THIRD SUPPLEMENT dated 16 February 2024 to the Base Prospectus dated 18 July 2023

TÜRKİYE GARANTİ BANKASI A.Ş.

US$6,000,000,000
Global Medium Term Note Programme

This supplement (this "*Supplement*") is supplemental to, and must be read in conjunction with, the Base Prospectus dated18 July 2023 (the "*Original Base Prospectus*," which also serves as the "*Original Listing Particulars*") as supplemented by the First Supplement thereto dated 7 September 2023 (the "*First Supplement*") and the Second Supplement thereto dated 5 January 2024 (the "*Second Supplement*;" the Original Base Prospectus as supplemented by the First Supplement and the Second Supplement, the "*Base Prospectus*," and the Original Listing Particulars as supplemented by the First Supplement and the Second Supplement, the "*Listing Particulars*") prepared by Türkiye Garanti Bankası A.Ş. (the "*Issuer*" or the "*Bank*") under the Issuer's global medium term note programme. Capitalised terms used but not otherwise defined herein shall have the meaning ascribed thereto in the Base Prospectus. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("*Euronext Dublin*") for the approval of this Supplement as a supplement to the Listing Particulars (this "*Listing Particulars Supplement*"). Except where expressly provided or the context otherwise requires, where Notes with a maturity of less than one year are to be admitted to trading on the regulated market of Euronext Dublin, references herein to this "Supplement" shall be construed also to be references to this "Listing Particulars Supplement" and references herein to the "Base Prospectus" shall be construed also to be references to the "Listing Particulars."

This Supplement has been approved by the Central Bank of Ireland as competent authority under Regulation (EU) No. 2017/1129 (as amended, the "*Prospectus Regulation*"). The Central Bank of Ireland only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Issuer or the quality of the Notes and investors should make their own assessment as to the suitability of investing in the Notes. This document constitutes a supplement for the purposes of Article 23(1) of the Prospectus Regulation and has been prepared and published for the purposes of incorporating into the Base Prospectus the Group's and the Issuer's latest financial statements and updating certain provisions of the Base Prospectus. As a result, modifications to the Base Prospectus are hereby being made.

A copy of each of: (a) the consolidated BRSA Financial Statements of the Group as of and for the year ended 31 December 2023 (including any notes thereto and the independent auditor's audit report thereon, the "*Group's New BRSA Financial Statements*") and (b) the unconsolidated BRSA Financial Statements of the Issuer as of and for the year ended 31 December 2023 (including any notes thereto and the independent auditor's audit report thereon, the "*Issuer's New BRSA Financial Statements*" and, with the Group's New BRSA Financial Statements, the "*New BRSA Financial Statements*") has been filed with the Central Bank of Ireland and Euronext Dublin and, by means of this Supplement, is incorporated by reference into, and forms part of, the Base Prospectus. Copies of the New BRSA Financial Statements can be obtained without charge from the registered office of the Issuer and from the Issuer's website at: (i) with respect to the Group's New BRSA Financial Statements, https://www.garantibbvainvestorrelations.com/en/images/pdf/31_December_2023_Consolidated_Financial_Report.pdf, and (ii) with respect to the Issuer's New BRSA Financial Statements, https://www.garantibbvainvestorrelations.com/en/images/pdf/31_December_2023_Unconsolidated_Financial-Report.pdf (such websites do not, and shall not be deemed to, constitute a part of, nor are incorporated into, this Supplement or the Base Prospectus). The New BRSA Financial Statements, which are in English, were prepared as convenience translations of the corresponding Turkish language BRSA Financial Statements (which translations the Issuer confirms are direct and accurate). The New BRSA Financial Statements were not prepared for the purpose of their incorporation by reference into the Base Prospectus.

The New BRSA Financial Statements were audited by independent auditors Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member firm of Ernst & Young Global Limited ("*EY*"). EY's audit report included in each of the New BRSA Financial Statements was qualified with respect to general reserves that were allocated by the Bank. See "Risk Factors - Risks Relating to the Group and its Business - Other Group-Related Risks - Audit Qualification" in the Base Prospectus as hereby amended.

Statements contained herein (or in the New BRSA Financial Statements incorporated by reference into the Base Prospectus by means of this Supplement) shall, to the extent applicable and whether expressly, by implication or otherwise, modify or supersede statements set out in, or previously incorporated by reference into, the Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of the Base Prospectus. Where there is any inconsistency between the information contained in (or incorporated by reference into) the Base Prospectus and the information contained herein (or incorporated by reference into the Base Prospectus by means of this Supplement), the information contained herein (or incorporated by reference into the Base Prospectus by means of this Supplement) shall prevail.

Other than to the extent described in "Risk Factors - Risks Relating to Türkiye" and "Risk Factors - Risks Relating to the Group and its Business" in the Base Prospectus (as supplemented hereby), there has been: (a) no material adverse change in the prospects of the Issuer since 31 December 2023, (b) no significant change in the financial performance of the Group since 31 December 2023 to the date of this Supplement and (c) no significant change in the financial position of the Group since 31 December 2023. Except as disclosed in this Supplement, there has been no significant new factor, material mistake or material inaccuracy relating to information included in the Base Prospectus since the publication of the Second Supplement.

The Issuer accepts responsibility for the information contained in this Supplement or incorporated by reference into the Base Prospectus by means of this Supplement. To the best of the knowledge of the Issuer, the information in (including incorporated by reference into) the Base Prospectus (as supplemented hereby) is in accordance with the facts and makes no omission likely to affect the import of such information.

To the full extent permitted by law, none of the Dealers, the Arrangers, the Agents or any of their respective affiliates accept any responsibility for the information contained in this Supplement or incorporated by reference into the Base Prospectus by means of this Supplement.

AMENDMENTS

The following amendments are made to the Base Prospectus:

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The third sentence of the first paragraph of the section titled "Presentation of Financial and Other Information" on page ix of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) is hereby amended to read as follows:

> All financial statements incorporated by reference herein (*i.e.*, the Bank's consolidated and unconsolidated annual statutory financial statements as of and for the years ended 31 December 2021 (but excluding all financial information for 2020), 2022 (including comparative information for 2021) and 2023 (including comparative information for 2022) (in each case, including any notes thereto and the independent auditor's audit report thereon) (the "*BRSA Annual Financial Statements*") have been prepared and presented in accordance with the BRSA Principles except for the general reserves (which do not meet the recognition criteria of Turkish Accounting Standards 37 "Provisions, Contingent Liabilities and Contingent Assets") recognised by the Bank.

The sixth paragraph of the section titled "Presentation of Financial and Other Information" on page ix of the Original Base Prospectus is hereby amended to read as follows:

> The BRSA Financial Statements are prepared on a historical cost basis except for: (a) financial assets measured at fair value through profit or loss, (b) financial assets measured at fair value through other comprehensive income, (c) derivative financial instruments and (d) real estate, each of which are presented on a fair value basis. It is important to note that the Group's BRSA Financial Statements reflect a full consolidation only of financial subsidiaries whereas other equity participations are accounted for using the equity method as defined in TAS 28 ("Investments in Associates and Joint Ventures") (certain information with respect to such investments in subsidiaries and other associates can be found in notes 5.1.10.1 and 5.1.11.1 of the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2023).

The seventh paragraph of the section titled "Presentation of Financial and Other Information" starting on page ix of the Original Base Prospectus is hereby amended to read as follows:

> The: (a) BRSA Annual Financial Statements as of and for the years ended 31 December 2022 and 2023 were audited by independent auditors Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member firm of Ernst & Young Global Limited ("*EY*"), and (b) the BRSA Annual Financial Statements as of and for the year ended 31 December 2021 were audited by independent auditors KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of KPMG International Cooperative) ("*KPMG*"), all in accordance with the Regulation on Independent Auditing of Banks published by the BRSA in the Official Gazette No. 29314 dated 2 April 2015 (the "*Turkish Auditor Regulation*") and the Standards on Independent Auditing, which is a component of the Turkish Auditing Standards published by the POA. See EY's and KPMG's report included within each of the applicable BRSA Financial Statements incorporated by reference into this Base Prospectus.

The third sentence of the twelfth paragraph of the section titled "Presentation of Financial and Other Information" on page x of the Original Base Prospectus (as amended by the Second Supplement) is hereby amended to read as follows:

> On 23 November 2023, the POA published an announcement requiring entities that apply TFRS to present their financial statements by adjusting for the impact of inflation for the annual period ending on or after 31 December 2023 in accordance with the principles set out in TAS 29; *however*, this announcement also provided that institutions authorised to regulate and supervise Turkish companies (*e.g.*, the BRSA as the regulator of Turkish banks) may determine a different transition date and, on 12 December 2023, the BRSA announced that such shall not apply for banks for BRSA Financial Statements as of and for the year ended 31 December 2023. On 11 January 2024, the BRSA announced that such will apply for banks for accounting periods starting from 1 January 2025. As a result: (a) the Group's and the Bank's BRSA Financial Statements incorporated by reference into this Base Prospectus have not applied, and the BRSA Financial Statements for 2024 will not apply, the inflation adjustment standards of TAS 29, (b) such inflation adjustments are expected to be applied starting from the BRSA Financial Statements as of and for the three months ended 31 March 2025 and (c) the Group's and the Bank's BRSA Financial Statements for 2025 and thereafter will not be comparable to financial statements from earlier periods prepared without such inflation adjustment. In addition, as of and from 31 December 2023 until the full inflation adjustments are made in 2025, deferred tax will be calculated and reflected in a bank's BRSA Financial Statements on the value differences that would have occurred had inflation adjustment been applied to non-monetary assets and liabilities as determined

in accordance with the provisions of the tax procedures law; *however*, pursuant to Turkish law, monetary gain/loss arising from such inflation accounting in the 2024 and 2025 accounting periods will not be taken into account in determining taxable earnings.

DOCUMENTS INCORPORATED BY REFERENCE

Clause (a) of the first paragraph of the section titled "Documents Incorporated by Reference" on page xv of the Original Base Prospectus is hereby amended to read as follows:

(a) the BRSA Annual Financial Statements,

Clauses (a) through (l) of the fourth paragraph of the section titled "Documents Incorporated by Reference" on pages xv and xvi of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) are hereby amended to read as follows, respectively:

(a) https://www.garantibbvainvestorrelations.com/en/images/pdf/31_December_2023_Unconsolidated_Financial-Report.pdf (with respect to the Bank's BRSA Annual Financial Statements as of and for the year ended 31 December 2023),

(b) https://www.garantibbvainvestorrelations.com/en/images/pdf/GarantiBBVA-31122022-Unconsolidated_Financial_Report.pdf (with respect to the Bank's BRSA Annual Financial Statements as of and for the year ended 31 December 2022),

(c) https://www.garantibbvainvestorrelations.com/en/images/pdf/31_December_2021_Unconsolidated_Financial_Report.pdf (with respect to the Bank's BRSA Annual Financial Statements as of and for the year ended 31 December 2021) (but excluding all financial information for 2020),

(d) https://www.garantibbvainvestorrelations.com/en/images/pdf/31_December_2023_Consolidated_Financial_Report.pdf (with respect to the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2023),

(e) https://www.garantibbvainvestorrelations.com/en/images/pdf/GarantiBBVA-31122022-Consolidated_Financial_Report.pdf (with respect to the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2022),

(f) https://www.garantibbvainvestorrelations.com/en/images/pdf/31_December_2021_Consolidated_Financial_Report.pdf (with respect to the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2021) (but excluding all financial information for 2020),

(g) https://www.garantibbvainvestorrelations.com/en/images/pdf/BaseProspectusDatedApril2013_2.pdf (with respect to the 2013 Conditions),

(h) https://www.garantibbvainvestorrelations.com/en/images/pdf/BaseProspectusdated-March2014.pdf (with respect to the 2014 Conditions),

(i) https://www.garantibbvainvestorrelations.com/en/images/pdf/Base_Prospectus_Dated_April_2017.pdf (with respect to the 2017 Conditions),

(j) https://www.garantibbvainvestorrelations.com/en/debt-information/detay/2018BaseProspectus/48/473/0 (with respect to the 2018 Conditions),

(k) https://www.garantibbvainvestorrelations.com/en/debt-information/detail/2019BaseProspectus/48/473/0 (with respect to the 2019 Conditions), and

(l) https://www.garantibbvainvestorrelations.com/en/images/pdf/Garanti-2021-Base-Prospectus.pdf (with respect to the 2021 Conditions).

The penultimate paragraph of the section titled "Documents Incorporated by Reference" starting on page xvi of the Original Base Prospectus is hereby amended to read as follows:

As a result of the incorporation into this Base Prospectus of the Group's and the Bank's respective BRSA Financial Statements as of and for the year ended 31 December 2023 (and replacements of the sections herein titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Selected Statistical and Other Information") on 16 February 2024 (the "*Annual Update Time*"), the financial information with respect to the Group (and of any member thereof) and the Bank (including all related amounts, percentages and discussion) as of and for the year ended 31 December 2020 (including comparisons thereof to 31 December 2021 and the year then ended or any other date or period) in this Base Prospectus shall be disregarded.

GENERAL DESCRIPTION OF THE PROGRAMME

The first four paragraphs of the section titled "General Description of the Programme - The Group - General" on page 1 of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) are hereby amended to read as follows:

The Group is a leading Turkish banking group with a significant market share in Türkiye, being (as per published BRSA financial statements as of 31 December 2023) the second largest private banking group in Türkiye in terms of total assets. The Group's customers are comprised mainly of commercial enterprises, small and medium enterprises ("*SMEs*"), foreign multinational corporations with operations in Türkiye and customers from across the Turkish consumer market.

The Group served approximately 25.2 million customers as of 31 December 2023 (per the Bank's internal definition: approximately 24.5 million retail customers, 604,841 SME customers, 41,359 active commercial customers and 3,329 corporate customers) by offering a broad range of products and services, many of which are tailored to identified customer segments. These products and services include (*inter alia*) deposits, corporate loans, project finance loans, leasing, factoring, foreign exchange transactions, investment and cash management products, consumer loans, mortgages, pension and life insurance, portfolio management, securities brokerage and trading, investment banking, payment systems (including credit and debit cards) and technology and data processing operations. The Group also acts as an agent for the sale of a number of financial products such as securities, insurance and pension contracts and leasing services. As of 31 December 2023, the Bank's services in Türkiye were provided through a nationwide network of 796 domestic branches as well as sophisticated digital channels ("*DCs*"), such as automated teller machines ("*ATMs*"), call centres, internet banking and mobile banking. As of the same date, the Bank had eight foreign branches (one in Malta and seven in Northern Cyprus (together with a Country Directorate in Northern Cyprus that was established in order to comply with the legal requirements in Northern Cyprus)) and a representative office in Shanghai, together with bank subsidiaries in the Netherlands (Garanti Bank International NV ("*GBI*")) and Romania (Garanti Bank SA ("*Garanti BBVA Romania*")).?/

The Group had total assets of TL 2,201,713,095 thousand, performing loans (which excludes lease, factoring, non-performing receivables and expected credit losses) (as used herein, "cash loans") of TL 1,193,843,409 thousand and shareholders' equity of TL 245,621,518 thousand as of 31 December 2023. The Group's return on average shareholders' equity was 44.5% during 2023. As of 31 December 2023, the Group's Tier 1, common equity Tier 1 and total capital adequacy ratios were 16.8%, 16.8% and 18.9%, respectively (when calculated without including the BRSA's forbearance noted herein, 14.5%, 14.5% and 16.5%, respectively) calculated in accordance with applicable Basel III rules.

The Group's net profit/(loss) was TL 13,587,564 thousand in 2021, TL 58,510,306 thousand in 2022 and TL 86,907,216 thousand during 2023.

RISK FACTORS

The eighth sentence of the fifth paragraph of the section titled "Risk Factors - Risks Relating to Türkiye - Political Conditions - Political Developments" starting on page 10 of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) is hereby amended to read as follows:

After the presidential elections in May 2023, a new governor of the Central Bank and a new Minister of Treasury and Finance were appointed, after which the Central Bank's Monetary Policy Committee increased the rate to 15.00% in June 2023 and then raised it again in multiple steps to 45.00% as of 25 January 2024; *however*, such rate remains well below the level of inflation as of such date. On 3 February 2024, Fatih Karahan, the former Vice-Chair of the

Central Bank, was appointed as the new governor of the Central Bank after the previous governor resigned, which might result in changes in the policies of the Central Bank.

The eighth sentence of the fifth paragraph of the section titled "Risk Factors - Risks Relating to Türkiye - Economic Conditions - Turkish Economy" starting on page 15 of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) is hereby amended to read as follows:

After the presidential elections in May 2023, the Central Bank's Monetary Policy Committee increased the rate to 15.00% in June 2023 and then raised it again in multiple steps to 45.00% as of 25 January 2024; *however*, such rate remains well below the level of inflation as of such date.

The third paragraph of the section titled "Risk Factors - Risks Relating to Türkiye - Economic Conditions - Inflation" on page 18 of the Original Base Prospectus (as inserted by the Second Supplement) is hereby amended to read as follows:

On 23 November 2023, the POA published an announcement requiring entities that apply TFRS to present their financial statements by adjusting for the impact of inflation for the annual period ending on or after 31 December 2023 in accordance with the principles set out in TAS 29; *however*, this announcement (notwithstanding the last sentence of the preceding paragraph) also provided that institutions authorised to regulate and supervise Turkish companies (*e.g.*, the BRSA) may determine a different transition date and, on 12 December 2023, the BRSA announced that such shall not apply for banks for BRSA Financial Statements as of and for the year ended 31 December 2023. On 15 January 2024, the BRSA announced that such will apply for banks for accounting periods starting from 1 January 2025. As a result: (a) the Group's and the Bank's BRSA Financial Statements incorporated by reference into this Base Prospectus have not applied, and the BRSA Financial Statements for 2024 will not apply, the inflation adjustment standards of TAS 29, (b) such inflation adjustments are expected to be applied starting from the BRSA Financial Statements as of and for the three months ended 31 March 2025 and (c) the Group's and the Bank's BRSA Financial Statements for 2025 and thereafter will not be comparable to financial statements from earlier periods prepared without such inflation adjustment. In addition, as of and from 31 December 2023 until the full inflation adjustments are made in 2025, deferred tax will be calculated and reflected in a bank's BRSA Financial Statements on the value differences that would have occurred had inflation adjustment been applied to non-monetary assets and liabilities as determined in accordance with the provisions of the tax procedures law; *however*, pursuant to Turkish law, monetary gain/loss arising from such inflation accounting in the 2024 and 2025 accounting periods will not be taken into account in determining taxable earnings.

The fourth paragraph of the section titled "Risk Factors - Risks Relating to the Group and its Business - Credit Risks - Counterparty Credit Risk" starting on page 22 of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) is hereby amended to read as follows:

The Group's financial results can be significantly affected by the amount of provisions for expected credit losses. Determining the amount of such provisions involves the use of numerous estimates and assumptions. As a result, the level of provisions and other reserves that the Group has set aside might prove insufficient and the Group might be required to create significant additional provisions and other reserves in future periods. The Group's NPL ratio declined from 3.6% as of 31 December 2021 (with write-downs accounting for 2.0% of the decline) to 2.6% as of 31 December 2022 and then further declined to 2.1% as of 31 December 2023, in each case as a result of strong collection performance and high levels of economic activity and increases in the Group's loan book. The Stage 2 loans as a percentage of performing loans decreased from 17.4% as of 31 December 2021 to 13.9% as of 31 December 2022 and then declined further to 10.5% as of 31 December 2023 (the Stage 2 loans as a percentage of total loans changed from 16.8% to 13.6% to 10.3% during the same period), with the declines in 2022 and 2023 being principally the result of the increase in the size of the loan portfolio (*i.e.*, a denominator effect). Certain temporary rules have been enacted for banks as a result of the February 2023 earthquakes, including limitations on requiring payment from certain borrowers in the regions impacted by the earthquakes and reductions in risk-weightings of certain loans to borrowers in such regions.

The section titled "Risk Factors - Risks Relating to the Group and its Business - Credit Risks - Loan Concentrations" starting on page 23 of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) is hereby amended to read as follows:

Although the Group seeks to maintain diversity within its loan book with respect to industry, customer type, customer and loan product, certain concentrations are inherent in the Group's business. Total cash loans to the Bank's 20 largest group customers (excluding Turkish government entities) as of 31 December 2021, 2022 and 2023 represented 21.6%, 18.5% and 10.6%, respectively, of its cash gross loan portfolio (including loans measured at fair value through profit or loss and accrued interest).

With respect to loans to corporate borrowers, concentrations by industry (*e.g.*, agriculture) or product type (*e.g.*, project financings) exist from time to time, including (particularly for project or acquisition financings) potentially large individual exposures. In terms of industry concentration, the retail, infrastructure, energy and real estate sectors accounted for 33.7%, 3.3%, 6.3% and 3.6% respectively, of the Bank's gross loan portfolio as of 31 December 2023 (28.4%, 9.3%, 11.2% and 3.9%, respectively, as of 31 December 2022 and 26.8%, 10.6%, 14.4% and 3.7%, respectively, as of 31 December 2021).

