacation rights provision amounting to TL 445.338 as of December 31, 2022 (December 31, 2021- TL 191.826).

2.6.2. Information on provisions related with the foreign currency difference of foreign currency indexed loans:

None (December 31, 2021 – None).

2.6.3. Information on other provisions:

	Current Period	Prior Period
Pension fund provision	2.945.243	1.813.098
Provisions on non-funded non cash loans	1.078.763	843.108
Generic provisions on non cash loans	1.145.563	877.217
Provision on lawsuits	236.223	198.119
Provisions on credit cards and promotion campaigns related to banking services	109.996	65.863
Other	2.776.305	1.155.155
Total	8.292.093	4.952.560

Pension fund provision:

The Parent Bank provided provision amounting to TL 2.945.243 (December 31, 2021 – TL 1.813.098) for the technical deficit based on the report prepared by a registered actuary in accordance with the technical interest rate of 9,8% determined by the New Law and CSO 1980 mortality table. The Group accounted pension fund provision in accordance with "TAS 19 - Employee Benefits" standard. Accordingly, as of December 31, 2022, in the calculation of pension fund provision the change arises,

- As a result of service cost and interest is accounted under income statement,
- As a result of change in actuarial valuations are accounted under shareholders' equity.

	Current Period	Prior Period
Opening balance	1.813.098	1.461.542
Amount recorded under equity	1.084.664	310.547
Income statement (charge)/benefit	47.481	41.009
Closing balance	2.945.243	1.813.098

The amounts recognized in the balance sheet are determined as follows:

	Current Period	Prior Period
Present value of funded obligations	8.219.529	5.227.518
- Pension benefits transferable to SSI	9.537.922	5.554.489
- Post employment medical benefits transferable to SSI	(1.318.393)	(326.971)
Fair value of plan assets	(5.274.286)	(3.414.420)
Provision for the actuarial deficit of the pension fund	2.945.243	1.813.098

The principal actuarial assumptions used were as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	9,80%	9,80%
- Post employment medical benefits transferable to SSI	9,80%	9,80%

Mortality rate: Average life expectation is defined according to CSO 1980 mortality table.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Plan assets are comprised as follows :

	Current Period		Prior Period	
	Amount	%	Amount	%
Bank placements	1.237.561	23	1.721.091	51
Government bonds and treasury bills	2.886.545	55	1.177.492	34
Premises and equipment	883.125	17	385.718	11
Other	267.055	5	130.119	4
Total	5.274.286	100	3.414.420	100

2.7. Explanations on tax liability:

2.7.1. Information on taxes payable:

	Current Period	Prior Period
Banking Insurance Transaction Tax ("BITT")	4.428.529	2.280.501
Taxation of Marketable Securities	562.420	298.564
Corporate Tax Payable	277.629	221.126
Value Added Tax Payable	144.180	40.908
Foreign Exchange Transaction Tax	37.258	75.843
Property Tax	6.923	4.593
Other	307.949	168.836
Total	5.764.888	3.090.371

2.7.2. Information on premium payables:

	Current Period	Prior Period
Social security premiums - employee	403	875
Social security premiums - employer	468	977
Bank pension fund premiums - employee	67.648	44.576
Bank pension fund premiums - employer	94.097	61.826
Pension fund deposit and provisions - employee	-	-
Pension fund deposit and provisions - employer	-	-
Unemployment insurance - employee	4.829	3.182
Unemployment insurance - employer	9.689	6.366
Other	-	-
Total	177.134	117.802

2.8. Liabilities for property and equipment held for sale and related to discontinued operations (net):

None (December 31, 2021 - None).

2.9. Information on subordinated debt⁽¹⁾:

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt instruments to be included in additional capital calculation	-	12.929.445	-	8.973.642
Subordinated loans	-	-	-	-
Subordinated debt	-	12.929.445	-	8.973.642
Debt instruments to be included in contribution capital calculation	725.201	25.733.586	808.921	29.659.436
Subordinated loans	-	16.059.998	-	11.144.441
Subordinated debt	725.201	9.673.588	808.921	18.514.995
Total	725.201	38.663.031	808.921	38.633.078

(1) Subordinated loans are explained in detail in the Note "Information on debt instruments included in the calculation of equity" in section four.