As of 31 December 2023, 22.7% and 19.5% of the Group's performing cash loans excluding financial leases and factoring receivables were credit card and consumer loans, respectively, which historically have had among the highest rate of payment default and are uncollateralised. Additionally, the Group's exposures to certain borrowers (particularly for loans for energy projects) are large and the Group is likely to continue making such large loans where such an investment is determined by the Group to be a credit-worthy transaction.

The Group periodically sells portions of its NPL portfolio when market conditions are attractive to do so. In 2021, NPLs amounting to TL 665,407 thousand were sold, followed by TL 829,066 thousand in 2022 and TL 1,288,809 thousand in 2023. The effect of NPL sales on the NPL ratio was to reduce it by 0.13% in 2021, 0.10% in 2022 and 0.10% in 2023 (*i.e.*, the NPL ratio for such periods would have been higher by such amounts had such sales not occurred). Write-downs and write offs have a similar effect, and the Group had TL 10.6 billion, TL 12.0 billion and TL 13.7 billion of write-downs in 2021, 2022 and 2023, respectively, accounting for a 1.96%, 1.46% and 1.05% decline in the NPL ratio, respectively.

On a Bank-only basis (excluding credit card NPLs), SMEs (per the BRSA SME Definition) accounted for 7.6% of total NPLs as of 31 December 2023 (10.6% as of 31 December 2021 and 9.9% as of 31 December 2022).

If a material volume of any loans becomes non-performing or there is a slowdown (or any perception of slowdown) in economic conditions related thereto, then this might have a material adverse effect on the asset quality of Turkish banks, including the Group. Any such restructuring might also reduce the income of Turkish banks if the debt is restructured with terms more favourable to borrowers. In addition, a downturn in any sector or specific borrower to which the Group has significant exposure might result in, among other things, a decrease of funds that such customers hold on deposit with the Bank, a default on their obligations owed to the Group and/or a need for the Group to increase its provisions in respect of such obligations, any of which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

The second sentence of the first paragraph of the section titled "Risk Factors - Risks Relating to the Group and its Business - Credit Risks - Government Default" on page 24 of the Original Base Prospectus (as amended by the First Supplement and Second Supplement) is hereby amended to read as follows:

As of 31 December 2023, 87.1% of the Group's total securities portfolio (12.9% of its total assets and equal to 115.8% of its shareholders' equity) was invested in Turkish government debt securities (90.3%, 14.2%, 120.7%, respectively, as of 31 December 2022 and 83.4%, 10.2% and 107.7%, respectively, as of 31 December 2021).

The fourth and fifth paragraphs of the section titled "Risk Factors - Risks Relating to the Group and its Business - Credit Risks - Foreign Exchange and Currency Risk" on page 26 of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) are hereby amended to read as follows:

The share of Turkish Lira-denominated assets and liabilities in the Group's balance sheet changed from 48.8% and 37.9%, respectively, as of 31 December 2021 to 55.5% and 50.8%, respectively, as of 31 December 2022. This increase in assets reflected the increase in Turkish Lira-denominated loans and a decline in foreign currency-denominated loans, which exceeded the impact of the continuing depreciation in the Turkish Lira whereas the increase in liabilities was primarily the result of an increase in Turkish Lira deposits due to regulatory changes that encouraged Liraisation, which exceeded the impact of declines in wholesale borrowing. As of 31 December 2023, the proportions changed to 58.7% and 56.9%, respectively, which increase in assets reflected robust growth in Turkish Lira-denominated loans whereas the increase in liabilities reflected the acceleration in the Bank's Turkish Lira-denominated deposits and a decline in foreign currency deposits due to regulatory measures comprised in the Central Bank's Liraisation strategy. As the depreciation of the Turkish Lira leads to an increase in the Turkish Lira-equivalent of the Group's foreign currency-denominated risk-weighted assets, this might adversely affect the Group's capital adequacy ratios absent a corresponding increase in capital or additional risk mitigation measures.

From a systemic perspective, if the Turkish Lira were to depreciate materially against the U.S. dollar or the euro (which represent a significant portion of the foreign currency debt of the Group's corporate and commercial customers), then it would be more difficult for the Group's customers with income primarily or entirely denominated in Turkish Lira to repay their foreign currency-denominated debt (including to the Group) and reduced repayment capacity of such customers might have a material negative impact on the Group's financial condition (including its capitalisation). A number of Turkish borrowers have significant amounts of debt denominated in foreign currency and thus are susceptible to this risk and certain foreign currency-denominated loans in the Turkish market have been (or are in the process of being) restructured. As of 31 December 2023, 36.9% of the Group's total loans to customers was denominated in foreign currencies (45.3% and 35.9%, respectively, as of 31 December 2021 and 2022), of which 45.3% was in U.S. dollars and 50.1% was in euro.

The second sentence of the first paragraph of the section titled "Risk Factors - Risks Relating to the Group and its Business - Credit Risks - Interest Rate Risk" on page 26 of the Original Base Prospectus (as amended by the First Supplement and Second Supplement) is hereby amended to read as follows:

Net interest income is the principal source of income for the Group, contributing 58.6%, 66.1% and 44.7% of the Group's total operating income before provisions for 2021, 2022 and 2023, respectively, and the Group's net interest margin was 6.5%, 9.1% and 5.4%, respectively, over the same periods (6.7%, 11.1% and 6.2%, respectively, for the Bank).

The first sentence of the first paragraph of the section titled "Risk Factors - Risks Relating to the Group and its Business - Credit Risks - Reductions in Earnings on Investment Portfolio" on page 27 of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) is hereby amended to read as follows:

The Group has historically generated a portion of its interest income from its securities portfolio, with interest income derived from the Group's securities portfolio in 2021, 2022 and 2023 accounting for 17.0, 31.3% and 23.9%, respectively, of its total interest income and 11.5%, 22.5% and 16.6%, respectively, of its gross operating income before deducting interest expense and fees and commissions expense.

The second sentence of the third paragraph of the section titled "Risk Factors - Risks Relating to the Group and its Business - Funding Risks - Liquidity Risks" starting on page 27 of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) is hereby amended to read as follows:

The Group's loan-to-deposit ratio was 84.3%, 84.7% and 76.9%, respectively, as of 31 December 2021, 2022 and 2023.

The fifth sentence of the fourth paragraph of the section titled "Risk Factors - Risks Relating to the Group and its Business - Funding Risks - Liquidity Risks" on page 28 of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) is hereby amended to read as follows:

The Group's non-deposit funding (*i.e.*, the sum of funds borrowed, money market borrowings and securities issued, noting that this excludes subordinated debt instruments) was equivalent to 14.1%, 10.4% and 5.8%, respectively, of its assets as of 31 December 2021, 2022 and 2023.

The fifth paragraph of the section titled "Risk Factors - Risks Relating to the Group and its Business - Funding Risks - Liquidity Risks" on page 28 of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) is hereby amended to read as follows:

As noted above, a portion of the Group's wholesale fundraising is denominated in foreign currencies. The Group's total foreign currency-denominated borrowings (*i.e.*, the sum of foreign currency-denominated funds borrowed, financial liabilities measured at fair value through profit or loss, money market funds, marketable securities issued and subordinated debt) equaled 14.1%, 10.4% and 5.8%, respectively, of its assets as of 31 December 2021, 2022 and 2023. While the Group has been successful in extending, at a relatively low cost, the maturity profile of its funding base, even during times of volatility in international markets, this might not continue in the future (including if investor confidence in Türkiye decreases as a result of political, economic or other factors). As of 31 December 2023, the Group had free foreign currency liquidity (including unencumbered foreign currency securities) amounting to US$6.2 billion while having US$1.4 billion in foreign currency-denominated external debt to be paid within one year (an additional US$2.6 billion in such debt matures in later periods). Particularly in light of the historical volatility of emerging market financings, the Group might have difficulty extending and/or refinancing its existing foreign currency-denominated indebtedness, hindering its ability to avoid the interest rate risk inherent in asset-liability maturity gaps. Should these risks materialise, these circumstances might have a material adverse effect on the Group's business, financial condition and/or results of operations. These risks might increase as the Group seeks to increase medium- and long-term lending to its customers, including mortgages and project financings, the funding for much of which is likely to be made through borrowings in foreign currency (including refinancing of its foreign currency borrowings).

The first and second paragraphs of the risk factor titled “Risks Relating to the Group and its Business – Other Group-Related Risks – Audit Qualification” on page 32 of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) are hereby amended to read as follows:

> The independent auditor’s report included in each of the BRSA Financial Statements incorporated by reference herein was qualified with respect to general reserves that were allocated by the Bank. Such qualifications relate to general reserves taken by the Bank’s management through 2022, which reserves do not meet the recognition criteria of TAS 37 (“Provisions, Contingent Liabilities and Contingent Assets”). For example, the Bank’s management increased the general reserves by TL 2,850,000 thousand (to TL 7,500,000 thousand) in 2021 and by TL 500,000 thousand (to TL 8,000,000 thousand) in 2022, in each case due to the possible effects of negative circumstances that might arise in the economy or in market conditions.
>
> During 2023, the Bank’s management (in light of the normalisation of the macro-economic conditions after the May 2023 elections) reversed all of such reserves, resulting in there being no outstanding general reserves as of 31 December 2023; *however*, the Group’s BRSA Annual Financial Statements as of and for the year ended 31 December 2023 are qualified as they “include the impact of reversal of the free provision.” See also the auditor’s report included in each of the BRSA Financial Statements incorporated by reference herein. Similar qualifications might be included in the corresponding audit or review report for future fiscal periods.

SUMMARY FINANCIAL AND OTHER INFORMATION

The section titled “Summary Financial and Other Information” starting on page 53 of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) is hereby amended in its entirety to read as set out on Exhibit A.

CAPITALISATION OF THE GROUP

The section titled “Capitalisation of the Group” on page 55 of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) is hereby amended in its entirety to read as set out on Exhibit B.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” starting on page 56 of the Base Prospectus (as amended by the First Supplement and the Second Supplement) is hereby amended in its entirety to read as set out on Exhibit C.

SELECTED STATISTICAL AND OTHER INFORMATION

The section titled “Selected Statistical and Other Information” starting on page 99 of the Base Prospectus is hereby amended in its entirety to read as set out on Exhibit D.

THE GROUP AND ITS BUSINESS

The second, third, fourth and fifth paragraphs of the section titled “The Group and its Business - Overview of the Group” on page 123 of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) are hereby amended to read as follows:

> The Group is a leading Turkish banking group with a significant market share in Türkiye, being (as per published BRSA financial statements as of 31 December 2023) the second largest private banking group in Türkiye in terms of total assets. The Group’s customers are comprised mainly of commercial enterprises, SMEs, foreign multinational corporations with operations in Türkiye and customers from across the Turkish consumer market.
>
> The Group served approximately 25.2 million customers as of 31 December 2023 (per the Bank’s internal definition: approximately 24.5 million retail customers, 604,841 SME customers, 41,359 active commercial customers and 3,329 corporate customers) by offering a broad range of products and services, many of which are tailored to identified customer segments. These products and services include (*inter alia*) deposits, corporate loans,

project finance loans, leasing, factoring, foreign exchange transactions, investment and cash management products, consumer loans, mortgages, pension and life insurance, portfolio management, securities brokerage and trading, investment banking, payment systems (including credit and debit cards) and technology and data processing operations. The Group also acts as an agent for the sale of a number of financial products such as securities, insurance and pension contracts and leasing services. As of 31 December 2023, the Bank's services in Türkiye were provided through a nationwide network of 796 domestic branches as well as sophisticated DCs, such as ATMs, call centres, internet banking and mobile banking. As of the same date, the Bank had eight foreign branches (one in Malta and seven in Northern Cyprus (together with a Country Directorate in Northern Cyprus that was established in order to comply with the legal requirements in Northern Cyprus)) and a representative office in Shanghai, together with bank subsidiaries in the Netherlands (GBI) and Romania (Garanti BBVA Romania).

The Group had total assets of TL 2,201,713,095 thousand, performing loans (which excludes lease, factoring, non-performing receivables and expected credit losses) (as used herein, "cash loans") of TL 1,193,843,409 thousand and shareholders' equity of TL 245,621,518 thousand as of 31 December 2023. The Group's return on average shareholders' equity was 44.5% during 2023. As of 31 December 2023, the Group's total capital adequacy ratio was 16.5% (when calculated without including the BRSA's forbearance noted herein, 14.5% when calculated using either Tier 1 capital only or common equity Tier 1 capital only) calculated in accordance with applicable Basel III rules.

The Group's net profit/(loss) was TL 13,587,564 thousand in 2021, TL 58,510,306 thousand in 2022 and TL 86,907,216 thousand during 2023.

The first three paragraphs of the section titled "The Group and its Business - Overview of the Group – Business - Retail Banking - Products and Services" starting on page 126 of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) are hereby amended to read as follows:

Deposits. The Bank offers its retail customers a range of interest- and non-interest-bearing current and savings accounts, gold deposit accounts, structured deposits (*i.e.*, deposits linked to an index), flexible term deposits and accumulated savings accounts. Deposit collection is a principal focus of the Bank as deposits provide low cost funds to be invested in loans and other assets. The Bank has been increasing its domestic branch network for many years (from 478 at the end of 2006 to 796 as of 31 December 2023) with the goal of increasing the number of the Bank's retail customers and obtaining a stronger and more diversified deposit base. Deposits from the retail banking business are the largest funding source of the Bank, reaching TL 413.6 billion of Turkish Lira deposits and US$9.3 billion of foreign currency deposits as of 31 December 2023.

Consumer Loans (including Overdraft Accounts). The Bank's retail loan portfolio, originated only in Turkish Lira since 2009, comprised of mortgage loans, auto loans, general purpose loans and overdrafts but excluding credit cards, was TL 84.5 billion as of 31 December 2021, increasing by 42.5% to TL 120.5 billion as of 31 December 2022 and then increasing by 46.8% to TL 176.8 billion as of 31 December 2023. The Bank's primary consumer loan products are described below:

- *Mortgages*: In 2022, the retail mortgage loan book decreased by 11.3%, followed by a 45.1% increase in 2023. The Bank's retail mortgage offering is focused on both high and medium net worth individuals with strong credit history. Although the Bank's maximum loan-to-value ratio is 80%, which is in line with the maximum limit stated by law, the average loan-to-value ratio of the Bank's retail mortgage book at origination was 56.8% as of 31 December 2023. As of such date, the average original term of its mortgages on such date was 8.3 years, with most loans having an original maturity of either 5 or 10 years, and mortgages are issued with fixed interest rates. The Bank had a market share of 8.5% (with respect to outstanding mortgage loan balance for consumer loans) as of 31 December 2023 according to BRSA data. The Bank maintains strategic partnerships with leading residential construction companies and real estate agencies nationally, and also focuses on mortgage expertise in branches as well as a wide product range and distribution channels, focusing on service quality instead of price competition in order to maintain its profitability. While foreign currency-denominated mortgages were common in previous years, legislation now requires that consumer mortgages to Turkish citizens can only be denominated in Turkish Lira.

- *Vehicle Loans*: The Bank offers secured loans to finance the purchase of both new and used vehicles. The duration of these loans is around four years and most have fixed rates. In 2022 and 2023, the Bank's vehicle loan book increased by 147.0% and 153.7%, respectively. The Bank's market share (by outstanding balance) was 17.4% as of 31 December 2023 according to BRSA data.

- *General Purpose Loans (including other and overdraft loans)*: The Bank offers general purpose loans to finance various needs of its retail customers, such as home improvement, education, marriage and vacations. The average maturity of such loans is approximately three years. The Bank's general purpose loan book increased by 60.0% and 43.8%, respectively, in 2022 and 2023. The Bank's market share (including overdraft, by outstanding balance) was 13.5% as of 31 December 2023 according to BRSA data. The Bank seeks to capture market share through various central marketing approaches, including loyalty-based approaches such as pre-approved loan limits. As general purpose loans are generally unsecured, the Bank's credit analysis for these loans focuses principally on the potential borrower's income and other assets.

- *Overdraft Accounts*: The Bank has registered a stable and strong overdraft account base built upon mainly employer payroll customers and investment accounts. Targeted marketing campaigns are conducted to increase utilisation of overdraft accounts. As of 31 December 2023, the number of overdraft accounts operated by the Group was approximately 5.26 million, with an aggregate overdraft risk of TL 27.7 billion.

Investment Products. The Bank's retail banking investment products include mutual funds, government bonds and equity securities. As of 31 December 2023, the Bank had TL 282.0 billion of assets under management in investment products. The Bank's principal strategies to increase its retail investment product sales, customers using digital channels and profitability include conducting cross-selling campaigns to deposit customers and utilising actively managed mutual funds (*e.g.*, a fund with a diversified multi-asset strategy that invests not only in Turkish equity and fixed income markets but also in the equity and fixed income markets in Europe, the United States and emerging markets and in precious metals and ETFs).

The paragraphs in the section titled "The Group and its Business - Overview of the Group - Subsidiaries" starting on page 132 of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) are hereby amended to read as follows:

In addition to its core banking operations, the Group is active in the areas of leasing, factoring, investment banking, portfolio management, private pensions and life insurance brokerage in Türkiye, each of which is largely operated through a subsidiary of the Bank. In addition, the Bank has wholly-owned banking subsidiaries in the Netherlands (GBI, which has offices in Amsterdam and Germany) and Romania (Garanti BBVA Romania).

The following tables reflect the contribution of the Bank and certain of its consolidated subsidiaries to the Group's profit/(loss) and assets as of the indicated dates; *however*, this information is provided on a "non-consolidating" basis (*i.e.*, without making adjustments for intra-Group transactions):

		As of 31 December		
Assets	**Ownership**[(1)]	**2021**	**2022**	**2023**
Türkiye Garanti Bankası	N/A	81.5%	81.1%	80.7%
GBI	100%	6.6%	7.1%	7.8%
GHBV and Romania businesses[(3)]	100%	4.1%	4.2%	4.4%
Garanti Leasing	100%	1.0%	1.2%	1.3%
Garanti BBVA Factoring	81.84%	0.5%	0.7%	0.5%
Garanti BBVA Pension and Life	84.91%	0.3%	0.4%	0.4%
Garanti BBVA Securities	100%	0.3%	0.3%	0.3%
Garanti Asset Management	100%	0.0%	0.0%	0.0%
Garanti Payment Systems	100%	0.0%	0.0%	0.0%
Structured Entities[(2)]				
Garanti Diversified Payment Rights Finance Company	0%	3.7%	2.9%	2.5%
RPV Company	0%	2.0%	2.1%	2.0%

Net Profit/(Loss)[4]	Ownership[1]	For the year ended 31 December 2021	2022	2023
Türkiye Garanti Bankası	N/A	85.5%	91.2%	85.9%
Garanti BBVA Pension and Life	84.91%	4.0%	1.6%	2.1%
GHBV and Romania businesses[3]	100%	2.0%	1.0%	0.7%
GBI	100%	1.1%	1.1%	2.5%
Garanti BBVA Securities	100%	3.2%	1.9%	3.2%
Garanti BBVA Factoring	81.84%	0.8%	0.5%	1.0%
Garanti Leasing	100%	1.3%	2.2%	4.2%
Garanti Asset Management	100%	0.4%	0.2%	0.4%
Garanti Payment Systems	100%	0.0%	0.1%	0.1%
Structured Entities[2]				
Garanti Diversified Payment Rights Finance Company	0%	1.7%	0.2%	(0.2)%
RPV Company	0%	0.0%	0.0%	0.0%

(1) Ownership refers to the Bank's direct and indirect ownership in the relevant subsidiary.
(2) Garanti Diversified Payment Rights Finance Company and RPV Company are structured entities established for the Bank's fund-raising transactions and are consolidated in the accompanying consolidated financial statements. Neither the Bank nor any its subsidiaries has any shareholding interests in these companies. These companies have assets and liabilities in their own financial statements resulting from the fund-raising processes, many of which are eliminated during the consolidation processes.
(3) Includes 100% ownership in GHBV and in the following Romanian businesses: Garanti BBVA Romania, Motoractive and Ralfi through G Netherlands.
(4) As fees and commissions paid by one Group member to another increase the recipient's income and the payer's expenses, these percentages do not necessarily reflect fully the benefits that the Bank's subsidiaries provide to the Group.

The following provides brief summaries of each of the Bank's material subsidiaries other than Garanti BBVA Bilişim Teknolojisi ve Ticaret T.A.Ş. ("*Garanti BBVA Technology*"), which is described in "Information Technology" below. As Garanti BBVA Technology is not a financial subsidiary, it is accounted for at cost in the Group's financial statements.

Garanti Bank International NV

Established in 1990, GBI is a mid-sized European bank established in Amsterdam, the Netherlands and serves a retail, corporate and institutional clientele. GBI offers financial solutions to its customers and counterparties in the areas of trade and commodity finance, cash management, private banking, treasury and structured finance, while maintaining multi-product relationships with local and global financial institutions around the world. GBI also provides targeted retail banking services in the Netherlands and Germany.

GBI is a wholly owned subsidiary of the Bank and has a presence in Germany, Switzerland and Türkiye. GBI operates under Dutch and European Union laws, and is under the supervision of the ECB, De Nederlandsche Bank (DNB) and De Autoriteit Financiële Markten (AFM).

GBI generated a net profit/(loss) of €18.0 million in 2021, €40.8 million in 2022 and €100.7 million during 2023. GBI's total assets amounted to €4,130 million as of 31 December 2021, €5,106 million as of 31 December 2022 and €5,783 million as of 31 December 2023.

Garanti BBVA Pension and Life

Garanti BBVA Emeklilik ve Hayat A.Ş. ("*Garanti BBVA Pension and Life*"), founded in 1992 in İstanbul, offers life insurance policies and private pensions. The company utilises its expertise in bancassurance (i.e., the relationship between an insurer and a bank pursuant to which the insurer uses the bank's sales channels in order to sell the insurer's insurance and pension products) to offer its insurance and pension products to the Bank's customers. Garanti BBVA Pension and Life, with 1,362,060 participants, had a market share of 15.7% (second among non-governmental companies, and third overall, in the market) in the pension business as of 31 December 2023 according to the Pension Monitoring Centre (*Emeklilik Gözetim Merkezi*).

Garanti BBVA Pension and Life managed a portfolio of TL 94,236.1 billion as of 31 December 2023 and held a 13.4% market share in pension fund assets under management as of such date according to the Pension Monitoring Centre. An auto-enrolment system was introduced in December 2016 for public and private sector employees, with staged adoption starting in January 2017. As of 31 December 2023, the company had 1,631,956 participants in its auto-enrolment system, which placed it first among non-governmental companies in the market according to the Pension Monitoring Centre.

In the life insurance business, as of 31 December 2023 the company serviced 2.8 million insurance policyholders. Garanti BBVA Pension and Life's direct premium production increased by 77.09% in 2022 (to TL 2,579.5 million), whereas in 2023 there was TL 5,151.9 million in direct premium. The company had a market share of 9.09% as of 31 December 2023 as published by the Insurance Association of Türkiye (*Türkiye Sigorta Birliği*). Garanti BBVA Pension was the third most profitable private company in the sector during 2023 according to the Insurance Association of Türkiye.

Since 2007, Garanti BBVA Pension and Life has also been marketing, promoting and selling certain general insurance products of its previously affiliated entity Eureko Sigorta A.Ş. pursuant to a general insurance agency agreement. These products are sold to bancassurance customers through the Group's distribution network.

Garanti BBVA Pension and Life had net profit/(loss) of TL 634,738 thousand in 2021, TL 999,358 thousand in 2022 and TL 2,156,962 thousand during 2023. The results of 2023 included claims of TL 57.5 million relating to the February 2023 earthquakes; *however*, after reinsurance, the company's liability is expected to be significantly less.

Garanti Leasing

In 1990, the Bank established a leasing company, Garanti Finansal Kiralama A.Ş. ("*Garanti Leasing*"). In 2022, Garanti Leasing executed 1,272 new financial leasing deals (principally for the leases of business and construction machines) and recorded a total of US$459 million in new leases, as compared to 1,739 new financial deals (US$553 million in new leases) in 2021. During 2023, Garanti Leasing executed 1,722 new financial leasing deals (principally for the leases of business and construction machines) and recorded a total of US$561.6 million in new leases. As of December 2023, the company had a market share of 11.4% for new contracts and an 11.1% market share in terms of transaction volume, each according to the Turkish Financial Institutions Association (*Finansal Kurumlar Birliği*). Garanti Leasing's total assets were TL 10,696,881 thousand as of 31 December 2021, TL 16,582,551 thousand as of 31 December 2022 and TL 30,410,605 thousand as of 31 December 2023.

Garanti Leasing had a net profit/(loss) of TL 705,121 thousand in 2021, TL 1,412,789 thousand in 2022 and TL 4,405,074 thousand in 2023.

Garanti Leasing has a 100% interest in both Garanti Filo Yönetim Hizmetleri A.Ş. ("*Garanti BBVA Fleet*"), which provides a car leasing service to individuals and businesses that require long-term vehicles, and Garanti Filo Sigorta Aracılık Hizmetleri A.Ş., which provides insurance for such vehicles.

Garanti Holding and Romania Businesses

G Netherlands BV ("*G Netherlands*") was incorporated on 3 December 2007 in Amsterdam, the Netherlands and is an intermediate holding company with no trading activities. As of 31 December 2023, G Netherlands had investments in three Romanian companies specialising in financial services: Garanti BBVA Romania (99.9964%), which provides banking activities; Motoractive IFN SA ("*Motoractive*") (99.99997%), which provides financial leases; and Ralfi IFN SA ("*Ralfi*") (99.9994%), which provides consumer loans (sales finance and private label credit cards). Motoractive Multiservices SRL, a company providing operating leasing and related services, was incorporated by Motoractive in April 2007 and is a 100% subsidiary thereof. On 14 November 2014, Domenia, a mortgage provider company that was a subsidiary of G Netherlands, was acquired by Garanti BBVA Romania as a result of a merger process.

Garanti BBVA Romania was active in the Romanian market as a branch of GBI since 1998, which branch was transferred into the newly licensed bank, incorporated in Romania, in May 2010. As of 31 December 2023, Garanti BBVA Romania operated 71 branches, 25 of which were located in the capital city Bucharest. The bank offers a full scope of universal banking products and services to its 454,948 customers (as of 31 December 2023) from the retail, SME and corporate segments. With 307,239 credit and debit cards and 9,089 active (15,782 in total) POS terminals as of such date, Garanti BBVA Romania had a market share of 1.42% (including non-banking financial institutions) in the issued credit cards market and 3.79% in POS terminals in Romania, both according to the public figures available from the Romanian National Bank as of 31 December 2023.

Motoractive is a joint-stock company incorporated in Romania. Motoractive undertakes leasing activities, mainly motor vehicles but also industrial plant, office equipment and real estate. Motoractive had 1,519 customers with 4,110 active contracts as of 31 December 2023 and has an extensive partnership network.

Ralfi's main activity is to provide consumer loans, particularly sales finance and personal loans. As of 31 December 2023, Ralfi had 6,699 clients.

The consolidated asset size of GHBV was €2.6 billion as of 31 December 2021, €3.0 billion as of 31 December 2022 and €3.3 billion as of 31 December 2023. GHBV contributed €32.1 million to the Group's consolidated net profit/(loss) in 2021, €38.9 million in 2022 and €28.5 million in 2023.

Garanti BBVA Factoring

Garanti Faktoring A.Ş. ("*Garanti BBVA Factoring*"), founded in 1990, is one of Türkiye's oldest factoring companies. As of 16 February 2024, 81.8% of the company's shares are owned by the Bank, 9.78% of its shares are owned by Export Credit Bank of Türkiye and the remaining shares are traded on the Borsa İstanbul. With a broad customer base, Garanti BBVA Factoring makes use of the Bank's delivery channels to provide high-quality factoring products and services to its customers. The company recorded US$1.9 million in volume of receivables financed through factoring in 2021, US$1.9 million in 2022 and US$2.3 million in 2023, representing a market share of 7.58% as of 30 November 2023 in Türkiye according to the BRSA.

Garanti BBVA Factoring had a net profit/(loss) of TL 131,936 thousand in 2021, TL 350,742 thousand in 2022 and TL 1,045,084 thousand during 2023. The company's total assets amounted to TL 4,355,909 thousand as of 31 December 2021, TL 9,670,054 thousand as of 31 December 2022 and TL 11,823,172 thousand as of 31 December 2023.

Garanti BBVA Securities

Garanti Yatırım Menkul Kıymetler A.Ş. ("*Garanti BBVA Securities*") is a subsidiary of the Bank and one of the leading securities houses and investment banks in Türkiye. Garanti BBVA Securities serves Turkish and international customers in the areas of investment banking, brokerage, research and treasury.

Garanti BBVA Securities provides equity brokerage services through its sales team and benefits from the Bank's branch network while providing its services to its retail clients. As of 31 December 2023, Garanti BBVA Securities provided brokerage services to 1,989,675 customers. In 2023, the company's market share in the equity market was 5.03% (ranking fifth) while its derivatives market share was 2.87% (ranking ninth).

In 2022, foreign exchange client transaction volume decreased to US$9.2 billion from US$15.3 billion in 2021. The reason for the decrease in volume in 2022 was the decrease in the number of clients (from 513 in 2021 and 323 in 2022). During 2023, the foreign exchange client transaction volume was US$7.4 billion (with 239 customers).

Garanti BBVA Securities' international markets client transaction volume decreased from US$20.0 billion in 2021 to US$12.7 billion in 2022, which decline was primarily caused by unwinding future contracts as a result of the company's risk measures due to volatility in the commodity market and the sell-off in global markets that, which caused a sharp decrease in volume. Although the transaction volume decreased in 2022, the number of customers increased from 5,531 in 2021 to 5,686 in 2022. During 2023, Garanti BBVA Securities' international markets client transaction volume was US$11.4 billion (with 4,687 customers).

As one of the leading investment banks, Garanti BBVA Securities has successfully completed numerous mergers and acquisition, equity offerings, debt offerings and privatisation transactions, with a total transaction size of more than $78.0 billion from its establishment in May 1991 through 31 December 2023 (US$1,151 million in 2023 alone).

From the beginning of 2016, Garanti BBVA Securities' treasury department has been providing pricing to listed single stock and index options. The company has been acting as a market maker in the Turkish equity derivatives market and achieved TL 51.0 billion in 2021, TL 81.0 billion in 2022 and TL 133.9 billion in 2023. Garanti BBVA Securities held a 5.08% market share in the options market and a 2.86% market share in the "Vadeli İşlem ve Opsiyon Piyasası" futures market during 2023.

Garanti Asset Management

Founded in June 1997 as the first asset management company in Türkiye, Garanti Portföy Yönetimi A.Ş. ("*Garanti Asset Management*") is a wholly owned subsidiary of the Bank. As of 31 December 2023, Garanti Asset Management managed 106 mutual funds, in which Garanti Asset Management is also the owner/issuer, 43 pension funds of Garanti BBVA Pension and Life, one pension fund owned by another pension company and the portfolio of Garanti Yatırım Ortaklığı A.Ş. (a closed-end fund listed on the Borsa İstanbul). The company also provides discretionary portfolio management services for both institutional and individual clients.

Garanti Asset Management's market share in terms of mutual funds was 8.02% as of 31 December 2023 according to Rasyonet, a third-party data vendor. As of such date, total assets under management amounted to TL 255.2 billion and, according to Rasyonet), the market share of pension funds was 14.63%. The mutual funds managed by the company had a market value of US$4.9 billion as of 31 December 2023. Garanti Asset Management distributes its mutual funds through the Bank's branches, DCs and third party distribution channels, such as TEFAS (*Türkiye Elektronik Fon Alım Satım Platformu*) (Turkish Electronic Fund Distribution Platform).

The paragraph in the section titled "The Group and its Business - Properties" on page 139 of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) is hereby amended to read as follows:

As of 31 December 2023, the total net book value of the Group's tangible assets (net) (which includes land, buildings and furniture) was TL 22.0 billion, which was 1.0% of its total assets. The Group maintains comprehensive insurance coverage on all of the real estate properties that it owns.

The ratings tables for Fitch and Moody's on page 141 of the Original Base Prospectus are hereby amended to read as follows:

Fitch (22 September 2023)

Long-term Foreign Currency Issuer Default Rating/Outlook:	B- / Stable
Short-term Foreign Currency Issuer Default Rating:	B
Long-term Local Currency Issuer Default Rating/Outlook:	B / Stable
Short-term Local Currency Issuer Default Rating:	B
National Long-term Rating/Outlook	AA (tur) / Stable
Shareholder Support Rating:	b-
Viability Rating:	b

Moody's (17 January 2024)

Long-term Foreign Currency Deposit Rating/Outlook:	B3 / Positive
Short-term Foreign Currency Deposit Rating:	Not Prime
Long-term Local Currency Deposit Rating/Outlook:	B3 / Positive
Short-term Local Currency Deposit Rating:	Not Prime
BCA (Baseline Credit Assessment):	b3
Adjusted BCA:	b3
Senior Unsecured Debt Rating/Outlook:	B3 / Positive
National Scale Rating (NSR) Long Term Deposit:	A1.tr
NSR Short Term Deposit:	TR-2

RISK MANAGEMENT

The fourth paragraph in the section titled "Risk Management - General" on page 144 of the Original Base Prospectus is hereby amended to read as follows:

A summary of the Bank's management of certain risks is set forth below. See note 4.10.1 in the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2023 for additional information on the management of these and other risks as of the date thereof.

MANAGEMENT

The third paragraph in the section titled "Management - Compensation" on page 159 of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) is hereby amended to read as follows:

> The net payment provided or to be provided to the key management of the Bank and its consolidated financial subsidiaries (including members of their respective board of directors) amounted to TL 136,828 thousand during 2021, TL 284,600 thousand during 2022 and TL 455,242 thousand during 2023, including compensation paid to key management personnel who left their position during the period.

RELATED PARTY TRANSACTIONS

The first table in the section titled "Related Party Transactions" on page 163 of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) is hereby amended to read as follows:

	2021	2022	2023
BBVA Group	*(TL thousands, except percentages)*		
Cash loans	620,298	1,362,913	4,796,974
As a % of assets	0.1%	0.1%	0.2%
As a % of shareholders' equity	0.8%	0.9%	2.0%
Contingent obligations	2,036,186	2,859,301	3,971,358
As a % of contingent obligations	1.5%	1.2%	0.9%
As a % of shareholders' equity	2.6%	1.9%	1.6%
Total BBVA Group Exposure	**2,656,484**	**4,222,214**	**8,768,332**

The second table in the section titled "Related Party Transactions" on page 163 of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) is hereby amended to read as follows:

As of 31 December		
2021	**2022**	**2023**
	(*TL thousands*)	
43,447,084	57,772,444	88,683,724

The third table in the section titled "Related Party Transactions" on page 163 of the Original Base Prospectus (as amended by the First Supplement and the Second Supplement) is hereby amended to read as follows:

As of 31 December		
2021	**2022**	**2023**
	(*TL thousands*)	
7,268,435	6,806,956	11,241,458

TURKISH REGULATORY ENVIRONMENT

The following is hereby inserted after the third sentence of the tenth paragraph of the section titled "Turkish Regulatory Environment – Liquidity and Reserve Requirements" starting on page 182 of the Original Base Prospectus (including as such was amended by the First Supplement and the Second Supplement):

> On 30 January 2024, the Central Bank decreased back to 25% the mandatory reserve rate for foreign exchange protected Turkish Lira-denominated deposit accounts with an original maturity up to six months.

The following is hereby inserted at the end of the tenth paragraph of the section titled "Turkish Regulatory Environment – Liquidity and Reserve Requirements" starting on page 182 of the Original Base Prospectus (including as such was amended by the First Supplement and the Second Supplement):

> The additional reserve requirement for foreign currency-denominated deposits and participation funds (excluding those obtained from banks abroad) was increased to 8% on 30 January 2024, effective retroactively from 27 October 2023. On 5 February 2024, the Central Bank announced that eligible deposit banks will receive interest quarterly on

their reserve requirements maintained for Turkish Lira deposits and foreign currency-protected deposit accounts with a maturity longer than one month.

OTHER GENERAL INFORMATION

The first, second and third paragraphs of the section titled "Other General Information – Independent Auditors" on page 310 of the Original Base Prospectus are hereby amended to read as follows:

> The BRSA Annual Financial Statements as of and for the years ended 31 December 2022 and 2023, which are incorporated by reference into this Base Prospectus, have been audited by EY, the Group's independent auditors for such years, in accordance with the Turkish Auditor Regulation and the Standards on Independent Auditing that are part of the Turkish Standards on Auditing published by the POA as stated in the respective audit report included therein.
>
> The BRSA Annual Financial Statements as of and for the year ended 31 December 2021, which (excluding all financial information for 2020) are incorporated by reference into this Base Prospectus, have been audited by KPMG, the Group's independent auditors for such year, in accordance with the Turkish Auditor Regulation and the Standards on Independent Auditing that are part of the Turkish Standards on Auditing published by the POA as stated in the audit report included therein.

OVERVIEW OF DIFFERENCES BETWEEN IFRS AND THE BRSA PRINCIPLES

The second paragraph of the section titled "Hyperinflationary Accounting" on page 316 of the Original Base Prospectus (as amended by the Second Supplement) is hereby amended to read as follows:

> With respect to TFRS, TAS 29 recommends that all entities that report in the currency of the same hyperinflationary economy apply this standard from the same date. As such, as indicated in TAS 29, in order to ensure application compatibility within Türkiye, all reporting entities are expected to start to use TAS 29 at the same time following an announcement to do so by the POA. On 23 November 2023, the POA published an announcement requiring entities that apply TFRS to present their financial statements by adjusting for the impact of inflation for the annual period ending on or after 31 December 2023 in accordance with the principles set out in TAS 29; *however*, this announcement also provided that institutions authorised to regulate and supervise Turkish companies (*e.g.*, the BRSA) may determine a different transition date and, on 12 December 2023, the BRSA announced that such shall not apply for banks for BRSA Financial Statements as of and for the year ended 31 December 2023. On 15 January 2024, the BRSA announced that such will apply for banks for accounting periods starting from 1 January 2025. As a result: (a) the Group's and the Bank's BRSA Financial Statements incorporated by reference into this Base Prospectus have not applied, and the BRSA Financial Statements for 2024 will not apply, the inflation adjustment standards of TAS 29, (b) such inflation adjustments are expected to be applied starting from the BRSA Financial Statements as of and for the three months ended 31 March 2025 and (c) the Group's and the Bank's BRSA Financial Statements for 2025 and thereafter will not be comparable to financial statements from earlier periods prepared without such inflation adjustment. In addition, as of and from 31 December 2023 until the full inflation adjustments are made in 2025, deferred tax will be calculated and reflected in a bank's BRSA Financial Statements on the value differences that would have occurred had inflation adjustment been applied to non-monetary assets and liabilities as determined in accordance with the provisions of the tax procedures law; *however*, pursuant to Turkish law, monetary gain/loss arising from such inflation accounting in the 2024 and 2025 accounting periods will not be taken into account in determining taxable earnings.

EXHIBIT A

SUMMARY FINANCIAL AND OTHER INFORMATION

Unless otherwise indicated, the following summary financial and other information have been extracted from the Group's BRSA Financial Statements incorporated by reference herein without material adjustment. The information in this section should be read in conjunction with the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the relevant BRSA Financial Statements (including the notes therein) incorporated by reference herein.

	2021	2022	2023
		(TL thousands)	
Interest income	60,192,823	132,800,968	233,566,637
Interest expense	(24,128,432)	(44,708,341)	(147,200,186)
Net interest income	**36,064,391**	**88,092,627**	**86,366,451**
Net fees and commissions income/expenses	9,194,510	18,146,320	43,500,624
Dividend income	27,996	94,753	104,640
Net trading income/losses(net)	4,735,886	10,512,298	32,094,651
Other operating income	12,078,152	17,449,406	40,534,549
Total operating profit	**62,100,935**	**134,295,404**	**202,600,915**
Expected credit losses(1)	(28,450,165)	(29,741,042)	(39,486,103)
Other operating expenses	(15,240,273)	(27,566,610)	(56,053,591)
Profit/(loss) before taxes	**18,410,497**	**76,987,752**	**107,061,221**
Provision for taxes	(4,822,933)	(18,477,446)	(20,154,005)
Net profit/(loss)	**13,587,564**	**58,510,306**	**86,907,216**
Attributable to equityholders of the Bank	13,466,741	58,285,378	86,374,997
Attributable to minority interests	120,823	224,928	532,219

(1) Including other provisions.