2.10. Information on shareholders' equity:

2.10.1. Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	8.447.051	8.447.051
Preferred stock	-	-

2.10.2. Amount of paid-in capital, disclosure of whether the Bank's registered capital system is applied and if applied registered capital ceiling:

Capital System	Paid-In Capital	Registered Share Capital Ceiling
Registered Capital System	8.447.051	15.000.000

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2.10.3. Information on the share capital increases during the period and the sources:

None (December 31, 2021– None).

2.10.4. Information on transfers from capital reserves to capital during the current period:

None (December 31, 2021 - None).

2.10.5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period:

None (December 31, 2021 - None).

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

The interest, liquidity, and foreign exchange risk related to on-balance sheet and off-balance sheet assets and liabilities are managed by the Parent Bank within several risk and legal limits.

2.10.7. Privileges on the corporate stock tors:

None (December 31, 2021 - None).

2.10.8. Information on value increase fund of marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	-	-	-	-
Revaluation difference	-	-	-	-
Foreign currency difference	-	-	-	-
Financial assets at fair value through other comprehensive income ⁽¹⁾	8.764.973	(972.750)	1.739.409	(285.282)
Revaluation difference	8.764.973	(972.750)	1.739.409	(285.282)
Foreign currency differences	-	-	-	-
Total	8.764.973	(972.750)	1.739.409	(285.282)

(1) Includes tax effect related to foreign currency valuation differences in TL column.

2.10.9. Information on minority interest:

	Current Period	Prior Period
Period opening balance	1.018	807
Current period income/(loss)	612	258
Dividends paid	(93)	(47)
Period ending balance	1.537	1.018

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3. Explanations and notes related to consolidated off-balance sheet accounts

3.1. Information on off balance sheet commitments:

3.1.1. The amount and type of irrevocable commitments:

	Current Period	Prior Period
Commitments on credit card limits	136.756.258	58.777.036
Asset purchase and sale commitments	35.118.725	19.796.270
Loan granting commitments	53.491.909	26.827.510
Commitments for cheques	5.482.867	4.306.427
Other irrevocable commitments	29.421.817	12.933.577
Total	260.271.576	122.640.820

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

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Group set aside general provision for its non-cash loans amounting to TL 1.145.563 (December 31, 2021 - TL 877.217) and provision amounting to TL 1.431.465 (December 31, 2021 - TL 1.138.170) for non-cash loans which are not indemnified yet amounting to TL 1.078.763 (December 31, 2021 - TL 843.108).

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

	Current Period	Prior Period
Bank acceptance loans	864.879	545.822
Letter of credits	33.199.803	26.319.956
Other guarantees and collaterals	28.354.153	15.081.707
Total	62.418.835	41.947.485

3.1.2.2. Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	4.124.146	2.091.040
Definite letter of guarantees	90.745.471	62.919.039
Advance letter of guarantees	29.283.824	19.182.209
Letter of guarantees given to customs	5.894.112	3.690.473
Other letter of guarantees	51.325.151	31.086.861
Total	181.372.704	118.969.622

3.1.3. Information on non-cash loans:

3.1.3.1. Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	50.905.414	30.422.800
With original maturity of 1 year or less than 1 year	8.240.689	8.963.485
With original maturity of more than 1 year	42.664.725	21.459.315
Other non-cash loans	192.886.125	130.494.307
Total	243.791.539	160.917.107

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.1.3.2. Information on sectoral concentration of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	2.394.159	2,39	2.607.664	1,81	823.851	2,00	2.012.996	1,68
Farming and raising livestock	1.786.275	1,79	1.645.956	1,14	617.580	1,50	1.301.752	1,09
Forestry	534.118	0,53	957.397	0,67	181.186	0,44	402.283	0,34
Fishing	73.766	0,07	4.311	0,00	25.085	0,06	308.961	0,26
Manufacturing	58.429.473	58,44	86.906.201	60,43	20.340.199	49,49	72.847.258	60,80
Mining	429.820	0,43	684.123	0,48	249.931	0,61	368.940	0,31
Production	51.079.831	51,09	73.924.826	51,40	16.517.087	40,19	63.615.585	53,09
Electric, gas and water	6.919.822	6,92	12.297.252	8,55	3.573.181	8,69	8.862.733	7,40
Construction	14.125.654	14,13	26.834.695	18,66	8.089.096	19,68	20.463.667	17,08
Services	24.480.600	24,49	26.792.839	18,63	11.564.775	28,14	24.375.711	20,34
Wholesale and retail trade	6.899.143	6,90	3.436.733	2,39	3.008.613	7,32	3.144.804	2,62
Hotel, food and beverage services	1.207.034	1,21	1.943.389	1,35	462.912	1,13	2.295.933	1,92
Transportation and telecommunication	2.721.373	2,72	6.751.356	4,69	1.430.803	3,48	5.909.237	4,93
Financial institutions	9.710.296	9,71	4.576.505	3,18	5.034.959	12,25	4.827.077	4,03
Real estate and renting services	634.367	0,63	2.227.830	1,55	362.450	0,88	1.406.175	1,17
Education services	65.617	0,07	107.658	0,07	88.718	0,22	84.781	0,07
Health and social services	3.242.770	3,24	7.749.368	5,39	1.176.320	2,86	6.707.704	5,60
Other	547.299	0,55	672.955	0,47	277.684	0,68	121.870	0,10
Total	99.977.185	100,00	143.814.354	100,00	41.095.605	100,00	119.821.502	100,00