Balance Sheet Data:

	As of 31 December					
	2021	**%**	**2022**	**%**	**2023**	**%**
Assets:	*(TL thousands, except for percentages)*					
Cash and cash equivalents	216,797,764	25.5	271,499,741	20.8	524,306,450	23.8
Financial assets measured at fair value through profit/(loss) (FVTPL)[1]	7,839,033	0.9	5,771,459	0.4	8,589,689	0.4
Financial assets measured at fair value through other comprehensive income (FVOCI)	55,746,298	6.6	88,928,400	6.8	101,575,253	4.6
Derivative financial assets	17,790,069	2.1	11,035,218	0.8	11,627,700	0.5
Loans	492,589,718	57.9	761,104,244	58.4	1,217,975,966	55.3
Lease receivables	12,656,284	1.5	18,932,293	1.5	30,022,130	1.4
Factoring receivables	4,216,600	0.5	9,542,402	0.7	11,593,626	0.5
Other financial assets measured at amortised cost	40,167,047	4.7	110,019,856	8.4	216,382,865	9.8
Expected credit losses	(29,499,327)	(3.5)	(40,552,805)	(3.1)	(52,410,595)	(2.4)
Assets held for sale and assets of discontinued operations[1]	585,948	0.1	780,418	0.1	2,141,054	0.1
Ownership investments (net)	1,164,524	0.1	2,280,962	0.2	6,379,791	0.3
Tangible assets	6,106,320	0.7	11,788,007	0.9	21,952,980	1.0
Intangible assets	963,650	0.1	1,263,022	0.1	2,548,249	0.1
Investment property	652,633	0.1	926,800	0.1	1,590,712	0.1
Current tax assets	30,727	0.0	9,604	0.0	127,590	0.0
Deferred tax assets	4,443,291	0.5	7,105,391	0.5	20,291,063	0.9
Other assets	18,225,021	2.1	43,143,471	3.3	77,018,572	3.5
Total assets	**850,475,600**	**100.0**	**1,303,578,483**	**100.0**	**2,201,713,095**	**100.0**
Liabilities:						
Deposits	582,833,426	68.5	908,739,459	69.7	1,604,930,709	72.9
Funds borrowed	43,626,729	5.1	45,856,723	3.5	60,439,559	2.7
Money markets funds	15,942,789	1.9	24,299,009	1.9	55,994,558	2.5
Securities issued (net)	25,644,871	3.0	17,608,189	1.4	11,142,952	0.5
Financial liabilities measured at FVTPL	24,183,368	2.8	32,020,818	2.5	49,046,956	2.2
Derivative financial liabilities	13,428,735	1.6	10,952,360	0.8	11,569,225	0.5
Lease payables	1,070,038	0.1	1,459,250	0.1	2,273,026	0.1
Provisions	14,720,023	1.7	21,476,401	1.6	21,578,965	1.0
Current tax liability	2,972,915	0.3	8,050,327	0.6	11,700,581	0.5
Deferred tax liability	55,096	0.0	197,828	0.0	129,369	0.0
Subordinated debts	10,911,505	1.3	15,245,929	1.2	23,639,403	1.1
Other liabilities	34,785,250	4.1	64,548,070	5.0	103,646,274	4.7
Total liabilities	**770,174,745**	**90.6**	**1,150,454,363**	**88.3**	**1,956,091,577**	**88.8**
Shareholders' equity	**80,300,855**	**9.4**	**153,124,120**	**11.7**	**245,621,518**	**11.2**
Total liabilities and shareholders' equity	**850,475,600**	**100.0**	**1,303,578,483**	**100.0**	**2,201,713,095**	**100.0**

(1) As disclosed in Note 5.1.2.2 of the Group's Annual Financial Statements dated as of and for the year ended 31 December 2022, financial assets measured at fair value through profit/(loss) includes an impaired loan (later converted into equity) amounting to US$769,872,381, respectively, as of 31 December 2021 provided to one corporate borrower, the fair value of which was determined to be TL 4,483,939 thousand as of such date. Such loan was written-off on 30 September 2022.

EXHIBIT B

CAPITALISATION OF THE GROUP

The Group's total shareholders' equity as of 31 December 2023 was TL 245,621,518 thousand, a 60.4% increase from TL 153,124,120 thousand as of 31 December 2022, which itself was a 90.7% increase from TL 80,300,855 thousand as of 31 December 2021. Shareholders' equity principally changes as a result of the Group's net profit/(loss) and changes in the amount of unrealised gains and losses on available-for-sale assets and financial assets measured at fair value through other comprehensive income (which changes are not included in profit/(loss)). The following table sets forth the components of the Group's shareholders' equity as of the indicated dates and should be read in conjunction with the Group's BRSA Financial Statements (including the notes therein) incorporated by reference into this Base Prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of 31 December		
	2021	**2022**	**2023**
		(TL thousands)	
Paid-in capital	4,200,000	4,200,000	4,200,000
Capital reserves	784,434	784,434	784,434
Other comprehensive income/expense items not to be recycled to profit or loss	1,852,255	4,561,421	15,299,688
Other comprehensive income/expense items to be recycled to profit or loss	7,191,703	19,914,049	23,453,042
Profit reserves	51,937,355	63,782,784	114,589,030
Profit/(loss)	14,015,592	59,396,697	86,374,997
Minority interest	319,516	484,735	920,327
Total shareholders' equity	**80,300,855**	**153,124,120**	**245,621,518**

For additional information on the Group's shareholders' equity, see note 5.2.14 in the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2023.

The following table summarises the components of the Group's total capitalisation using the shareholders' equity figures set forth above:

	As of 31 December		
	2021	**2022**	**2023**
		(TL thousands)	
Total shareholders' equity	80,300,855	153,124,120	245,621,518
Subordinated debt	10,911,505	15,068,843	23,010,071
Total Capitalisation	**91,212,360**	**168,192,963**	**268,631,589**

EXHIBIT C

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the consolidated financial position and results of operations of the Group covers the fiscal years ended 31 December 2021, 2022 and 2023. Unless otherwise specified, the financial information presented in this discussion has been extracted from the BRSA Financial Statements incorporated by reference herein without material adjustment. This section should be read in conjunction with such BRSA Financial Statements and (including the notes therein) the other financial information included in (including incorporated by reference into) this Base Prospectus (including the section entitled "Presentation of Financial and Other Information"). The BRSA Financial Statements incorporated by reference herein have been prepared in accordance with the BRSA Principles except for the general reserves recognised by the Group as described in "Presentation of Financial and Other Information" and "Risk Factors - Risks Relating to the Group and its Business - Other Group-Related Risks - Audit Qualification." For a discussion of current significant differences between IFRS and the BRSA Principles, see Appendix A ("Overview of Differences between IFRS and the BRSA Principles").

Certain information contained in the discussion and analysis set forth below and elsewhere in this Base Prospectus includes "forward-looking statements." Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. See the section entitled "Cautionary Statement Regarding Forward-Looking Statements."

The Group's financial condition and results of operations depend significantly upon the macroeconomic, political and regulatory conditions prevailing in Türkiye and prospective investors should consider the factors set forth under "Risk Factors – Risks Relating to Türkiye" and "Risk Factors – Risks Relating to the Group and its Business."

The discussion and analysis of the financial condition and results of operations of the Group in this Base Prospectus are based upon the BRSA Financial Statements incorporated by reference herein. The Group prefers to present its financial condition and performance on the basis of the BRSA Financial Statements as the Group has historically presented its financial statements to investors and potential investors using the BRSA Principles and uses such financials for regulatory requirements, and thus the Bank's management believes that providing BRSA financial data in this Base Prospectus will provide for a consistent presentation of the Group's financial performance.

Unconsolidated Compared to Consolidated Financial Statements

The operations of the Bank are undertaken both by the Bank directly and through its consolidated entities; *however*: (a) the Bank is the issuer of the Notes, (b) it is only the Bank that has any payment or other obligations in respect of the Notes and (c) no other member of the Group nor any other entity will have any responsibility for the Bank meeting its obligations under the Notes.

The Bank produces audited unconsolidated and consolidated annual BRSA Financial Statements and, for each of the first three fiscal quarters of a fiscal year, unaudited unconsolidated and consolidated quarterly BRSA Financial Statements. The BRSA Annual Financial Statements discussed in this section are principally the Group's versions. As of 31 December 2021, 2022 and 2023, the Bank had total assets of TL 758.9 billion, TL 1,152.2 billion and TL 1,930.1 billion, respectively, as compared to total assets of the Group of TL 850.5 billion, TL 1,303.6 billion and TL 2,201.7 billion, respectively, with unconsolidated total assets representing 89.2%, 88.4% and 87.7% of consolidated total assets, respectively. As of the same dates, the Bank had total liabilities of TL 678.9 billion, TL 999.5 billion and TL 1,685.3 billion, respectively, as compared to total liabilities of the Group of TL 770.2 billion, TL 1,150.5 billion and TL 1,956.1 billion, respectively, with unconsolidated total liabilities representing 88.1%, 86.9% and 86.1% of consolidated total liabilities, respectively.

For 2021, 2022 and 2023, the Bank had current period profit/loss from continued operations of TL 13.6 billion, TL 58.5 billion and TL 86.9 billion, respectively, as compared to current period profit/loss from continued operations of the Group of TL 13.6 billion, TL 58.5 billion and TL 86.9 billion, respectively, with unconsolidated current period profit/loss from continued operations representing 100.1%, 100.0% and 100.5% of consolidated current period profit/loss from continued operations, respectively.

For further information on the consolidated financial condition and results of operations of the Group, please see the BRSA Financial Statements of the Group incorporated by reference herein.

Significant Factors Affecting the Group's Financial Condition and Results of Operations

The Group's financial condition, results of operations and prospects depend significantly upon the macroeconomic, political and regulatory conditions prevailing in Türkiye as well as other factors. The impact of these factors might vary significantly in the future and many of these factors are outside the control of the Group. Prospective investors should (among other things) consider the factors set forth under "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors." The following describes the most significant of such factors since the beginning of 2021.

Turkish Economy and Political Developments

The Group's operations are primarily in Türkiye (or related to Turkish activities) and almost all of its operating income and net income are derived from its Turkish operations (including Turkish-related business for the Group's operations abroad). Accordingly, its results of operations and financial condition are and will continue to be significantly affected by Turkish political, regulatory and macroeconomic factors, including factors such as currency fluctuations, the Central Bank's monetary and regulatory policies, economic growth rates, inflation and fluctuations in interest rates in Türkiye. For additional information on political developments in Türkiye, see "Risk Factors - Risks Relating to Türkiye - Political Conditions - Political Developments."

The following table provides certain macroeconomic indicators for Türkiye, including real GDP growth, inflation rates and the Central Bank's overnight Turkish Lira policy rate for the indicated periods:

	As of or for the year ended 31 December		
	2021	2022	2023
Nominal GDP at current prices (TL millions)	7,256,142	15,011,776	22,623,744(5)
Real GDP growth in Turkish Lira	11.4%	5.5%	5.9%(5)
(Deficit)/surplus of consolidated budget/GDP(1)	(2.7)%	(0.9)%	5.4%
CPI(2)	36.1%	64.3%	64.8%
Producer Price Inflation(2)	79.9%	97.7%	44.2%
Central Bank overnight Turkish Lira borrowing interest rate, period-end	12.50%	7.50%	41.00%
Central Bank one week Turkish Lira repo rate/policy rate, period-end(3)	14.00%	9.00%	42.50%
Refinancing rate of the Central Bank, period-end	15.50%	10.50%	44.00%
Central Bank late liquidity window lending interest rate, period-end	18.50%	13.50%	47.00%
Central Bank weighted average cost of funding, period-end	14.00%	9.00%	42.50%
Depreciation of the Turkish Lira against the U.S. dollar(4)	(44.37)%	(28.71)%	(36.40)%
CPI-based real effective exchange rate appreciation (depreciation) (2003=100)	(23.0)%	(15.2)%	(0.5)%
Gross gold and international currency reserves, period-end (U.S. dollars, millions)	111,051	128,754	141,060

Sources: TurkStat (for nominal GDP at current prices, real GDP growth and inflation), Turkish Treasury, General Directorate of Public Accounts (for deficit/surplus of consolidated budget) and Central Bank (for reference overnight borrowing interest rate, refinancing rate, nominal appreciation (depreciation) of the Turkish Lira against the U.S. dollar, real effective exchange rate and total gross gold and international currency reserves).

(1) This figure is the sum of the budget deficit as of each month-end date for the 12-month period over the sum of the GDP amounts as of each quarter-end date for the four consecutive quarters ended on the last day of the applicable period.

(2) Annual percentage change of the applicable index.

(3) The Central Bank announces the weekly repo lending rate as the reference rate.

(4) Based upon the Turkish Lira indicative exchange rate for purchases of U.S. dollars announced by the Central Bank effective as of the last day of the period.

(5) For the 12 months through September 2023.

Since the beginning of 2021, economic conditions across emerging markets, including Türkiye, have been volatile as a result of several factors, including expectations regarding slower growth in China, the trade dispute between the U.S. and China, the expectation of (and actual) policy rate changes by the U.S. Federal Reserve, the strengthening of the U.S. dollar, the impact of the COVID-19 pandemic, the depreciation of the Turkish Lira, inflationary pressures starting in 2021 and then, in 2022, policy rate increases (and the expectation of further rate increases) and other tightening by the U.S. Federal Reserve and other central banks and the Russian invasion of Ukraine. See "-Global Economic Conditions" below. In addition, there has been considerable uncertainty regarding Türkiye's political and geopolitical conditions resulting from a variety of factors (see "Risk Factors - Risks Relating to Türkiye - Political Conditions - Political Developments" and "Risk Factors - Risks Relating to Türkiye - Political Conditions - Terrorism and Conflicts"), including changes in the governance and/or policies of the Central Bank.

Partially as a result of these factors, GDP growth in Türkiye has been volatile since the beginning of 2021, which has impacted the Group's growth and increased non-performing loans. Including due to the rebound from the impact of the COVID-19 pandemic both on Türkiye and globally in 2020, overall GDP growth for 2021 was 11.4%, principally driven by an increase in household consumption and strong contributions from the services and information and technology sectors. In

2022, GDP grew by 5.6%, which growth was primarily supported by private consumption, a rise in imports and an increase in finance and insurance activities and information and communication activities. There was strong growth in 2023, including in connection with the run-up to the May 2023 election; *however*, the level of growth in 2024 remains dependent upon global macroeconomic and geopolitical conditions and the successful implementation of Türkiye's economic policies.

It should be noted that though the Turkish Lira GDP results in nominal Turkish Lira terms are high, as the exchange rate of the Turkish Lira against the U.S. dollar varies (in some years, significantly), these reported changes in GDP would have been different (in some years, significantly different) were they determined in U.S. dollar terms (*e.g.*, in 2023, the Turkish Lira (using daily average exchange rates) depreciated by 36.4% against the U.S. dollar, which greatly exceeded the year's nominal GDP increase, resulting in a significant decline in the Turkish GDP in U.S. dollar terms notwithstanding the significant increase in Turkish Lira terms).

In 2021, the CPI inflation rate surged to 36.1%, reflecting primarily an increase in the prices of food, energy, consumer durables and transportation, which increases resulted from the depreciation of the Turkish Lira, the impact of disruptions in supply chains, the rise in government-administered prices and the reopening of the Turkish economy from COVID-19-related restrictions. In 2022, the CPI inflation rate was 64.27% and the domestic producer price inflation rate was 97.72% (it should be noted that this is the official inflation rate whereas other analysts have published different rates, in some cases significantly higher than the official rate), reflecting significant increases in the prices of food, energy and imported products as well as recent increases in interest rates as well as VAT and other consumption taxes. In 2023, the inflation rates were 64.77% and 44.22%, respectively. On 6 September 2023, the government's publication of the newest Medium Term Programme for the country's economy anticipated inflation of 33.0% and 15.2% in 2024 and 2025, respectively. On 8 February 2024, the Central Bank published an inflation report indicating an inflation forecast of 36.0%, 14.0% and 9.0% at the end of 2024, 2025 and 2026, respectively.

Although the EU-defined Turkish government debt level decreased considerably since 2001 and reached its lowest level with 27.2% of GDP in 2015, it then increased to 30.53% as of the end of the third quarter of 2023, and (although this remains well below the Maastricht criteria), Türkiye remains an emerging market and remains susceptible to a higher degree of volatility than more developed markets due to a number of factors (see "Risk Factors - Risks Relating to Türkiye").

Continuing high levels of unemployment might affect the Group's customers, which might impair its business strategies and/or have a material adverse effect on its business, financial condition and/or results of operations.

Impact on Asset Quality. NPLs are particularly sensitive to economic conditions and this remains a key area of focus for the Bank given its strong loan growth and macroeconomic conditions in Türkiye. As of 31 December 2021, 2022 and 2023, the Group's NPL ratio for its entire loan portfolio was 3.6%, 2.6% and 2.1%, respectively, with an NPL ratio for its retail loan portfolio of 2.3%, 1.9% and 2.2%, respectively, as of such dates and an NPL ratio for its commercial and corporate loan portfolio of 4.0%, 2.8% and 1.6%, respectively, as of such dates. In 2022, the change resulted primarily from strong collection performance and high levels of loan growth (and would have been higher absent the impact of NPL sales of TL 0.8 billion and write-downs of TL 7.6 million during the year). During 2023, the Group sold NPLs of TL 0.9 billion and had TL 13.7 billion of write-downs, accounting for a 1.05% decline in the NPL ratio (*i.e.*, the NPL ratio would have been higher by such amount had such write-offs not occurred).

In addition, a number of large corporate borrowers have restructured their loans due to financial pressures resulting from the economic volatility in Türkiye, including in particular foreign exchange conditions, and the Bank's management anticipates that further such restructurings and even defaults might occur in corporate and SME loans as conditions remain challenging for borrowers, which might lead to further material NPL inflows. In addition, conditions remain challenging for a number of other large corporate borrowers, which might lead to further material NPL inflows. Although no such loan has become non-performing or delinquent as of 31 December 2023, in the event such a loan or other loans become non-performing, or there is a slowdown in economic conditions, this might have a material adverse effect on the asset quality of Turkish banks, including the Bank.

As of 31 December 2023, restructured loans represented 34.1% of the total Stage 2 loans and had a 48.2% coverage ratio, which was higher than the 26.4% coverage ratio for all Stage 2 loans (thus including also such restructured loans) as of such date.

Changes to Turkish Banking Policy and Regulations

The Central Bank adjusts reserve requirement ratios as a policy tool at various times to reduce or encourage certain actions by the banking sector, including both deposit and lending activity and changes to the holding of securities (primarily Turkish government securities). For example, under a polity to simplify the regulatory environment in the second half of 2023, the Central Bank has removed certain requirements relating to the conversion of foreign exchange-denominated deposits and related securities maintenance regulation and reserve requirements. The adjustments in reserve requirement ratios have frequently been combined with changes in the Central Bank's interest rate and liquidity management policies, which directly influence the Group's deposit and lending rates and thereby impact margins and results of operations given the maturity mismatch between shorter term assets and longer-term liabilities (see "Risk Management – General - Liquidity Risk Management"). The Central Bank has also used unconventional policy tools from time to time, including the foreign exchange-protected Turkish Lira deposit scheme and various measures aimed at limiting loan pricing in 2022 and 2023, which have impacted the financial condition and profitability of the Turkish banking sector.

On 16 January 2020, the Central Bank decreased the policy rate by 75 basis points to 11.25% and then further reduced it on 19 February 2020 to 10.75%, on 17 March 2020 to 9.75%, on 22 April 2020 to 8.75% and on 21 May 2020 to 8.25%. These decreases were followed on 24 September 2020 by an increase to 10.25%, on 19 November 2020 by an increase to 15.00%, on 24 December 2020 by an increase to 17.00% and a further increase to 19.00% in March 2021; *however*, the Central Bank then made a 100 basis point reduction to 18.00% in September 2021, a further 200 basis point reduction to 16.00% in October 2021, an additional 100 basis point reduction to 15.00% in November 2021 and a further 100 basis point reduction to 14.00% in December 2021, all followed in 2022 with reductions to 13.00% on 18 August 2022, 12.00% on 22 September 2022, 10.50% on 20 October 2022, 9.00% on 24 November 2022 and 8.50% on 23 February 2023. After the presidential elections in May 2023, the Central Bank increased the rate to 15.00% and then raised it again in multiple steps to 45.00% as of 25 January 2024; *however*, such rate remains well below the level of inflation as of such date, thereby putting upward pressure on inflation. In addition to the gradual increase in the policy rate, the Central Bank has also introduced quantitative tightening and selective credit policies to support its monetary policy stance. As noted in "Risk Factors - Risks Relating to Türkiye - Economic Conditions – Inflation," there was a de-linking of market interest rates in Türkiye from Central Bank policy rates in 2022, which had various effects, including resulting in very positive returns on CPI-linked securities and increased profitability of Turkish banks in Turkish Lira terms. For more information on the Central Bank's interest rates, see "Interest Rates and Central Bank Policy."

Laws also are imposed or amended from time to time to require Turkish banks to adhere to certain restrictions on their lending to consumers, including with respect to credit cards. These regulatory changes might inhibit the growth of both interest and fee income for the Group. For examples of certain such requirements, see "Turkish Regulatory Environment - Consumer Loan, Provisioning and Credit Card Regulations."

Global Economic Conditions

The Bank's performance will continue to be influenced by conditions in the global economy. The outlook for the global economy (and particularly emerging markets) over the near to medium term remain challenging, which in turn might impact prospects for stabilisation and improvement of economic and financial conditions in Türkiye. A lack of improvement, or deterioration in these conditions, might have a material adverse effect on the Bank's business, financial condition and/or results of operations.

While the global economy recovered in 2021 from the COVID-19, growth in 2022 and 2023 was negatively impacted by the impact of the rate increases by the U.S. Federal Reserve and other central banks in response to elevated levels of inflation, with economic growth in the EU in particular stagnating in the second half of 2023. For further information on macroeconomic risk factors, see "Risk Factors - Risks Relating to the Group and its Business" and "Risk Factors - Risks Relating to Türkiye."