3.1.3.3. Information non-cash loans classified in Group I and Group II:

Current Period	Group I		Group II	
	TL	FC	TL	FC
Non-cash loans				
Letters of guarantee	85.139.234	89.013.912	3.429.146	2.639.148
Bank acceptances	-	864.879	-	-
Letters of credit	327.114	32.755.173	-	117.516
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	3.888	-	-
Other commitments and contingencies	10.761.832	16.587.887	5.000	994.552
Total	96.228.180	139.225.739	3.434.146	3.751.216

Prior Period	Group I		Group II	
	TL	FC	TL	FC
Non-cash loans				
Letters of guarantee	39.091.199	77.443.503	984.667	527.227
Bank acceptances	-	545.822	-	-
Letters of credit	71.417	26.074.693	-	173.846
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	9.651	-	-
Other commitments and contingencies	704.055	14.356.161	-	-
Total	39.866.671	118.429.830	984.667	701.073

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3.1.3.4. Maturity distribution of non cash loans:

Current Period⁽¹⁾	Indefinite	Up to 1 year	1-5 years	Above 5 years	Total
Letter of credit	-	23.236.662	9.809.757	153.384	33.199.803
Letter of guarantee	53.544.571	40.030.674	74.027.791	13.769.668	181.372.704
Bank acceptances	-	861.227	3.652	-	864.879
Other	1.437.699	10.932.462	3.299.513	12.684.479	28.354.153
Total	54.982.270	75.061.025	87.140.713	26.607.531	243.791.539

Prior Period⁽¹⁾	Indefinite	Up to 1 year	1-5 years	Above 5 years	Total
Letter of credit	-	18.839.646	7.254.596	225.714	26.319.956
Letter of guarantee	34.626.114	27.932.165	44.237.482	12.173.861	118.969.622
Bank acceptances	-	515.441	30.381	-	545.822
Other	1.864.494	1.887.932	1.443.730	9.885.551	15.081.707
Total	36.490.608	49.175.184	52.966.189	22.285.126	160.917.107

(1) The distribution is based on the original maturities

3.2. Information on derivative financial instruments:

	Current Period	Prior Period
Types of trading transactions		
Foreign currency related derivative transactions (I)	419.094.074	233.459.862
FC trading forward transactions	30.739.505	26.393.227
Trading swap transactions	279.037.373	196.878.663
Futures transactions	2.520.247	1.135.020
Trading option transactions	106.796.949	9.052.952
Interest related derivative transactions (II)	249.210.542	236.085.173
Forward interest rate agreements	-	-
Interest rate swaps	244.236.022	231.543.920
Interest rate options	4.974.520	4.541.253
Interest rate futures	-	-
Other trading derivative transactions (III)	97.258.538	86.902.870
A. Total trading derivative transactions (I+II+III)	765.563.154	556.447.905
Transactions for fair value hedge	5.017.677	3.503.800
Cash flow hedges	117.782.458	110.955.171
Transactions for foreign net investment hedge	-	-
B. Total hedging related derivatives	122.800.135	114.458.971
Total derivative transactions (A+B)	888.363.289	670.906.876

3.3. Information on credit derivatives and risk exposures:

The Group has no credit default swaps in derivative portfolio for the period ended 31 December 2022. Credit default swaps linked to credit link notes are for the purposes protection seller and included in this figure (December 31, 2021 – None).