On 3 March 2020, the U.S. Federal Reserve implemented a 50 basis point emergency cut to address the evolving risks on the global economy posed by the COVID-19 coronavirus, which was followed on 16 March 2020 with a further 100 basis point reduction. As a result of rapid growth and supply disruptions as the impact of the pandemic was reduced, inflation accelerated throughout 2021 and 2022 and central banks and monetary policy turned towards tightening. For example, in November 2021, the U.S. Federal Reserve announced that it would reduce the monthly pace of its net asset purchases, and (in March 2022) increased its policy rate by 25 basis points and thereafter increased it various times.

Early in 2020, the impact of the COVID-19 coronavirus on global markets increased risks to global growth and financial markets, with significant negative impacts on Türkiye, the United States, the EU and most other jurisdictions throughout 2020 and continuing into 2021 and 2022. The economic slowdown initiated by the pandemic led the ECB to maintain an accommodative stance for the eurozone economy, including maintaining the policy that has been in place since 2011 of providing very accommodative interest rates; *however*, increases in inflationary pressures and growth resulted in the ECB reducing its emergency pandemic asset purchases, terminating them completely in March 2022, and increasing interest rates starting in July 2022. These and other key factors, such as geopolitical tensions, might have a material adverse impact on international financial markets and economic conditions and, in turn, the market's anticipation of these impacts might have a material adverse effect on the Turkish economy and the Bank's business, financial conditions and/or liquidity. In particular, these factors might disrupt payment systems, money markets, long-term and short-term fixed income markets, foreign exchange markets, commodities markets and equity markets and adversely affect the cost and availability of funding.

Loan Growth

In 2022, growth in Turkish Lira-denominated performing loans from the end of 2021 was 79.9%, in large part reflecting the significant inflationary environment since, as interest rates were below the inflation rate and economic activity remained strong, there was demand from both business and retail customers. In 2022, consumer loans (excluding credit card loans) increased by 41.9%, Turkish Lira-denominated business banking loans increased by 87.4% and credit card loans grew by 127.0% from 2021, before increasing again by 50.3%, 37.5% and 116.3%, respectively, in 2023. During 2022, the Bank gained market share among commercial banks in Turkish Lira-denominated loans, Turkish Lira-denominated business banking loans, SME loans, consumer general purpose loans and credit cards; *however*, the growth composition changed during 2023, with the Bank gaining market share among commercial banks in 2023 in Turkish Lira-denominated loans, Turkish Lira-denominated business banking loans and SME loans.

Growth in Turkish Lira-denominated loans in the last quarter of 2022, which also carried over into 2023, was significantly impacted by the regulatory environment, including the Central Bank's Liraisation strategy. In 2023, the growth in Turkish Lira-denominated performing loans was 59.1%, which was slightly above the sector growth of 53.3%. The growth remained strong in credit card loans and consumer loans, which increased by 116.3% and 50.3%, respectively, as of 31 December 2023 from the end of the previous year. As the regulatory price cap on Turkish Lira-denominated commercial loans gradually eased throughout 2023, the Bank adjusted its overall lending strategy accordingly while maintaining its SME-oriented growth strategy. As such, the growth in Turkish Lira-denominated commercial loans was 37.5% during 2023, which was slightly below the sector's growth of 38.9%.

With respect to foreign currency-denominated loans, these declined by 9.8% in 2022 due to redemptions and low demand; *however*, in 2023, foreign currency-denominated loans increased by 5.0% due largely to attractive spreads on export loans in the first quarter of 2023 (with demand for foreign currency-denominated loans thereafter being fairly muted).

As of 31 December 2023, total loans represented 55.3% of the Group's assets.

In December 2016, the Turkish government announced the KGF programme, which aimed to boost economic growth, support high potential companies that have difficulty accessing funding due to collateralisation constraints and help Turkish banks to grow by allowing 0% risk weight to be applied to the guaranteed portion of these loans. This programme has contributed significantly to the growth in Turkish Lira-denominated loans, including in each of 2021 and 2022 (but not 2023). See "Risk Factors – Risks Relating to the Group and its Business – Credit Risks – Counterparty Credit Risk" for additional information about the KGF programme.

Currency Exchange Rates

A significant portion of the Group's assets and liabilities is denominated in foreign currencies, particularly U.S. dollars and euro. The share of Turkish Lira-denominated assets and liabilities in the Group's balance sheet changed from 48.8% and 31.5%, respectively, as of 31 December 2021, 55.5% and 44.3%, respectively, as of 31 December 2022 and 58.7% and 51.6%, respectively, as of 31 December 2023. The increases in 2022 and 2023 in large part reflect the Central Bank's Liraisation strategy, by which the Central Bank implemented rules to encourage Turkish borrowers and lenders to use Turkish Lira-denominated loans.

While the Group monitors its net open position in foreign currencies (*i.e.*, the amount by which its foreign currency-denominated assets differ from its foreign currency-denominated liabilities) and each of the Bank and the Group is required to comply with foreign currency net open position limits promulgated by the BRSA, each of the Bank and the Group has maintained (and likely will continue to maintain) gaps between the balances of its foreign currency assets and liabilities. A bank's limit imposed by the BRSA is defined as an amount plus/minus 20% of the total capital used in the calculation of such bank's regulatory capital adequacy ratios. The Group's and the Bank's foreign currency net long open position ratios were 18.2% and 16.7%, respectively, as of 31 December 2021, 5.7% and 4.6%, respectively, as of 31 December 2022 and 9.5% and 9.3%, respectively, as of 31 December 2023.

The Group had a net long open foreign currency position (including both on and off balance sheet positions) of US$1,318 million as of 31 December 2021, US$532 million as of 31 December 2022 and US$883 million as of 31 December 2023. In 2022 and 2023, derivative transactions were the primary factor in the continuing large net open foreign currency positions, with the Group hedging its balance sheet against the possibility of the continued depreciation of the Turkish Lira. The Group utilises swaps opportunistically to manage its funding cost, including (in times of excess foreign currency liquidity) utilising swaps when market conditions are attractive to create additional Turkish Lira liquidity instead of further competing for Turkish Lira deposits.

The following table provides the Group's net open position in different currencies as of the indicated dates:

	As of 31 December		
	2021	2022	2023
		(millions)	
U.S. dollars	$215	$(87)	$167
Euro[1]	€616	€226	€301
Other currencies[2]	$404	$377	$382
Total net foreign currency position[1][2][3]	**$1,318**	**$532**	**$883**

(1) For the convenience of the reader, the total amounts of euro have first been converted into Turkish Lira by using the rates announced by the Bank as of the last day of the applicable period and were then converted into U.S. dollars based upon the TL/$ exchange rate as of such dates.

(2) For the convenience of the reader, the total amounts of other currencies have first been converted into Turkish Lira by using the rates announced by the Bank as of the last day of the applicable period and were then converted into U.S. dollars based upon the TL/$ exchange rate as of such dates.

(3) The positions indicated are net of the effects of hedging transactions and other off-balance sheet positions.

The Group translates its foreign currency-denominated assets and liabilities, as well as interest earned or paid on such assets and liabilities, and gains or losses realised upon the sale of such assets, into Turkish Lira in preparing its financial statements at the foreign exchange rate as of the balance sheet date. As a result, the Group's reported income is affected by changes in the value of the Turkish Lira with respect to foreign currencies. The overall effect of exchange rate movements on the Group's results of operations depends upon the successful implementation of the Group's hedging strategies as well as upon the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies, particularly if such depreciation or appreciation is of a larger scale than anticipated. The Group generally seeks to be fully hedged in terms of foreign exchange exposures; *however*, depending upon market conditions, it may prefer to carry certain open positions through spot or derivative foreign exchange transactions. In such cases, exposures are managed with hedges subject to the limits set by the management of the Bank and its subsidiaries and applicable BRSA legal limits. Recent regulatory changes for foreign currency transactions have aimed to preserve financial stability (*e.g.*, limiting the utilisation of foreign currency-denominated loans to exporters who have a natural foreign currency hedge and restricting the types of business contracts that can be executed in foreign currencies); *however*, the impact of these changes on the Group has been limited.

Currency volatility has been managed by the Group's reasonably balanced foreign currency position and hedging strategy. The Group had (after considering the Group's hedging strategy and other off-balance sheet positions) net foreign exchange and derivatives losses of TL 1,673,933 thousand in 2021, losses of TL 8,701,043 thousand in 2022 and gains of TL 31,639,384 thousand in 2023, which results were principally derived from swaps. See also "Operating Income - Other Operating Income" and "Other Operating Expenses" in "Analysis of Results of Operations for the years ended 31 December 2021, 2022 and 2023."

Exchange rate movements can also have an effect on the Turkish Lira-equivalent value of the Group's foreign currency-denominated assets, liabilities and capital, which can affect capital adequacy either positively (for example, if the Turkish Lira appreciates, then assets in foreign currencies translate into fewer Turkish Lira in the calculations of capital adequacy ratios and thus increase the capital adequacy ratios) or negatively (for example, if the Turkish Lira depreciates, then assets in foreign currency translate into more Turkish Lira in the calculations of capital adequacy ratios and thus reduce the capital adequacy ratios). As a result of the 44.37% depreciation of the Turkish Lira against the U.S. dollar in 2021, the Turkish Lira-equivalent value of the Group's foreign currency-denominated assets, liabilities and capital increased significantly in 2021, with a similar experience in 2022 and 2023 as a result of the 28.71% and 37.40%, respectively, depreciation of the Turkish Lira against the U.S. dollar. See "– Capital Adequacy" below and "Risks Relating to Türkiye - Economic Conditions" and "Risks Relating to Türkiye - Turkish Regulatory and Other Matters - Banking Regulatory Matters."

Interest Rates and Central Bank Policy

One of the primary factors influencing the Group's profitability is the level of short-term interest rates in Türkiye (including both policy rates and market rates, which have been further impacted by market expectations regarding inflation and foreign exchange rates), which affects the return on its securities portfolio and its loan and deposit rates. Turkish Lira-denominated treasury bills and bonds sold through public auction had average compound interest rates of 14.64%, 16.96% and 11.46% in 2021, 2022 and 2023, respectively. Interest rates earned and paid on the Group's assets and liabilities reflect, to a certain degree, current inflation, expectations regarding inflation, shifts in short-term interest rates set by the Central Bank and movements in long-term real interest rates. The fluctuations in short-term and long-term interest rates impact the Group's net interest income differently based upon the repricing profile of the Group's interest-earning assets and interest-bearing liabilities. As of 31 December 2023, 13.1% of the Bank's Turkish Lira-denominated cash loan portfolio carried a floating interest rate (11.3% and 11.0%, respectively, as of 31 December 2021 and 2022).

The degree of the Group's exposure to interest rate risk is largely a function of the relative tenors of its interest-earning assets and interest-bearing liabilities, its ability to reprice (and the timing of any such repricing of) its interest-earning assets and interest-bearing liabilities (*e.g.*, whether their interest rates are determined on a fixed or floating basis) and its ability to hedge against interest rate risk.

Because the Group's interest-bearing liabilities (principally deposits) generally reprice faster than its interest-earning assets, changes in the short-term interest rates in Türkiye are generally reflected in the rates of interest paid by the Group on its liabilities before such interest rates are reflected in the rates of interest earned by the Group on its assets. Therefore, when short-term interest rates fall, the Group is both positively affected (for example, the value of its fixed rate securities portfolio might increase and its interest margins might improve), but can also be negatively impacted (for example, through the decline in net interest margins on assets (such as new loans) funded by relatively low interest rate deposits, including demand deposits). On the other hand, when short-term rates increase, the Group's interest margin is generally negatively affected as it will generally pay higher interest rates on its interest-bearing liabilities before it can modify the rates of its interest-earning assets. Starting from July 2019, the Central Bank made cuts to the policy rate until September 2020, which resulted in lower funding costs; *however*, the rates then increased materially until March 2021 (to 19.00%) due to the monetary tightening policy of the Central Bank, which lead to an increase in interest paid on interest-bearing liabilities. As rates were again reduced in the latter part of 2021 and through 2022, the Group benefitted by obtaining reduced funding costs and improved margins, particularly as market interest rates on loans and securities were de-linked from policy rates. An increase in long-term rates generally has at least a short-term negative effect on the Group's net interest margin because its interest-earning assets generally have a longer repricing duration than its interest-bearing liabilities and because a portion of its interest-earning assets have fixed rates of interest.

Notwithstanding that general result, the first half of 2023 saw an increased lack of correlation between the policy rate and actual funding costs due to rapid changes in the regulatory environment and the Central Bank's Liraisation strategy, which increased Turkish Lira deposit costs due to increased competition among Turkish banks. On the other hand, the resultant volatility in the market, which was also impacted by the lead-up to the May 2023 elections, enabled the Bank to reduce its duration gap significantly in order to prepare its balance sheet for potential increases in the policy rate after the election. After the elections, the Central Bank gradually increased the rate to 42.5% as of the end of 2023. In addition, although many regulatory measures were eased by the Central Bank following the election, new ones that incentivise Liraisation (specifically to require exit from the foreign currency-protected deposit scheme) were introduced, with respect to which the Turkish banking sector (including the Bank) increased the interest rate paid on Turkish Lira deposits in order to encourage customers to switch to standard Turkish Lira time deposit from foreign currency deposits.

Due to an increasing trend in inflation, income from CPI-linked securities increased in 2022 and 2023 (the CPI used in the determination of the Group's CPI-linked securities was 19.9%, 85.5% and 61.4% in 2021, 2022 and 2023, respectively), serving as a hedge in an inflationary environment. As of 31 December 2021, 2022 and 2023, 40.2%, 41.0% and 46.8%, respectively, of the Group's securities portfolio consisted of CPI-linked securities.

Interest rates are expected to remain volatile as a result of factors generally affecting emerging markets as well as domestic economic and political conditions in Türkiye. See "-Turkish Economy" above and "Risk Factors - Risks Relating to the Group and its Business - Market Risks - Interest Rate Risks."

As noted above, the Central Bank has adjusted reserve requirement ratios as a policy tool at various times in the past several years to reduce or encourage certain actions by the banking sector, including both deposit and lending activity. For example, on 19 August 2019, the Central Bank decided to revise the reserve requirement ratios for Turkish Lira liabilities of banks whose annual loan growth (to be calculated according to the procedures and principles determined by the Central Bank) is between 10% and 20% of the sum of their loans of a standard nature and loans under close monitoring (calculated in Turkish Lira) (excluding foreign currency-indexed loans and loans extended to banks). Accordingly, the reserve requirement ratio for such liabilities is set at 2% in all maturity brackets, excluding: (a) deposits and participation funds with one year or longer maturity (excluding deposits/participation funds obtained from banks abroad) and (b) other liabilities with a longer than three year maturity (including deposits/participation funds obtained from banks abroad). Such reserve requirement ratios are applied for a nine-month period after the calculation period, which will be determined by the Central Bank.

On 26 March 2019, the Central Bank started to execute short-term U.S. dollar/Turkish Lira swap transactions (where the Central Bank borrows U.S. dollars and lends Turkish Lira) with local banks in order to limit the impact of the tight liquidity of the Turkish Lira (before this date, the Central Bank had only been executing swap transactions with local banks where it lent foreign currency and borrowed Turkish Lira).

On 24 February 2021, the Central Bank: (a) increased Turkish Lira reserve requirement ratios by 200 basis points for all liability types and maturity brackets, (b) revised portions of the Turkish Lira reserve requirements that Turkish banks are permitted to maintain in U.S. dollars and standard gold and (c) revised to 13.50% the remuneration rate for Turkish Lira-denominated required reserves. On 1 July 2021, the Central Bank: (i) reduced the maximum percentage of Turkish Lira reserves it can allow to be held in U.S. dollars from 20% to 10% and terminated the option of Turkish banks to maintain a portion of the Turkish Lira reserve requirements in U.S. dollars as of 1 October 2021, (ii) increased the reserve requirement ratios for foreign currency-denominated deposits and participation funds by 200 basis points for all maturity brackets and (iii) started to apply remuneration rates from 13.5% to 19.0% *per annum* for Turkish Lira-denominated reserves of banks depending upon certain conditions, each of which changes became effective from the calculation date of 6 August 2021 (with the maintenance period starting on 19 July 2021). On 15 September 2021, the Central Bank increased reserve requirement ratios for foreign currency-denominated deposits and participation funds and precious metals deposit accounts by 200 basis points for all maturity brackets effective as of 17 September 2021. On 9 November 2021, the Central Bank: (A) further reduced the maximum percentage of Turkish Lira reserves it would allow to be held in standard gold from 15% to 10% and announced that the facility for holding standard gold for Turkish Lira reserve requirements will be gradually decreased and eventually terminated and (B) increased the reserve requirement ratios for foreign currency deposits/participation funds by a further 200 basis points for all maturity brackets effective from the calculation date of 12 November 2021 (with the maintenance period starting on 28 October 2021).

On 23 April 2022, the Central Bank amended the Communiqué Regarding Reserve Requirements (effective as of 29 April 2022) to require Turkish banks to establish mandatory reserves for their Turkish Lira-denominated commercial cash loans; *provided* that the following are excluded: (a) loans provided to SMEs, tradesmen, financial institutions and/or certain governmental authorities and their subsidiaries and (b) export and investment loans, agricultural loans and corporate credit cards. With respect to such amendments (as further amended on 10 June 2022), banks are required to reserve 20% of the relevant commercial loans (as calculated on the last Friday of every four-week period) for a maintenance period of four weeks. In addition, as a provisional application, banks with a growth rate in loans subject to reserve requirements above 20% as of 31 May 2022 compared to 31 December 2021 were required to maintain mandatory reserves between 10 June 2022 and 24 November 2022 at a rate of 20% of the difference between their existing such loan balances on 30 June 2022 and 31 December 2021. See also "Turkish Regulatory Environment – Liquidity and Reserve Requirements" with respect to certain other actions taken since the beginning of 2022.

Such adjustments have had, and are likely to continue to have, an impact on the Group's results of operations and financial condition.

The Group's balance sheet structure provides a partial hedge against short- to medium-term interest rate movements. Lower interest rates, together with economic stability, support loan growth and NPL collections. Higher interest rates, on the other hand, have a positive effect on yields on securities, since a significant portion of the Group's securities have a variable interest rate, which partly mitigates higher deposit costs and slowing loan growth. The Group's senior management seeks to proactively change the mix of the Group's variable and fixed rate assets and liabilities depending upon market conditions and expectations, while bearing in mind market trends and the Group's risk management policies, to minimise risk and maintain a balanced composition of assets and liabilities.

The following table provides the Bank's net interest margin and average spread for the indicated periods:

	2021	2022	2023
Net interest margin	6.7%	11.1%	6.2%
Turkish Lira assets	9.8%	16.5%	6.6%
Foreign currency assets	2.2%	2.3%	5.5%
Average spread			
Turkish Lira assets/liabilities	1.7%	9.1%	2.1%
Foreign currency assets/liabilities	2.7%	3.2%	3.3%

The following table provides the Group's net interest margin and average spread for the indicated periods:

	2021	2022	2023
Net interest margin	6.5%	9.1%	5.4%
Average spread	3.3%	5.3%	(1.4)%

In 2022, the net interest margin increased to 9.1% from 6.5% in 2021, reflecting that lending growth in the first half of 2022 was predominantly short-term (with an average maturity of less than one year) and thus repriced quickly in an increasing interest environment until the Central Bank started reducing rates in the final months of the year. In 2023, the net interest margin declined to 5.4%, reflecting the increased funding costs (due in part to strong competition for deposits).

Significant Securities Portfolio

The Group has historically generated a significant portion of its interest income from its securities portfolio, with interest income on the Group's securities portfolio in 2021, 2022 and 2023 accounting for 17.0%, 31.3% and 23.1%, respectively, of its total interest income and 11.5%, 22.5% and 14.9%, respectively, of its total operating profit before deducting interest expense and fees and commissions. The CPI-linked securities in the Group's investment securities portfolio provided high real yields compared to other government securities in each of such periods, benefitting from the high inflation environment, but their impact on the Group's earnings might vary as inflation rates change.

The Group has also experienced large realised and unrealised gains and losses from the mark-to-market valuation and sale of securities, the results for which showed losses representing 20.2% of the Group's other operating income in 2021, gains representing 9.4% of the Group's other operating income in 2022 and gains representing 1.1% of the Group's other operating income in 2023. In addition, the Group experienced meaningful trading income in 2022 and 2023 as a result of increased foreign exchange trading by customers due to the volatility in the Turkish Lira.

While the contribution of income from the Group's securities portfolio (including interest earned, trading income and other income) has been significant over the past three fiscal years, the Group expects that while interest income on the securities portfolio will continue to contribute to net operating profit, it will likely be lower in 2024 compared to 2023 due to a decline in inflation. As of 25 January 2024, the Bank's management expects that (in the short- to medium-term) the relative size of the Bank's securities portfolio compared to its total assets will likely remain fairly stable.

The Group's securities portfolio principally contains Turkish government debt securities, with more limited holdings of other securities such as corporate and foreign government debt securities. The Group's investment securities portfolio (which: (a) excludes its financial assets measured at fair value through profit or loss and (b) includes: (i) financial assets measured at fair value through other comprehensive income and (ii) financial assets measured at amortised cost) represented 11.3%, 15.3% and 14.4%, respectively, of the Group's total assets as of 31 December 2021, 2022 and 2023. The recent increases in the Group's securities portfolio were largely due to the introduction of regulations requiring Turkish banks to hold Turkish government securities (*e.g.*, the Bank's share of Turkish Lira deposits in its retail and commercial deposits were (separately) below 60%, which required the Bank to purchase long-term fixed rate Turkish government securities); *however*, some of these regulations (*e.g.*, the Bank's share of Turkish Lira deposits in its retail and commercial deposits (separately)) were, at the end of October, changed to require the payment of a commission instead of holding Turkish government securities. The Bank's management actively manages the Bank's balance sheet composition to seek to minimise the impact of these regulations related additions and improve its net interest margin, which management has enabled the share of the Group's investment securities portfolio in its total assets to remain fairly constant and allow the Group to continue its focus on cash loan lending.

TFRS 9 provides for a forward-looking expected credit loss ("*ECL*") approach. See note 3.8 in the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2023. Therefore, the Group recognises expected credit losses at initial recognition for all financial assets measured at fair value through other comprehensive income (excluding equity instruments) and financial assets measured at amortised cost.

Provisions for Expected Credit Losses

The Group's financial results can be significantly affected by the amount of provisions for expected credit losses. In 2022, the Group's provisions for losses on loans and other receivables increased 24.1% to TL 26,005,040 thousand from TL 20,955,773 thousand in 2021; *however*, the NPL ratio decreased to 2.6% from 3.6%, which decline was principally the result of the limited NPL inflows compared to the high growth in loans and TL 12.0 billion in write-downs (with write-downs accounting for 1.46% of the decline). See "Turkish Regulatory Environment - Expected Credit Losses."

In 2023, the Group's provisions for losses on loans and other receivables were TL 39,154,209 thousand and the NPL ratio further declined to 2.1% as of 31 December 2023. As with 2022, this decline was due to limited NPL inflows during a time of high growth in loans and TL 13.7 billion in write-downs (write-downs reduced the NPL ratio by 1.05%).

The Bank's management has taken additional provisions in the form of general reserves, which the Bank's management has implemented in accordance with the conservatism principle; *however*, all of such reserves were reversed in 2023. See "Risk Factors – Risks Relating to the Group and its Business – Other Group-Related Risks – Audit Qualification."

The Group is unable to deduct general reserves from its taxable income, and thus an increase in general reserves increases the Group's effective tax rate.

The Bank's management elected to allocate TL 330,000 thousand in general reserves in 2009 in order to act conservatively in the context of the uncertainty created by the global financial crisis. The Bank's management revised these reserves over the years, including increasing them by TL 2,850,000 thousand in 2021 (to TL 7,500,000 thousand) and by TL 500,000 thousand in 2022 (to TL 8,000,000 thousand), in each case due to the possible effects of negative circumstances that might arise in the economy or in market conditions. During 2023, the Bank's management (in light of the normalisation of the macro-economic conditions after the May 2023 elections) reversed all of such general reserves. Each of EY and KPMG has qualified its report included in the applicable BRSA Financial Statements incorporated by reference into this Base Prospectus because general reserves are not permitted under the BRSA Principles. See "Risk Factors – Risks Relating to the Group and its Business – Other Group-Related Risks – Audit Qualification."

Critical Accounting Policies

The Group's accounting policies are integral to understanding its financial condition and results of operations presented in the BRSA Financial Statements. The Group's critical accounting policies under the BRSA Principles as of and for the year ended 31 December 2023 are described in the notes to the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2023 (critical accounting policies for BRSA Financial Statements for other accounting periods being set forth in the notes in the applicable BRSA Financial Statements).

In the application of the Group's critical accounting policies, the management is required to make judgments, estimates and assumptions about future conditions. The use of available information and the application of judgment are inherent in the formation of estimates. The Group's critical accounting policies are those that are most important to the portrayal of its financial condition and results of operations and that require the Group to make its most difficult and subjective judgments, often as a result of a need to make estimates of matters that are inherently unpredictable. The Bank's management believes that, as of 25 January 2024, the Group's critical accounting policies where judgment is necessarily applied are those related to expected credit losses, business model assessment, a significant increase in credit risk, the establishment of groups of assets with similar credit risk characteristics, models and assumptions used, establishing the number and relative weightings of forward-looking scenarios and determining the forward looking information relevant to each scenario, probability of default, loss given default, fair value measurement and valuation process, valuation of defined benefit plans and income taxes. Management bases its estimates and judgments upon historical experience and various other factors that the Bank's management believes to be reasonable under the circumstances. The Group's actual results might differ significantly from these estimates under different assumptions, judgments and conditions.

The policies related to the critical accounting judgments are outlined below. All other significant accounting policies that are necessary for a fair presentation of the Group's financial condition and results of operations are presented in Section Three of the notes in the applicable BRSA Financial Statements.

Classification of financial assets

Financial assets comprise cash, contractual rights to obtain cash or another financial asset from or to exchange financial instruments with a counterparty, or capital instrument transactions with a counterparty. They have the ability to affect and diminish the liquidity, credit and interest rate risks in the Group's financial statements. The rules that apply to the classification of financial assets under TFRS 9 are described below.

Classification and measurement of financial assets. According to TFRS 9 requirements, the classification and measurement of a financial asset depends upon: (a) the business model within which such financial asset is managed and (b) the contractual cash flow characteristics of such financial asset. Each of the categories of financials assets under TFRS 9 is described below.

Financial assets measured at fair value through profit or loss: Financial assets measured at fair value through profit or loss are financial assets that are either acquired to generate profit from short-term fluctuations in their prices or are financial assets included in a portfolio that has been created to realise short-term profit. Financial assets measured at fair value through profit or loss are initially recognised at fair value and are thereafter remeasured at their fair value. All gains and losses arising from these valuations are reflected in the Group's income statement.

Financial assets measured at fair value through other comprehensive income: In addition to financial assets within a business model for which there is an intention of holding to collect contractual cash flows and to sell, financial asset with contractual terms for which expected cash flows are solely payments of principal and interest at certain dates are classified as financial assets measured at fair value through other comprehensive income. These financial assets are recognised by adding transaction cost to acquisition cost, the sum of which represents the initial fair value of the financial asset. After their initial recognition, financial assets measured at fair value through other comprehensive income are remeasured at their fair value. Interest income, calculated with the effective interest rate method, arising from financial assets measured at fair value through other comprehensive income and dividend income from equity securities are recorded under the Group's income statement. "Unrealised gains and losses" arising from the difference between the amortised cost and the fair value of financial assets measured at fair value through other comprehensive income are not reflected in the Group's income statement until the acquisition of the financial asset, sale of the financial asset, disposal of the financial asset and impairment of the financial asset and they are accounted under the "Accumulated other comprehensive income or expense to be reclassified through profit or loss" line item under shareholders' equity. When these securities are collected or disposed of, the accumulated fair value differences reflected in the equity are reflected to the Group's income statement.

Equity securities that have a quoted market price in an active market and the fair value of which can be reliably measured are carried at fair value and classified as financial assets measured at fair value through other comprehensive income. Equity securities that do not have a quoted market price in an active market and the fair value of which cannot be reliably measured are carried at cost less provision for impairment.

Financial assets measured at amortised cost: Financial assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortised cost. Financial assets measured at amortised cost are initially recognised at their acquisition cost, including the transaction costs, which reflect the fair value of those financial assets, and then are subsequently recognised at amortised cost by using the effective interest rate method. Interest income obtained from financial assets measured at amortised cost is accounted in the Group's income statement.

Loans: Loans are financial assets that have fixed or determinable payment terms and are not quoted in an active market. Loans are initially recognised at acquisition cost *plus* transaction costs, which represent their initial fair value, and are thereafter measured at amortised cost using the effective interest rate method. Group loans and receivables are initially carried at cost value. Group loans are measured at amortised cost using an internal rate of return. Short-term and long-term loans are grouped as uncollateralised or collateralised, foreign currency-denominated loans are initially recognised in their original currency and revalued thereafter using the applicable foreign exchange buying rate of the Group. Foreign exchange-indexed loans are revalued in Turkish Lira by the applicable foreign exchange buying rate of the Group at the date they are revalued. Repayments of these loans are calculated in Turkish Lira terms by applying the applicable foreign exchange selling rate of the Group at the repayment date. The Group's loans are recognised under the "measured at amortised cost" account.

Explanations for expected credit loss provisions: The main principle of the expected credit loss model is to reflect the general outlook of deterioration or improvement in the credit quality of financial assets. The amount of expected credit losses, known as loss provision or provisions, varies according to the credit risk. There are two measurements according to the general approach:

- a 12-month expected loss provision (Stage 1) applies to all assets unless there is a significant deterioration in the credit quality, and

- a lifetime expectation loss (Stage 2 and Stage 3) is applied when there is a significant increase in credit risk or there is observed evidence of impairment.

Impairment. The Group recognises provisions for impairment of its financial assets in accordance with TFRS 9 requirements according to the Classification of Loans and Provisions Regulation. In this framework, the method of calculating provisions for impairment as set out in accordance with the relevant laws was replaced by the expected credit loss model under TFRS 9. The expected credit loss model includes financial assets that are measured at amortised cost or at fair value in other comprehensive income (such as bank deposits, loans and securities), financial lease receivables that are not measured at fair value through profit or loss, credit commitments and financial guarantee contracts. The guiding principle of the expected credit loss model is to reflect the increase in the credit risk of financial assets or the general view of the recovery thereon. The amount of allowance for an expected credit loss depends upon the degree of the increase in credit risk since the initial allocation of the loan. Expected credit loss for a financial asset is an estimate of the expected credit losses over the life of such financial instrument.

Hedge Accounting

TFRS 9 introduced hedge accounting rules aiming for alignment with risk management activities; *however*, TFRS 9 allows companies to defer application of TFRS 9 hedge accounting rules and instead choose to continue applying hedge accounting provisions of TAS 39 as a policy choice. Accordingly, as of 16 February 2024, the Bank and its financial subsidiaries continue to apply hedge accounting in accordance with TAS 39.

Impairment of Financial Assets and Expected Credit Losses

The Group's accounting policy for losses/expected credit losses arising from the impairment of customer loans and other financial assets is described in note 3.8 of the Group's BRSA Financial Statements as of and for the year ended 31 December 2023. Under TFRS 9, the measurement of impairment losses across all categories of financial assets requires judgment, in particular, the estimation of amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information, which is based upon assumptions for future movement of different economic drivers and how these drivers will affect each other. These estimates are driven by a number of factors, changes in which might result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

The Group reviews its financial assets as of each balance sheet date to determine whether there is objective evidence of impairment. If there is objective evidence that the Group will not be able to collect all amounts due (principal and interest) according to the original contractual terms of a loan, then the loan is considered impaired and classified as an "NPL." Under TFRS 9, Stage 3 (credit-impaired) loans are classified as NPLs. The Group considers an asset to be in default in the following two conditions:

(a) *Objective Default*: There is an objective default if the debt is past due more than 90 days, and/or

(b) *Subjective Default*: There is a subjective default if a debt is unlikely to be paid regardless of the existence of any past-due amount or the number of days past due.

Accordingly, if there is either an objective default or a subjective default, then the Group considers a financial asset to be defaulted and therefore classifies it as a Stage 3 (credit-impaired) financial asset.

The allowance for a loan is measured as the difference between the loan's carrying amount and the present value of expected future cash flows discounted at the loan's original effective interest rate, including any probable foreclosure of collateral. Impairment and uncollectibility are measured and recognised individually for loans and receivables that are individually significant, and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired.

Any expected credit loss assessment is performed either on a collective basis or an individual basis. Collective assessment is applied for segments defined on the basis of similar risk characteristics. On the other hand, individual assessment is performed for loans that are individually significant and exhibit specific characteristics. Accordingly, certain commercial and corporate loans are individually assessed. Calculations are performed by discounting the expected cash flows for the individual financial instrument to its present value using the effective interest rate.

See also the discussion under "Significant Factors Affecting the Group's Financial Condition and Results of Operations – Provisions for Expected Credit Losses" for further risk assessment of the Group regarding expected credit losses and "Selected Statistical and Other Information – Summary of Loan Loss Experience" below for classification of the Group's loan portfolio and provisions.

Fair Value of Securities

The Group's securities are classified as either financial assets measured at fair value through profit or loss or investment securities (which include both financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost). Financial assets measured at amortised cost are recorded at their acquisition cost and measured at amortised cost calculated as per the effective interest rate method and financial assets measured at fair value through other comprehensive income (which collectively represented 56.2%, 43.5% and 31.1%, respectively, of the Group's total securities portfolio as of 31 December 2021, 2022 and 2023) were recorded at fair value, with changes in fair value being recorded in income (for the trading portfolio and where there is an impairment or sale of financial assets measured at fair value through other comprehensive income) or shareholders' equity (for mark-to-market movements in financial assets measured at fair value through other comprehensive income).

The following table sets out the distribution of the Group's securities recorded at fair value as of each of the indicated dates:

	31 December		
	2021	2022	2023
		(TL thousands)	
Financial assets measured at fair value through profit or loss (net) (excluding derivative financial assets held for trading)	3,355,094	5,712,575	8,534,839
Financial assets measured at fair value through other comprehensive income	55,746,298	88,928,400	101,575,253
Total	**59,101,392**	**94,640,975**	**110,110,092**

Fair value is defined as the value at which a position could be closed out or sold in a transaction with a willing and knowledgeable unrelated party (without any deduction for transaction costs). The Bank estimates fair value using quoted market prices when available. When quoted market prices are not available, the Bank uses a variety of models that include dealer quotes, pricing models and quoted prices from instruments with similar characteristics or discounted cash flows. The determination of fair value when quoted market prices are not available involves judgment by the Bank's senior management as to whether the change in the value of a security is "other-than-temporary."

There is often limited market data to rely upon when estimating the impact of holding a large or aged position. Similarly, judgment must be applied in estimating prices when no external parameters exist. Other factors that can affect the estimates include incorrect model assumptions and unexpected correlations. The imprecision in estimating these factors might affect the amount of revenue or loss recorded for a specific asset or liability. As of 31 December 2023, the Group held financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income for which it could not use market prices or observable market inputs to determine fair value representing 0.01% of its total assets.

In addition to the financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income, the Group also monitors the fair value of its financial assets measured at amortised cost to determine whether a decline in their fair value reflects that a write-down would be appropriate, which occurs if such a decline represents a loss event as described in Note 3.8 of the Group's BRSA Financial Statements as of and for the year ended 31 December 2023. Factors that are used by the Group's management in determining whether a decline is other than temporary and represents a loss event include the credit quality of the issuer, the conditions of the issuer's operations and business segments, the observed period of the loss, the degree of the loss and management's expectations. The Group calculates expected credit losses at initial recognition for all financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income that have not yet experienced a loss event.

Derivatives

The Group enters into transactions with derivative instruments, including forward contracts, swaps and options in the foreign exchange and capital markets. For example, the Group enters into interest rate swap transactions in order to hedge certain cash flow and currency exposures primarily on floating rate assets and liabilities through converting its floating rate income/payments into fixed rate income/payments. These derivative transactions are considered as effective economic hedges under the Group's risk management policies but (other than transactions in which the hedge accounting relationship is evidenced), if they do not qualify for hedge accounting under the specific provisions of TAS 39, then they are treated as derivatives held-for-trading. Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently are remeasured at their fair value.

The fair value of derivative instruments is based upon their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, then the fair value of a derivative is estimated using the available market information and the appropriate valuation methodologies; *however*, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates made are not necessarily indicative of the amounts that could be realised in a current market exchange.

The fair value of a derivative that is not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract as of the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties. All derivatives are carried as assets when fair value is positive and recorded in the balance sheet under "derivative financial assets measured at fair value through profit or loss" and as liabilities when fair value is negative and recorded in the balance sheet under "derivative financial liabilities measured at fair value through profit or loss." For derivatives that do not qualify for special hedge accounting (which are held for trading purposes instead), any gains or losses arising from changes in fair value are taken directly to income for the period as a component of "trading income/losses (net)" whereas gains and losses on derivative financial assets held for cash flow hedges are reflected directly as a separate component of shareholders' equity and reclassified to income when the hedged transaction is settled. TFRS 9 permits to defer application of TFRS 9 hedge accounting and continue to apply hedge accounting in accordance with TAS 39 as a policy choice. Accordingly, the Group has continued to apply hedge accounting in accordance with TAS 39 in this context.

Defined Benefit Plan

As described in "Management – Compensation – Pension Plans," the Bank has a defined benefit plan for its Turkish employees (*i.e.*, the Defined Benefit Fund described therein). As described therein, certain of the assets and obligations of the Defined Benefit Fund are subject to transfer to the Social Security Institution of Türkiye (*Türkiye Cumhuriyeti Sosyal Güvenlik Kurumu*) (the "*SSF*") and the SSF is required to collect the unfunded portion (if any) from the employee benefit funds and the banks employing the relevant fund participants, which will be severally liable, in annual instalments to be paid over a period of up to 15 years. If there is a shortfall at the time of the transfer of the Defined Benefit Fund (as determined by the SSF), then the Bank would be liable to make the supplemental payments described above for 15 years.

The excess benefits, which are not subject to the transfer to the SSF, are accounted for in the Group's BRSA Financial Statements in accordance with TAS 19 ("Employee Benefits"). The obligation in respect of this retained portion of the benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, which benefit is discounted to determine its present value by using the projected unit credit method, and any unrecognised past service costs and the fair value of any plan assets are deducted.

Taxation

Income tax is calculated on the basis of taxable income as calculated by applicable tax laws, which differ in certain material respects from the BRSA Principles. The Group's effective tax rate was 27.0% for 2021, 24.0% for 2022 and 19.0% for 2023, respectively. In preparing its financial statements, the Group is required to estimate taxes on income, which involves an estimation of current tax expenses together with an assessment of temporary differences resulting from differences between carrying amounts of assets and liabilities for financial reporting purposes and the corresponding bases used in the calculation of taxable profit. The Group's carrying value of deferred tax assets assumes that the Group will be able to generate sufficient future taxable income based upon estimates and assumptions. If these estimates and related assumptions prove to be incorrect, then the Group might be required to record valuation allowances against its deferred tax assets resulting in additional tax expense in its income. The Group evaluates the recoverability of the deferred tax assets on each business day.

Key Performance Indicators

The Group calculates certain ratios in order to measure its performance and compare it to the performance of its main competitors. The following table sets out certain key performance indicators for the Group for the indicated dates/periods, which indicators are (among others) those used by the Group's management to manage its business:

Ratios	As of (or for the year ended) 31 December 2021	2022	2023
Net interest margin	6.5%	9.1%	5.4%
Net fees and commissions income/expenses as a percentage of total operating profit	14.9%	13.6%	21.8%
Cost-to-income ratio	39.8%	25.6%	34.3%
Operating expenses as a percentage of average total assets ratio	2.3%	2.4%	3.0%
NPL ratio	3.6%	2.6%	2.1%
Group's capital adequacy ratios			
Tier 1 capital adequacy ratio(1)(4)	13.8%	16.2%	16.8%
Common equity Tier 1 capital adequacy ratio(2)(4)	13.8%	16.2%	16.8%
Total capital adequacy ratio(3)(4)	16.7%	18.6%	18.9%
Expected credit losses to NPLs	160.6%	197.6%	196.4%
Expected credit losses to gross loans	3.0%	2.4%	1.0%
Return on average total assets	2.0%	5.1%	4.6%
Return on average shareholders' equity	19.0%	47.4%	44.5%
Loan-to-deposit ratio	84.3%	84.7%	76.9%

(1) The "Tier 1" capital adequacy ratio is calculated by dividing the "Tier 1" capital (after required deductions) by the aggregate of the value at credit risk, value at market risk and value at operational risk. See "– Capital Adequacy" below.

(2) The common equity Tier 1 capital adequacy ratio is calculated by dividing the "Common Equity Tier 1" capital (after required deductions) by the aggregate of the value at credit risk, value at market risk and value at operational risk. See "– Capital Adequacy" below.

(3) The total capital adequacy ratio is calculated by dividing: (a) the "Tier 1" capital (*i.e.*, its share capital, reserves and retained earnings) *plus* the "Tier 2" capital (*i.e.*, the "supplementary capital," which comprises expected credit losses for Stage 1 and Stage 2 assets, subordinated debt, unrealised gains/(losses) on available-for-sale assets and revaluation surplus (reduced by certain items such as leasehold improvements and intangibles)) and *minus* items to be deducted from capital (the "deductions from capital," which comprises items such as unconsolidated equity interests in financial institutions and assets held for resale but held longer than five years), by (b) the aggregate of the risk-weighted assets and off-balance sheet exposures (*i.e.*, value at credit risk), value at market risk and value at operational risk. See "Capital Adequacy" below.

(4) On 17 June 2021 (as revised multiple times thereafter), the BRSA announced that capital adequacy ratio calculations until such date as determined by the BRSA may be calculated using a favourable foreign exchange rate. If such measure had not been taken into account, then the Group's Tier 1, common equity Tier 1 and total capital adequacy ratios would decline to 11.5%, 11.5%, and 14.1%, respectively, as of 31 December 2021, 14.5%, 14.5%, and 16.8%, respectively, as of 31 December 2022 and 14.5%, 14.5%, and 16.5%, respectively, as of 31 December 2023.