Derivative portfolio includes total return swap that has a nominal amount of TL 76.542.476 (total of buy and sell leg) as of 31 December 2022 (December 31, 2020 – TL 52.515.352).

3.4. Information on contingent liabilities and assets:

The Group has recorded a provision of TL 236.223 (December 31, 2021 – TL 198.119) for litigations against the Group and has accounted for it in accompanying consolidated the financial statements under the “Other provisions” account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee any cash outflows for such claim.

3.5. Information on services on behalf of others:

The Bank’s activities such as intermediation and custody to serve the investment needs of customers are followed up under off balance sheet accounts.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

4. Explanations and notes related to consolidated income statement:

4.1. Information on interest income:

4.1.1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans ⁽¹⁾	22.188.399	2.500.632	9.618.598	1.172.232
Medium/long-term loans ⁽¹⁾	31.638.436	10.815.805	18.477.517	7.164.070
Interest on loans under follow-up	1.997.997	-	1.156.707	-
Premiums received from resource utilisation support fund	-	-	-	-
Total	55.824.832	13.316.437	29.252.822	8.336.302

(1) Includes fees and commissions received for cash loans.

4.1.2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
From the CBRT	2.292	7.866	1.663	-
From domestic banks	505.311	204.319	370.096	38.938
From foreign banks	-	866.845	1.367	148.544
Headquarters and branches abroad	-	-	-	-
Total	507.603	1.079.030	373.126	187.482

4.1.3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets measured at fair value through profit or loss	5.480	47.235	8.954	16.662
Financial assets measured at fair value through other comprehensive income	18.159.861	1.062.882	4.218.241	177.244
Financial assets measured at amortised cost	35.895.485	2.954.353	7.844.943	941.788
Total	54.060.826	4.064.470	12.072.138	1.135.694

4.1.4. Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interests received from associates and subsidiaries	1.743	741
Total	1.743	741

4.2. Information on interest expense:

4.2.1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	1.394.304	1.490.011	626.181	1.256.667
The CBRT	-	-	-	-
Domestic banks	1.270.469	298.728	539.741	174.449
Foreign banks	123.835	1.191.283	86.440	1.082.218
Headquarters and branches abroad	-	-	-	-
Other institutions	-	2.037.396	-	584.508
Total⁽¹⁾	1.394.304	3.527.407	626.181	1.841.175

(1) Includes fees and commissions related to borrowings.

4.2.2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interests paid to associates and subsidiaries	9.601	7.445
Total	9.601	7.445

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

4.2.3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense to marketable securities issued	1.932.932	7.146.374	1.596.164	3.991.414
Total	1.932.932	7.146.374	1.596.164	3.991.414

4.2.4. Information on interest expense on money market transactions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense on money market transactions	4.883.537	212.791	6.559.799	48.821
Total	4.883.537	212.791	6.559.799	48.821

4.2.5. Information on other interest expense:

Pursuant to the CBRT's regulation dated December 27, 2021 and numbered 2374 and regulation dated August 31, 2022 and numbered 1579, banks that fail to meet conversion targets from foreign currency to Turkish Lira and banks whose Turkish Lira deposits are below 50% in total deposits, are charged a commission over the required reserves for foreign currency deposits. In this regard, a commission expense of TL 1.858.951 has been accounted in other interest expenses as of December 31, 2022.

4.2.6. Maturity structure of the interest expense on deposits:

Account name	Demand deposit	Time Deposit					Cumulative deposit	Total	Prior Period
		Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
TL									
Bank deposit	2.986	453.543	46.495	-	-	-	-	503.024	252.478
Saving deposit	-	577.505	15.035.419	147.969	36.652	43.285	-	15.840.830	8.456.934
Public sector deposit	-	11.615	12.913	594	5	1	-	25.128	8.886
Commercial deposit	71	3.438.653	4.939.093	1.311.651	1.039.404	538.485	-	11.267.357	5.446.282
Other deposit	-	289.613	1.732.357	699.444	155.881	316.786	-	3.194.081	453.005
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Total	3.057	4.770.929	21.766.277	2.159.658	1.231.942	898.557	-	30.830.420	14.617.585
FC									
Foreign currency deposit	8.080	288.686	1.396.219	96.403	47.383	70.693	-	1.907.464	824.747
Bank deposit	54.204	33.924	1.087	-	-	-	-	89.215	28.732
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	314	2.602	-	1.375	227	-	4.518	4.001
Total	62.284	322.924	1.399.908	96.403	48.758	70.920	-	2.001.197	857.480
Grand total	65.341	5.093.853	23.166.185	2.256.061	1.280.700	969.477	-	32.831.617	15.475.065