The calculation of the Group's net interest margin for the indicated periods is as follows:

	2021	2022	2023
	(TL thousands, except percentages)		
Net interest income	36,064,391	88,092,627	86,366,451
Average interest-earning assets	557,371,938	973,128,470	1,599,809,771
Net interest margin	**6.5%**	**9.1%**	**5.4%**

The calculation of the Group's net fees and commissions income/expenses as a percentage of total operating profit for the indicated periods is as follows:

	2021	2022	2023
	(TL thousands, except percentages)		
Net fees and commissions income/expenses	9,194,510	18,146,320	43,500,624
Total operating profit	61,548,493	133,311,376	199,324,012
Net fees and commissions income/expenses as a percentage of total operating profit	**14.9%**	**13.6%**	**21.8%**

The calculation of the Group's cost-to-income ratio for the indicated years is as follows:

	2021	2022	2023
	(TL thousands, except percentages)		
Net interest income	36,064,391	88,092,627	86,366,451
Net fees and commissions income/expenses	9,194,510	18,146,320	43,500,624
Net trading income/losses	4,735,886	10,512,298	32,094,651
Dividend income	27,996	94,753	104,640
Other income	12,078,152	17,449,406	40,534,549
Provisions for loans, provisions for marketable securities and general reserves	(23,805,773)	(26,505,040)	(39,154,209)
Total income	**38,295,162**	**107,790,364**	**163,446,706**
Personnel expenses	6,045,979	10,141,331	20,849,382
Other operating expenses	9,194,294	17,425,279	35,204,209
Total cost	**15,240,273**	**27,566,610**	**56,053,591**
Cost-to-income ratio	**39.8%**	**25.6%**	**34.3%**

The calculation of the Group's operating expenses as a percentage of average total assets for the indicated periods is as follows:

	2021	2022	2023
	(TL thousands, except percentages)		
Personnel expenses	6,045,979	10,141,331	20,849,382
Other operating expenses	9,194,294	17,425,279	35,204,209
Operating expenses	**15,240,273**	**27,566,610**	**56,053,591**
Average total assets	665,091,732	1,144,109,433	1,885,199,322
Operating expenses as a percentage of average total assets	**2.3%**	**2.4%**	**3.0%**

The calculation of the Group's NPL ratio for the indicated dates is as follows:

	As of 31 December		
	2021	2022	2023
	(TL thousands, except percentages)		
Loans	491,118,106	769,289,135	1,233,433,116
NPLs	18,344,496	20,289,804	26,158,606
Total loans	**509,462,602**	**789,578,939**	**1,259,591,722**
NPL ratio	**3.6%**	**2.6%**	**2.1%**

The calculation of the Group's allowance for expected credit losses to NPLs for the indicated dates is as follows:

	As of 31 December		
	2021	2022	2023
	(TL thousands, except percentages)		
Expected credit losses (Stage 3)	12,185,034	14,689,002	17,730,763
Expected credit losses (Stages 1 & 2)	17,267,110	25,397,287	33,635,130
Total provisions	**29,452,144**	**40,086,289**	**51,365,893**
NPLs	18,344,496	20,289,804	26,158,606
Expected credit losses to NPLs	**160.6%**	**197.6%**	**196.4%**

The calculation of the Group's return on average shareholders' equity for the indicated periods is as follows:

	2021	2022	2023
	(TL thousands, except percentages)		
Net profit/(loss)	13,587,564	58,510,306	86,907,216
Average shareholders' equity	71,367,635	123,461,491	195,418,043
Return on average shareholders' equity	**19.0%**	**47.4%**	**44.5%**

The calculation of the Group's return on average total assets for the indicated periods is as follows:

	2021	2022	2023
	(TL thousands, except percentages)		
Net profit/(loss)	13,587,564	58,510,306	86,907,216
Average total assets	665,091,732	1,144,109,433	1,885,199,322
Return on average total assets	**2.0%**	**5.1%**	**4.6%**

The calculation of the Group's expected credit losses to gross loans for the indicated dates is as follows:

	As of 31 December		
	2021	2022	2023
	(TL thousands, except percentages)		
Expected credit losses (Stage 3)	7,684,463	6,288,528	10,951,966
Expected credit losses (Stages 1 & 2)	13,271,310	19,716,512	28,202,243
Total provision expenses	**20,955,773**	**26,005,040**	**39,154,209**
Collections	(8,663,167)	(10,381,297)	(28,508,883)
Net provision expense	**12,292,606**	**15,623,743**	**10,645,326**
Average total loans	414,281,024	644,810,356	1,048,910,810
Expected credit losses to gross loans	**3.0%**	**2.4%**	**1.0%**

Analysis of Results of Operations for the years ended 31 December 2021, 2022 and 2023

As of 31 December 2023, the Bank had the following market shares among commercial banks (each as measured on a bank-only basis): (a) based upon BRSA weekly data, 10.4% of performing loans, 14.9% of consumer loans (including credit cards), 8.8% of consumer mortgage loans, 17.7% of consumer credit cards, 10.4% in customer deposits and 13.5% in customer demand deposits, and (b) based upon BRSA monthly data, 9.6% of total assets, 14.2% in net fees and commissions and 17.1% in net income.

The following summary financial and operating data as of and for the years ended 31 December 2021, 2022 and 2023 have been extracted from the Group's BRSA Annual Financial Statements without material adjustment. This information should be read in conjunction with such BRSA Financial Statements (including the notes therein).

The table below summarises the Group's income statement and statement of profit or loss for the indicated periods, the components of which are described in greater detail in the following sections:

	2021	2022	2023
		(TL thousands)	
Interest income	60,192,823	132,800,968	233,566,637
Interest expense	(24,128,432)	(44,708,341)	(147,200,186)
Net interest income	**36,064,391**	**88,092,627**	**86,366,451**
Net fees and commissions income/expenses	9,194,510	18,146,320	43,500,624
Dividend income	27,996	94,753	104,640
Net trading income/losses (net)	4,735,886	10,512,298	32,094,651
Other operating income	12,078,152	17,449,406	40,534,549
Total operating profit	**62,100,935**	**134,295,404**	**202,600,915**
Expected credit losses(1)	(28,450,165)	(29,741,042)	(39,486,103)
Other operating expenses	(15,240,273)	(27,566,610)	(56,053,591)
Profit/(loss) before taxes	**18,410,497**	**76,987,752**	**107,061,221**
Provision for taxes	(4,822,933)	(18,477,446)	(20,154,005)
Net profit/(loss)	**13,587,564**	**58,510,306**	**86,907,216**
Attributable to equityholders of the Bank	13,466,741	58,285,378	86,374,997
Attributable to minority interests	120,823	224,928	532,219

(1) Includes other provisions.

Results of Operations for the years ended 31 December 2021, 2022 and 2023

Net Profit/(Loss)

The Group's net profit/(loss) for a period is calculated by reducing its total operating profit for such period by expected credit losses on loans and other receivables, personnel expenses, other operating expenses and provision for taxes for such period. The Group's net profit/(loss) for 2021 was TL 13,587,564 thousand, increasing by 330.6% to TL 58,510,306 thousand in 2022 and then increasing a further 48.5% to TL 86,907,216 thousand in 2023. The net profit/(loss) for these three years was affected by certain exceptional items, which are quantified in the table below:

	2021	2022	2023
Exceptional items		*(TL thousands)*	
General reserves[1]	2,850,000	500,000	(8,000,000)
Gain of asset sale	(511,945)	(1,345,312)	(706,352)
NPL sale	-	(284,401)	(492,000)
Administrative fine[2]	-	(160,038)	127,000
Tax effects of the items listed above	127,986	236,020	604,338
Total impact on net profit/(loss)	**2,466,041**	**(1,053,732)**	**(8,467,014)**
Net profit/(loss)	13,587,564	58,510,306	86,907,216
Net profit/(loss) adjusted for exceptional items	**16,053,605**	**57,456,574**	**78,440,202**

(1) See "Provisions for Expected Credit Losses" above. As such general provisions are not permitted under the BRSA Principles, the Group's independent auditors noted this departure in the Group's BRSA Financial Statements by qualifying their audit opinion.

(2) The fine in 2022 resulted from the Central Bank's application of an additional fee of a "penal nature" to Turkish banks (including the Bank) on the grounds that they did not fulfil their obligation to inform the Central Bank about spot foreign currency transfers abroad. The positive amount in 2023 reflects the reversal of fines.

Net profit/(loss) adjusted for exceptional items increased by 36.3% in 2023 from 2022, which itself increased by 257.9% from 2021. In 2022, the change was primarily driven by a significant increase in net interest income, including as a result of income of CPI-linked securities, as well as higher fees and significant trading income, all of which increased at a higher rate than the increase in operating expenses. In 2023, this change was mainly due to increasing net interest income, net fees and commissions and trading income.

The following sections describe the components of the Group's net profit/(loss) (*i.e.*, total operating profit, other operating expenses and provision for taxes) in greater detail.

Total Operating Profit

The Group's total operating profit is comprised of its net interest income, net fees and commissions income/expenses, dividend income, net trading income/losses and other operating income. Each of these is described in greater detail below. The following table identifies the share that these categories have represented in the Group's total operating profit before taxes for the indicated years:

	2021	2022	2023
Net interest income	58.1%	65.6%	42.6%
Net fees and commissions income/expenses	14.8%	13.5%	21.5%
Dividend income	0.0%	0.1%	0.1%
Net trading income/losses	7.6%	7.8%	15.8%
Other operating income	19.4%	13.0%	20.0%

Net Interest Income

The Group's net interest income is the difference between its interest income and its interest expense (each described below) and is the principal area of income for the Group. As a result, the differential between the interest rates that the Group receives on interest-earning assets and the interest rates that it pays on interest-bearing liabilities (*i.e.*, its average spread) and the volume of such assets and liabilities have the most significant impact on the Group's results of operations. Net interest income represented 58.1%, 65.6% and 42.6% of the Group's total operating profit in 2021, 2022 and 2023, respectively. Net interest income amounted to TL 86,366,451 thousand in 2023, which was a 2.0% decrease from TL 88,092,627 thousand in 2022, which itself was a 144.3% increase from TL 36,064,391 thousand in 2021. There has been a general decline in margins in the Turkish market from 2010 onwards as a result of increased competition across all sectors of the Group's business; *however*, the Group's net interest margins (as further described below) and volumes, especially in lending activities (as further described in “Assets - Loans” below), increased in 2022. Also in 2022, strong lending activity supported the Group’s interest income on loans. In 2023, regulatory measures that sought to reduce the growth in loans compressed lending activity while other regulations seeking to promote the government’s Liraisation goals resulted in higher deposit costs as noted above, both contributing to a decline in margins in 2023. The net interest margin in both 2022 and 2023 was supported by income from CPI-linked securities, which might become less supportive in future periods if inflation declines.

The Group’s net interest margin was 6.5%, 9.1% and 5.4%, respectively, in 2021, 2022 and 2023. In 2022, the Group’s core net interest margin expanded, primarily due to lower funding costs, especially in the first half of the year, due in part to the Central Bank’s low policy rate and an increase in interest income as a result of significant increases in loans. In 2023, the main factors behind the contraction were interest rate caps imposed on Turkish Lira-denominated business loans in the first half of the year during a low-interest environment and, in the second half, the continued increase in Turkish Lira deposit costs due to the increases in the Central Bank’s policy rate (which was 8.50% as of March 2023; *however*, after the presidential elections in May 2023, the Central Bank increased the rate in steps to 45.00%, though (as of 16 February 2024) such rate remains well below the level of inflation) and the continued impact of regulations (See “Turkish Regulatory Environment – Liquidity and Reserve Requirements”). In this environment, the Bank’s management managed loan growth to seek to minimise the negative impact of these regulatory changes while reducing the duration gap in order to position the balance sheet for an expected increasing interest rate environment. Interest earning on CPI-linked securities also contributed in both 2022 and 2023, with the margin expansion in 2022 being supported by increased income on CPI-linked securities and increases in the core spread; *however*, despite an increased volume of income accruals, the contribution of CPI-linked securities decreased in 2023 due to the decline in the October inflation rate from 85% in 2022 to 62% in 2023. See also “– Significant Factors Affecting the Group’s Financial Condition and Results of Operations – Interest Rate Environment.”

Interest Income. Interest income is the interest (including the amortisation of interest-earning assets purchased at a discount and the interest component of lease receivables entered into for margin management purposes) and certain loan-related fees (such as closing fees received on project finance loans) received by the Group on its interest-earning assets, principally loans and debt securities. Interest income is a function of both the volume of interest-earning assets and the yield that the Group earns on these holdings. In 2023, the Group’s interest income increased by 75.9% to TL 233,566,637 thousand from TL 132,800,968 thousand in 2022, which itself was a 120.6% increase from TL 60,192,823 thousand in 2021. The following table sets out the interest-earnings on the Group’s interest-earning assets during each of the indicated years:

	2021	**2022**	**2023**
		(TL thousands)	
Interest income on loans	45,580,108	85,245,876	162,139,970
Interest income on reserve deposits	906,933	296,237	498,240
Interest income on banks	172,009	718,077	5,596,569
Interest income on money market transactions	2,061,232	2,760,820	4,637,906
Interest income on securities portfolio	10,214,238	41,555,705	54,052,934
Financial lease income	738,060	1,565,010	4,163,540
Other interest income	520,243	659,243	2,477,478
Total interest income	**60,192,823**	**132,800,968**	**233,566,637**

As noted above, interest income is a function of both the volume of, and yield earned on, the Group’s interest-earning assets. In 2022, the contribution from CPI-linked securities increased due to the higher levels of inflation and increased lending activity also supported growth in the Group’s interest income on loans. In 2023, the change in interest income was principally due to a 90.2% increase in “interest income on loans” resulting largely from increasing loan volumes and improved yields through the Group’s selective lending strategy on more profitable products. During 2023, interest income on loans increased due in large part to increasing yields on loans, while interest income from securities also increased significantly due to higher interest rates and increased income on CPI-linked securities.

The following table sets forth the average yield earned by the Bank (daily average) and the Group (quarterly average) on certain interest-earning assets for the indicated years. For additional information with respect to the Bank’s interest income during these years, including with respect to Turkish Lira- and foreign currency-denominated assets, see “Selected Statistical and Other Information – Distribution of Assets, Liabilities and Shareholders’ Equity; Interest Rates and Interest Differential – Average Balance Sheet and Interest Data” and “– Net Changes in Interest Income and Expense – Volume and Rate Analysis.”

	2021	2022	2023
Total average yield for the Bank	**13.21%**	**17.36%**	**18.12%**
Deposits at banks	9.81%	5.05%	6.02%
Investments in securities	16.56%	31.61%	23.26%
Loans and advances to customers	12.92%	15.43%	18.64%
Total average yield for the Group	**10.82%**	**14.33%**	**15.32%**

The increase in the yield earned by the Bank in 2022 compared to 2021 was largely due to the higher yield on CPI-linked securities as a result of increasing inflation and higher yields on loans in a high growth environment. The decrease in the yield earned by the Bank in 2023 primarily resulted from the purchase of fixed rate Turkish Lira-denominated government securities as a result of regulatory requirements, which had significantly lower yields than loans.

Interest Expense. Interest expense is the interest and certain loan-related fee expenses (such as fees paid on syndicated loans) of the Group on its interest-bearing liabilities, principally time deposits. As with interest income, interest expense is a function of both the volume of interest-bearing liabilities and the interest rates that the Group pays on these liabilities. In 2023, the Group's interest expense increased by 229.2% to TL 147,200,186 thousand from TL 44,708,341 thousand in 2022, itself an increase of 85.3% from TL 24,128,432 thousand in 2021. The following table sets out the interest expense on the Group's interest-bearing liabilities by category during each of the indicated years:

	2021	2022	2023
		(TL thousands)	
Interest on deposits	19,443,102	34,307,435	131,507,584
Interest on funds borrowed	1,256,488	3,184,986	8,228,429
Interest on money market transactions	372,542	1,105,104	2,856,006
Interest on securities issued	2,870,828	3,068,434	3,036,749
Lease interest expense	127,852	173,890	291,295
Other interest expenses	57,620	2,868,492	1,280,123
Total interest expense	**24,128,432**	**44,708,341**	**147,200,186**

The increase in the Group's interest expense in 2022 was the result of regulatory changes resulting in heavier competition among Turkish banks for Turkish Lira deposits. In 2023, the increase was principally in line with the increase in the size of the Group's funding base and interest rates. As noted above, changes in the interest rates that the Group pays on its interest-bearing liabilities significantly affect the Group's interest expense. As the Group's interest-bearing deposits represent the largest portion of its liabilities (40.3%, 43.6% and 48.3%, respectively, as of 31 December 2021, 2022 and 2023), the interest rates that the Group pays on its deposits typically have the largest impact on the Group's interest expense.

The following table sets forth the average interest rates paid by the Bank (daily average) and the Group (quarterly average) on interest-bearing deposits and other interest-bearing liabilities for the indicated years:

	2021	2022	2023
Total interest rates for the Group	**7.20%**	**7.70%**	**15.06%**
Total interest rates for the Bank	**7.83%**	**8.83%**	**18.14%**
Deposits	8.55%	9.00%	20.29%
Short-term debt (one year or less)	5.49%	11.87%	22,15%
Long-term debt	5.48%	8.15%	9.61%
Repurchase agreements	7.49%	8.67%	4.43%

In 2022, the increase in the interest rates was principally due to the increased cost of foreign currency-denominated obligations (which, when translated into Turkish Lira terms, increased significantly as a result of the depreciation of the Turkish Lira). In 2022, deposit costs (particularly in the second half of the year) increased due to heavier competition among Turkish banks for Turkish Lira deposits as a result of regulatory changes implemented by the Central Bank as part of its Liraisation strategy. The change in interest rates in 2023 was primarily a result of complying with new regulatory measures. See "- Financial Condition - Liabilities" below. See "- Financial Condition - Liabilities" below.

For additional information with respect to the Bank's interest expense during these years, including with respect to the size of and yield paid on Turkish Lira- and foreign currency-denominated liabilities, see "Selected Statistical and Other Information – Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential – Liabilities – Average Interest-Bearing Liabilities" and "– Net Changes in Interest Income and Expense – Volume and Rate Analysis." In addition, certain information on the interest rates paid by the Group on its interest-bearing liabilities can be found in "Selected Statistical and Other Information – Funds Borrowed and Certain Other Liabilities" below.

Net Fees and Commissions Income/Expenses

The second largest component of the Group's operating income is its net fees and commissions income/(expenses). The Group earns fee and commission income on both capital-intensive products (such as origination fees on cash loans and fees for credit cards, letters of credit and guarantees) and capital-free products (such as money transfers, payment system fees, investment advice and brokerage fees in respect of debt and equity trading). The principal drivers for fee and commission income are money transfer and payment system fees. As of 16 February 2024, the Bank's management expects the contribution of fee and commission income to the Group's overall operating income to increase, particularly with the contribution of lending, money transfer and payment system fees.

The Group's net fees and commissions income/expenses for 2023 was TL 43,500,624 thousand, an increase of 139.7% from TL 18,146,320 thousand in 2022, itself an increase of 97.4% from TL 9,194,510 thousand in 2021. In 2022, the growth in net fees and commissions income was driven by increasing loan generation and higher transaction volumes as a result of increasing economic activity. In 2023, the increase was primarily driven by credit card and consumer loan originations and money transfer fees, both of which resulted from the strong growth in the economy and high inflation.

The following table sets out the components of the Group's fees and commissions income and expenses for the indicated years:

	2021	2022	2023
		(TL thousands)	
Fees and commissions income	**12,552,178**	**25,181,084**	**60,066,697**
Non-cash loans	1,107,081	1,908,133	3,440,414
Others	11,445,097	23,272,951	56,626,283
Fees and commissions expenses	**3,357,668**	**7,034,764**	**16,566,073**
Non-cash loans	45,293	71,015	67,557
Others	3,312,375	6,963,749	16,498,516
Net fees and commissions income/expenses	**9,194,510**	**18,146,320**	**43,500,624**

Dividend Income

Dividend income, which is principally received from the Group's securities portfolio and certain small equity investments, is a very small portion of the Group's income. Dividend income of TL 27,996 thousand in 2021, TL 94,753 thousand in 2022 and TL 104,640 thousand in 2023 each represented less than 0.1% of the Group's total operating profit for the year.

Net Trading Income/Losses

Net trading income/losses represent trading account income/losses, income/losses from derivative financial instruments and foreign exchange gain/losses. Swap funding is used by the Bank opportunistically to manage its funding cost.

In 2021, the Group experienced a net trading gain of TL 4,735,886 thousand, which was followed by a net trading gain of TL 10,512,298 thousand and a net trading gain of TL 32,094,651 thousand, respectively, in 2022 and 2023. In each of these years, the net trading gains primarily resulted from foreign currency buy and sell activity, including as a result of the high levels of volatility in the Turkish Lira, which gains more than offset swap funding costs.