4.3. Information on dividend income:

	Current Period	Prior Period
Financial assets measured at fair value through profit or loss	23.563	5.513
Financial assets measured at fair value through other comprehensive income	21.422	11.737
Other	43.709	1
Total	88.694	17.251

4.4. Information on trading profit/loss (net):

	Current Period	Prior Period
Profit	127.365.501	184.119.901
Gain from capital market transactions	2.751.312	295.303
Derivative financial transaction gains	62.969.337	65.879.237
Foreign exchange gains	61.644.852	117.945.361
Loss(-)	117.163.810	183.224.526
Loss from capital market transactions	148.108	100.788
Derivative financial transaction losses	44.261.971	44.524.437
Foreign exchange loss	72.753.731	138.599.301
Net trading profit/loss	10.201.691	895.375

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

4.5. Information on gain/loss from derivative financial transactions:

The net gain resulting from the foreign exchange differences related to derivative financial transactions is TL 19.598.272 (December 31, 2021 – TL 27.604.217 gain).

4.6. Allowance for expected credit losses and other provisions:

	Current Period	Prior Period
Allowance for expected credit losses	16.003.154	10.198.148
12-month expected credit losses (Stage 1)	3.123.931	1.334.240
Significant increase in credit risk (Stage 2)	2.613.729	4.628.206
Credit-Impaired (Stage 3)	10.265.494	4.235.702
Impairment provisions for financial assets	228.446	-
Financial assets measured at fair value through profit or loss	228.446	-
Financial assets measured at fair value through other comprehensive income	-	-
Impairment provisions related to investments in associates, subsidiaries and jointly controlled partnerships (Joint ventures)	-	-
Investments in associates	-	-
Subsidiaries	-	-
Jointly controlled partnerships (joint ventures)	-	-
Other	136.169	112.179
Total	16.367.769	10.310.327

4.7. Information on other operating income:

“Other Operating Income” in the statement of profit or loss mainly includes collections from receivables for which Specific / General provision has been allocated in prior periods. The legal process initiated by the Bank against the Competition Authority's decision to impose an administrative fine on the Bank in 2013, for the cancellation of the decision and the refund of the relevant fine, was concluded in favor of the Bank and the fine of TL 112.340 paid on 14 August 2013 was returned to the Bank.

4.8. Information related to other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits	116.825	23.291
Provision expense for pension fund	47.481	41.009
Impairment expenses of property and equipment	-	-
Depreciation expenses of property and equipment	828.051	595.735
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortization expenses of intangible assets	286.579	241.931
Impairment expenses of equity participations for which equity method is applied	-	-
Impairment expenses of assets held for resale	292	703
Depreciation expenses of assets held for resale	-	-
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	9.832.234	3.872.996
lease expenses in the context of TFRS 16 exception	120.553	86.905
Repair and maintenance expenses	360.777	212.435
Advertising expenses	427.765	183.911
Other expense	8.923.139	3.389.745
Loss on sales of assets	-	1.479
Other	2.739.729	1.363.552
Total	13.851.191	6.140.696

4.9. Information on income/loss before taxes from continuing operations and discontinued operations:

Income before tax includes net interest income amounting to TL 79.258.471 (December 31, 2021 – TL 23.735.553) net fee and commission income amounting to TL 15.740.654 (December 31, 2021 – TL 8.045.770), personnel expenses amounting to TL 9.853.390 (December 31, 2021 - TL 4.804.319) and total other operating expense amounting to TL 13.851.191 (December 31, 2021 – TL 6.140.696).

As of December 31, 2022, the Group has no profit before taxes from discontinued operations (December 31, 2021 – None).

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

4.10. Provision for taxes on income from continuing operations and discontinued operations:

As of December 31, 2022, the Group has current tax expense amounting to TL 20.934.300 (December 31, 2021 – TL 3.882.761 loss) and deferred tax income amounting to TL 4.485.833 (December 31, 2021 – TL 479.003 gain).

	Current Period	Prior Period
Profit before tax	69.193.768	13.893.774
Tax calculated at legal tax rate	17.298.442	3.473.444
Nondeductible expenses discounts and other, net	(849.975)	(69.686)
Total	16.448.467	3.403.758

4.11. Information on net income/loss for the period:

4.11.1. The characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation to understand the Group's current period performance.

4.11.2. Information on any change in the accounting estimates concerning the current period or future periods: None

4.12. Income/loss of minority interest:

	Current Period	Prior Period
Income/(loss) of minority interest	612	258

4.13. Other items in income statement:

"Other fees and commissions received" in income statement mainly includes commissions and fees from credit cards and banking transactions.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

5. Explanations and notes related to consolidated statement of changes in shareholders' equity

5.1. Information on dividends:

Authorised body for profit distribution of the current period is General Assembly. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

5.2. Information on increase/decrease amounts resulting from merger:

None.

5.3. Information on equity share premiums:

The details regarding property and equipment valuation differences are disclosed in section 3 note 19.

5.4. Explanations on property and equipment valuation differences:

Group, adopted fair value accounting method for its buildings and art objects and paintings in tangible assets in accordance with TAS 16 "Property, Plant and Equipment". As of 31 December 2021, revaluation gain under shareholders' equity is amounting to TL 4.912.389 (December 31, 2021 – TL 1.877.188).

5.5. Explanations related to accumulated remeasurement gains/losses of defined benefit plans:

Accumulated remeasurement gains/losses of defined benefit plans are accounted under equity. As of December 31, 2022 actuarial loss under shareholders' equity regarding to employee benefits are amounting to TL 1.920.863 (December 31, 2021 - TL 589.551), actuarial loss related to pension fund provision is amounting to TL 1.046.409 (December 31, 2021 - TL 248.438).

5.6. Explanations on financial assets at fair value through other comprehensive income:

"Unrealized gains and losses" arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders' equity until the related assets are impaired or disposed.

5.7. Hedging transactions:

The Parent Bank has begun to apply cash flow hedge accounting in order to hedge the risk of cash flow of its liabilities from January 1, 2010. In the scope of this application, the derivative financial instruments are specified as floating rate and fixed rate interest payment USD, EUR and TL interest rate swaps, hedging liabilities as the USD, EUR and TL customer deposits, repos, cash outflows due to re-pricing of loans because of the expected interest rate financing. In this context, fair value change of the effective portion of derivative financial instruments accounted under "Other accumulated comprehensive income that will be reclassified in profit or loss", taking into account tax effects. Such amount as of December 31, 2022 is TL 5.379.550 gain (December 31, 2020 – 2.332.875 gain).

The Group's Euro denominated borrowing is designated as a hedge of the net investment in the Group's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2022 is EUR 469 million (December 31, 2021 – EUR 495 million). The foreign exchange loss of TL 5.578.536 (December 31, 2021 – TL 4.392.392 loss), net of tax, on translation of the borrowing to Turkish Lira at the statement of financial position date is recognized in "hedging reserves" in equity.

5.8. Information on other capital and profit reserves:

Other capital and profit reserves in general comprise of legal reserves and extraordinary reserves.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

6. Explanations and notes related to consolidated statement of cash flows:

6.1. Information on cash and cash equivalent:

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

Cash and foreign currency balances together with demand deposits at banks including the unrestricted amounts of CBRT are defined as "Cash"; money market placements and time deposits in banks with original maturities of less than three months are defined as "Cash Equivalents".

6.1.2. Effect of a change in the accounting policies:

None.

6.1.3. Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:

6.1.3.1. Cash and cash equivalents at the beginning of period:

	Current Period	Prior Period
Cash	87.319.462	42.713.660
Cash and effectives	12.884.224	6.056.966
Demand deposits in banks	74.435.238	36.656.694
Cash equivalents	15.998.813	8.869.560
Interbank money market	1.808.653	1.700.000
Deposits in bank	14.190.160	7.169.560
Total cash and cash equivalents	103.318.275	51.583.220

6.1.3.2. Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
Cash	113.279.228	87.319.462
Cash and effectives	13.177.534	12.884.224
Demand deposits in banks	100.101.694	74.435.238
Cash equivalents	15.831.110	15.998.813
Interbank money market	2.513.158	1.808.653
Deposits in bank	13.317.952	14.190.160
Total cash and cash equivalents	129.110.338	103.318.275

6.2. Information on cash and cash equivalents those are not in use due to legal limitations and other reasons:

As of December 31, 2022, the Group's cash and cash equivalents those are not in use due to legal limitations and other reasons, including those at foreign banks and the TL reserve requirements, amount to TL 129.950.790 (December 31, 2021- TL 99.537.022).

6.3. Explanations on other items in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents :

Decrease in "Other account" amounting to TL 5.146.769 decrease (December 31, 2021 – TL 3.549.680 increase) which is classified under "Operating profit before changes in operating assets and liabilities" includes fee and commissions given, other operating expenses excluding personnel expenses and foreign exchange gains/losses.

Increase in "Net increase/decrease in other liabilities" amounting to TL 2.022.518 increase (December 31, 2021 - TL 7.181.612 increase) which is classified under "Changes in operating assets and liabilities" mainly arises from changes in miscellaneous payables, subordinated loans and other liabilities.

The effects of the change in foreign exchange rates on cash and cash equivalents are calculated as an increase approximately of TL 27.521.017 as of December 31, 2022 (December 31, 2021 - TL 31.328.014 increase).

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

7. Explanations and notes related to Group's risk group:

7.1. The volume of transactions relating to the Group's risk group, outstanding loan and deposit transactions and profit or loss of the period:

7.1.1. Information on loans of the Group's risk group:

Current Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Group's risk group ^{(1) (2)}						
Loans						
Balance at the beginning of the period	22.481	2.838	416.619	1.070.846	8.119.787	3.310.640
Balance at the end of the period	46.501	1.784	176.501	903.139	12.012.206	5.772.850
Interest and commission income received	1.743	11	59.479	2.651	1.795.490	27.690

Prior Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Group's risk group ^{(1) (2)}						
Loans						
Balance at the beginning of the period	40.512	3.498	969.369	898.824	5.231.297	2.078.697
Balance at the end of the period	22.481	2.838	416.619	1.070.846	8.119.787	3.310.640
Interest and commission income received	741	41	42.269	8.799	769.085	14.229

(1) Defined in subsection 2 of the 49th article of Banking Act No. 5411.

(2) The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivative financial instruments.

7.1.2. Information on deposits of the Group's risk group:

Group's risk group	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Group's risk group ^{(1) (2)}						
Deposit						
Beginning of the period	406.888	228.452	38.214.095	24.513.619	50.919.449	30.833.207
End of the period	570.543	406.888	27.832.583	38.214.095	70.401.031	50.919.449
Interest expense on deposits	9.601	7.445	1.990.833	1.642.023	1.482.225	1.781.259

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

(2) The information in table above includes borrowings, marketable securities issued and repo transactions as well as deposits.

7.1.3. Information on forward and option agreements and other derivative instruments with the Group's risk group:

Group's risk group	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Group's risk group ⁽¹⁾						
Transactions at fair value through profit or loss						
Beginning of the period ⁽²⁾	-	-	2.828.070	1.573.859	379.300	1.585.212
End of the period ⁽²⁾	-	-	1.886.536	2.828.070	1.273.964	379.300
Total profit/loss	-	-	192.197	53.810	(349.753)	(568.127)
Transactions for hedging purposes						
Beginning of the period ⁽²⁾	-	-	525.855	516.747	-	-
End of the period ⁽²⁾	-	-	-	525.855	-	-
Total profit/loss	-	-	-	25.855	-	-

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

(2) The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivative financial instruments.

7.2. Information regarding benefits provided to the Group's top management:

Salaries and benefits paid to the Group's top management amount to TL 263.289 as of December 31, 2022 (December 31, 2021 – TL 131.849).

(Convenience translation of publicly announced consolidated financial statements and audit report originally issued in Turkish, See Note I. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

8. Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Parent Bank:

	Number	Number of Employees			
Domestic Branch	800	15.428			
			Country of incorporation		
Foreign Representation Office	-	-	-		
				Total assets	Statutory share capital
Foreign Branch	1	3	Bahrain	27.703.648	-
Off-Shore Banking Region Branch	-	-		-	-

9. Explanations and notes related to subsequent events :

None.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of December 31, 2022

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Section six- Other Explanations

1. Other explanations on the Parent Bank's operations

None.

Section seven - Independent auditor's report

1. Explanations on independent auditor's report

The consolidated financial statements for the period ended December 31, 2022 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent auditor's audit report dated February 2, 2023 is presented preceding the consolidated financial statements.

2. Explanations and notes prepared by independent auditor

None.