The following table sets out the categories of the Group's net trading income/losses during each of the indicated years:

	2021	2022	2023
		(TL thousands)	
Trading income			
Trading account income	4,808,478	4,893,527	4,879,362
Derivative financial instruments	30,571,910	41,996,522	38,605,578
Foreign exchange gain	378,857,962	242,447,739	399,678,564
Total trading income	**414,238,350**	**289,337,788**	**443,163,504**
Trading losses			
Trading account losses	(1,746,525)	(3,082,272)	(4,424,095)
Derivative financial instruments	(35,822,342)	(64,115,593)	(54,231,035)
Foreign exchange losses	(371,933,597)	(211,627,625)	(352,413,723)
Total trading losses	**(409,502,464)**	**(278,825,490)**	**(411,068,853)**
Net trading income/losses	**4,735,886**	**10,512,298**	**32,094,651**

Other Operating Income

Other operating income includes various additional sources of income, including the collection or reversal of previous periods' provisions (including from the sale of NPLs), banking services-related costs recharged to customers, premium income from insurance business and income on custody services. Total other operating income was TL 11,525,710 thousand in 2021, increasing by 42.9% in 2022 to TL 16,465,378 thousand and further increasing by 190.5% in 2023 to TL 37,257,646 thousand. The following table sets out the Group's other operating income by category for the indicated years:

	2021	2022	2023
		(TL thousands)	
Prior Year Reversals	8,663,167	10,381,297	28,508,883
Stage 1	3,392,115	4,614,011	10,814,449
Stage 2	3,056,972	2,695,178	4,427,900
Stage 3	1,934,748	2,800,678	4,700,030
Others[(1)]	279,332	271,430	8,566,504
Income from term sale of assets	511,945	623,848	578,785
Others	2,350,598	5,460,233	8,169,978
Other operating income	**11,525,710**	**16,465,378**	**37,257,646**

(1) Includes a reversal of general reserves amounting to TL 8,000,000 thousand in 2023.

In 2021, 2022 and 2023, non-performing loans, lease receivables and factoring receivables of the Bank and/or its consolidated financial subsidiaries amounting to TL 665,407 thousand, TL 829,066 thousand and TL 1,070,392 thousand, respectively, were sold. After reflecting the related provisions that had been provided for in prior periods, a gain/(loss) from these sales amounting to TL 7,699 thousand, TL 7,702 thousand and TL (22,170) thousand, respectively, was recognised under "other operating income." In addition, the reversal of general provisions described previously resulted in a TL 8,000,000 thousand gain in 2023.

Provision for Losses on Loans or other Receivables

The Group's results might be materially negatively affected by provisions that the Group takes for its ECLs on financial assets and loans measured at amortised cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit or loss based upon TFRS 9. The Group applies an impairment model that has three stages based upon the changes in credit quality since initial recognition. ECLs are required to be measured through a loss allowance:

(a) at an amount equal to 12-month ECL (*i.e.*, an ECL that results from default events on the financial instrument that are possible within 12 months after the reporting date) (referred to as Stage 1), or

(b) for lifetime ECL (*i.e.*, an ECL that results from all possible default events over the life of the financial instrument) (referred to as Stage 2 and Stage 3).

A loss allowance for lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments within the scope of impairment, ECLs are measured at an amount equal to the 12-month ECL.

The following table sets out the Group's expected credit losses by category during each of the indicated years:

	2021	2022	2023
		(TL thousands)	
Expected credit losses	**20,955,773**	**26,005,040**	**39,154,209**
12 month ECL (Stage 1)	*3,257,367*	*6,328,589*	*9,274,868*
Significant increase in credit risk (Stage 2)	*10,013,943*	*13,387,923*	*18,927,375*
Impaired credits (Stage 3)	*7,684,463*	*6,288,528*	*10,951,966*
Impairment losses on securities	**86,577**	**304,558**	**-**
Financial assets measured at fair value through profit or loss	*86,577*	*304,558*	-
Financial assets measured at fair value through other comprehensive income	-	-	-
Impairment losses on associates, subsidiaries and joint-ventures	**86,674**	**19,102**	**-**
Associates	-	*19,102*	-
Subsidiaries	*86,674*	-	-
Joint-ventures (business partnership)	-	-	-
Others[(1)]	**7,407,816**	**3,412,342**	**331,894**
Total	**28,536,840**	**29,741,042**	**39,486,103**

(1) Includes general reserves amounting to TL 2,850,000 thousand in 2021, TL 500,000 thousand in 2022 and TL (8,000,000) thousand in 2023.

The following table sets out the Group's expected credit losses for loans as of 31 December 2021, 2022 and 2023:

	Stage 1	Stage 2	Stage 3	Total
		(TL thousands)		
Balances at beginning of period (1 January 2021)	2,189,211	8,564,468	10,215,084	20,968,763
Additions during the period (+)	4,672,571	9,110,670	3,074,673	16,857,914
Disposal (-)	(5,388,472)	(5,138,799)	(1,635,436)	(12,162,707)
Debt sale (-)	-	(8,191)	(654,887)	(663,078)
Write-offs (-)	-	-	(3,499,529)	(3,499,529)
Transfer to Stage 1	1,869,814	(1,861,372)	(8,442)	-
Transfer to Stage 2	(705,111)	885,154	(180,043)	-
Transfer to Stage 3	(18,396)	(1,492,548)	1,510,944	-
Foreign currency differences	318,293	4,269,818	3,362,670	7,950,781
Balance as of 31 December 2021	**2,937,910**	**14,329,200**	**12,185,034**	**29,452,144**
Additions during the period (+)	9,913,170	11,434,422	10,806,650	32,154,242
Disposal (-)	(11,443,476)	(5,271,309)	(2,179,547)	(18,894,332)
Debt sale (-)	-	(76,277)	(762,572)	(838,849)
Write-offs (-)	-	-	(8,255,121)	(8,255,121)
Transfer to Stage 1	3,660,263	(3,649,806)	(10,457)	-
Transfer to Stage 2	(1,024,508)	1,121,382	(96,874)	-
Transfer to Stage 3	(18,367)	(1,286,569)	1,304,936	-
Foreign currency differences	465,343	4,305,909	1,696,953	6,468,205
Balance as of 31 December 2022	**4,490,335**	**20,906,952**	**14,689,002**	**40,086,289**
Additions during the period (+)	9,543,307	18,376,506	5,192,688	33,112,501
Disposal (-)	(15,308,730)	(10,177,058)	(5,125,597)	(30,611,385)
Debt sale (-)	(28,051)	(1,805)	(1,112,974)	(1,142,830)
Write-offs (-)	-	-	(1,410,115)	(1,410,115)
Transfer to Stage 1	8,543,428	(8,506,589)	(36,839)	-
Transfer to Stage 2	(2,167,065)	2,292,130	(125,065)	-
Transfer to Stage 3	(43,597)	(4,146,128)	4,189,725	-
Foreign currency differences	821,449	9,040,046	1,469,938	11,331,433
Balance as of 31 December 2023	**5,851,076**	**27,784,054**	**17,730,763**	**51,365,893**

The Group's NPL ratio was 3.6% as of 31 December 2021 and then decreased to 2.6% as of 31 December 2022 before declining further to 2.1% as of 31 December 2023. The decline in 2022 resulted from strong collection performance and loan growth whereas the decline in 2023 was principally the result of the increase in the size of the loan portfolio (*i.e.*, a denominator effect).

The effect of NPL sales on the Group's NPL ratio was to reduce it by 0.13%, 0.10% and 0.10% in 2021, 2022 and 2023, respectively (*i.e.*, the NPL ratio for such periods would have been higher by such amounts had such sales not occurred).

The Group also reflects on its balance sheet a category of "loans under follow-up," which are loans transferred to Stage 2 due to a significant increase in credit risk since initial recognition based upon TFRS 9. This amount was TL 85,347,714 thousand, TL 107,204,867 thousand and TL 129,895,560 thousand, respectively, as of 31 December 2021, 2022 and 2023, portions of which amount might later either be transferred to Stage 1 (*i.e.*, when a loan becomes a loan in good standing) or be transferred to Stage 3 and treated as an NPL (and have related specific provisions) should a loan become non-performing.

The Bank's management increased the general reserves of TL 4,650,000 thousand by TL 2,850,000 thousand (to TL 7,500,000 thousand) in 2021 and by TL 500,000 thousand (to TL 8,000,000 thousand) in 2022, in each case due to the possible effects of negative circumstances that might arise in the economy or in market conditions. In 2023, the Bank's management (in light of the normalisation of the macro-economic conditions after the May 2023 elections) reversed all TL 8,000,000 thousand of such general reserves. The BRSA Annual Financial Statements were qualified with respect to such general reserves. See "Risk Factors – Risks Relating to the Group and its Business – Other Group-Related Risks – Audit Qualification."

Write-off policy

The general policy of the Bank regarding the write-off process for loans is to write-off a loan that has, during the legal follow-up process, been determined to be uncollectible. An amendment to the Classification of Loans and Provisions Regulation entered into force on 27 November 2019, which amendment enables Turkish banks to write down and move off their balance sheets the portion of a loan that is classified as a "Group V" loan (Loans Considered as Losses) if it cannot reasonably be expected to be recovered. As a result, the Bank performs both objective and subjective assessments of its Group V loans to determine whether there is such a reasonable expectation.

In accordance with TFRS 9, provisions are provided for the portion of a loan that is not expected to be recovered. Accordingly, a loan that is classified in "Group V" and cannot reasonably be expected to be recovered (after considering the opinion of the department responsible) from the collection of such loan and/or the provisions provided for such loan can be subject to this write-down operation. In addition, a loan that meets the conditions set out below is assessed by the Bank as having lost its ability to be collected and thus can be written-down based upon the opinion of the relevant department: (a) such loan has been monitored as a non-performing loan for at least two years, (b) there has not been any collection on such loan in the last 6 months and (c) there not being any tangible collateral other than a pledge over movable assets.

Total loans written off from assets were TL 63,380 thousand, TL 7,588,107 thousand and TL 120,920 thousand, respectively, as of 31 December 2021, 2022 and 2023, with the large increase in 2022 relating to one corporate loan that had been in restructuring for a number of years and for which the balance was written-off in the third quarter of 2022.

As of 31 December 2023, the Bank's written-down "Group V" loans amounted to TL 12,390,541 thousand and the Bank's consolidated subsidiaries' written-down "Group V" loans amounted to TL 1,277,462 thousand (TL 10,837,948 thousand and TL 1,182,522 thousand, respectively, as of 31 December 2022 and TL 9,447,212 thousand and TL 1,122,610 thousand, respectively, as of 31 December 2021).

Personnel Expenses

Personnel expenses increased by 105.6% to TL 20,849,382 thousand in 2023 from TL 10,141,331 thousand in 2022, itself a 67.7% increase from TL 6,045,979 thousand in 2021, which increases were principally the result of higher wage levels due to salary increases driven by inflation. The Group's management anticipates that the currently elevated level of Turkish inflation will result in higher personnel expenses in 2024.

Other Operating Expenses

The Group's other operating expenses include traditional business expenses such as depreciation and amortisation expenses on tangible and intangible assets and operational lease-related expenses. Other operating expenses in 2023 increased by 102.0% to TL 35,204,209 thousand from TL 17,425,279 thousand in 2022, itself a 89.5% increase from TL 9,194,294 thousand in 2021. These increases principally resulted from an increase in "other expenses," which includes various normal course expenses such as legal expenses and utility charges, none of which is individually material.

As noted above, as a banking institution, the Group's management focuses closely on the Group's efficiency and (within the context of maintaining the quality of its services) seeks to decrease its cost-to-income ratio. The Group's cost-to-income ratio (which includes both personnel expenses as well as other operating expenses) decreased from 39.8% in 2021 to 25.6% in 2022, which change was largely due to higher interest income on CPI-linked securities in 2022. The Group's cost-to-income ratio then increased to 34.3% in 2023, which change was due to increasing expenses, including as a result of multiple salary adjustments as a result of very high levels of inflation and donations relating to the February 2023 earthquakes. A similar ratio monitored by the Group is its operating expenses to average total assets ratio, which ratio was 2.3% in 2021, 2.4% in 2022 and 3.0% in 2023.

The following table sets out the components of the Group's other operating expenses for the indicated years:

	2021	2022	2023
		(TL thousands)	
Reserve for employee termination benefits	161,030	245,142	527,432
Impairment losses on tangible assets	455	995	7,626
Depreciation expenses of tangible assets	434,499	527,455	1,105,555
Impairment losses on intangible assets	-	-	-
Amortisation expenses of intangible assets	187,094	288,556	481,128
Impairment losses on assets to be disposed	2,043	1,253	-
Depreciation expenses of right-of-use assets	321,121	425,767	659,010
Impairment losses on assets held for sale and discontinued assets	1,985	3,286	750
Operational lease-related expenses	218,446	259,729	385,732
Repair and maintenance expenses	109,891	206,380	422,664
Advertisement expenses	271,046	472,760	1,276,884
Loss on sale of assets	6,803	19,354	10,967
Other expenses[(1)]	5,170,121	11,212,250	22,554,395
Others[(2)]	2,309,760	3,762,352	7,772,066
Other operating expenses	**9,194,294**	**17,425,279**	**35,204,209**

(1) Other expenses includes various normal course expenses such as legal expenses, utility charges, none of which is individually material. See note 5.4.7 in the Group's BRSA Financial Statements as of and for the year ended 31 December 2023.

(2) Others includes SDIF-related expenses, repayments of certain fees and commissions to customers and insurance business-claim losses. See note 5.4.7 in the Group's BRSA Financial Statements as of and for the year ended 31 December 2023.

Provision for Taxes

The Group is subject to different forms of income taxation in each market in which it has operations, although the principal driver is Turkish taxation of the Group's income. Taxation and duties other than on income are included in operating expenses whereas taxation on income is applied to profit/(loss) before taxes in order to determine the Group's net operating profit/(loss) after taxes. The provision for taxes for a particular period is a combination of the current tax charge, which is the tax that is calculated to apply to the taxable income for such period, and deferred tax charges/(credits), which reflect the Group's calculation of taxes that it might be required to pay in the future as a result of certain events (*e.g.*, mark-to-market increases in the valuation of financial assets, which would result in the payment of taxes should such financial asset be sold).

Income taxation charges for 2023 amounted to TL 29,961,124 thousand, which was a 43.0% increase from TL 20,884,000 thousand in 2022, which itself was a 292.2% increase from TL 5,324,625 thousand in 2021. The Group's taxation charges for 2023 included a deferred tax credit of TL 9,807,119 thousand (primarily due to inflation-related adjustments to the tax base of certain assets and liabilities) whereas 2022 included a deferred tax credit of TL 2,366,554 thousand (primarily due to the revaluation of fixed assets) and 2021 included a deferred tax credit of TL 501,692 thousand (primarily as a result of improvements in mark-to-market valuation of derivative financial instruments). The change in the Group's taxation charges for 2022 reflected the tax rate for the applicable year and changes in gains and losses that are not considered in calculations of taxable income whereas the change in the Group's taxation charge in 2023 reflected the change in the corporate tax rate described in the next paragraph.

The corporate tax rate, which had been 20% since 1 January 2006, was increased to 22% for 2021, 2022 and 2023, but was then further increased to 25% for the last three quarters of 2021 and 2022 and 30% for 2023. The Group's effective income tax rate (calculated based upon its reported provision for taxes *divided by* its profit/(loss) before taxes) for 2021, 2022 and 2023 was 27.0%, 24.0% and 19.0%, respectively. The deviations from the applicable corporate tax rate of 22%, 25% and

30%, respectively, in 2021 and 2022 were due to both general reserves and expected credit losses for Stage 1 and 2 loans not being deductible based upon the BRSA Principles whereas the deviation in 2023 was primarily due to the revaluation of fixed assets. In line with the TAS 12 standard for income taxes, deferred tax assets and liabilities are to be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, in each case based upon the tax rates (and tax laws) that have been enacted (or substantively enacted) by the end of the reporting period. The Group thus has made deferred tax calculations according to the rates of 20% and 23% for 2021, 25% for 2022 and 30% for 2023, as applicable, corresponding to the maturity of the assets and liabilities (for 2024, a 30% rate continues to apply as of 16 February 2024).

Taxes on income from the Group's non-Turkish operations were immaterial in each of 2021, 2022 and 2023.

Financial Condition

The following summary balance sheet data for the indicated dates have been extracted from the Group's BRSA Financial Statements (including the notes thereto) incorporated by reference herein. This information should be read in conjunction with such BRSA Financial Statements.

Balance Sheet Data:	As of 31 December					
	2021	**%**	**2022**	**%**	**2023**	**%**
Assets:	*(TL thousands, except for percentages)*					
Cash and cash equivalents	216,797,764	25.5	271,499,741	20.8	524,306,450	23.8
Financial assets measured at fair value through profit/(loss) (FVTPL)[(1)]	7,839,033	0.9	5,771,459	0.4	8,589,689	0.4
Financial assets measured at fair value through other comprehensive income (FVOCI)	55,746,298	6.6	88,928,400	6.8	101,575,253	4.6
Derivative financial assets	17,790,069	2.1	11,035,218	0.8	11,627,700	0.5
Loans	492,589,718	57.9	761,104,244	58.4	1,217,975,966	55.3
Lease receivables	12,656,284	1.5	18,932,293	1.5	30,022,130	1.4
Factoring receivables	4,216,600	0.5	9,542,402	0.7	11,593,626	0.5
Other financial assets measured at amortised cost	40,167,047	4.7	110,019,856	8.4	216,382,865	9.8
Expected credit losses	(29,499,327)	(3.5)	(40,552,805)	(3.1)	(52,410,595)	(2.4)
Assets held for sale and assets of discontinued operations[(1)]	585,948	0.1	780,418	0.1	2,141,054	0.1
Ownership investments (net)	1,164,524	0.1	2,280,962	0.2	6,379,791	0.3
Tangible assets	6,106,320	0.7	11,788,007	0.9	21,952,980	1.0
Intangible assets	963,650	0.1	1,263,022	0.1	2,548,249	0.1
Investment property	652,633	0.1	926,800	0.1	1,590,712	0.1
Current tax assets	30,727	0.0	9,604	0.0	127,590	0.0
Deferred tax assets	4,443,291	0.5	7,105,391	0.5	20,291,063	0.9
Other assets	18,225,021	2.1	43,143,471	3.3	77,018,572	3.5
Total assets	**850,475,600**	**100.0**	**1,303,578,483**	**100.0**	**2,201,713,095**	**100.0**
Liabilities:						
Deposits	582,833,426	68.5	908,739,459	69.7	1,604,930,709	72.9
Funds borrowed	43,626,729	5.1	45,856,723	3.5	60,439,559	2.8
Money markets funds	15,942,789	1.9	24,299,009	1.9	55,994,558	2.5
Securities issued (net)	25,644,871	3.0	17,608,189	1.4	11,142,952	0.5
Financial liabilities measured at FVTPL	24,183,368	2.8	32,020,818	2.5	49,046,956	2.2
Derivative financial liabilities	13,428,735	1.6	10,952,360	0.8	11,569,225	0.5
Lease payables	1,070,038	0.1	1,459,250	0.1	2,273,026	0.1
Provisions	14,720,023	1.7	21,476,401	1.6	21,578,965	1.0
Current tax liability	2,972,915	0.3	8,050,327	0.6	11,700,581	0.5
Deferred tax liability	55,096	0.0	197,828	0.0	129,369	0.0
Subordinated debts	10,911,505	1.3	15,245,929	1.2	23,639,403	1.1
Other liabilities	34,785,250	4.1	64,548,070	5.0	103,646,274	4.7
Total liabilities	**770,174,745**	**90.6**	**1,150,454,363**	**88.3**	1,956,091,577	**88.8**
Shareholders' equity	**80,300,855**	**9.4**	**153,124,120**	**11.7**	245,621,518	**11.2**
Total liabilities and shareholders' equity	**850,475,600**	**100.0**	**1,303,578,483**	**100.0**	**2,201,713,095**	**100.0**

(1) As disclosed in Note 5.1.2.2 of the Group's Annual Financial Statements dated as of and for the year ended 31 December 2022, financial assets measured at fair value through profit/(loss) includes an impaired loan (later converted into equity) amounting to US$769,872,381 as of 31 December 2021 provided to one corporate borrower, the fair value of which was determined to be TL 4,483,939 thousand as of such date. Such loan was written-off on 30 September 2022.

The following summary balance sheet data have been extracted from the Group's BRSA Financial Statements incorporated by reference herein. This information should be read in conjunction with such BRSA Financial Statements.

Assets

As of 31 December 2023, the Group's total assets amounted to TL 2,201,713,095 thousand, a 57.1% increase from TL 1,303,578,483 thousand as of 31 December 2022, itself a 53.3% increase from TL 850,475,600 thousand as of 31 December 2021. Cash and balances with central banks (and, after a change to the presentation of the financial statements as per new rules introduced by the BRSA, cash and cash equivalents) represented 25.2%, 20.8% and 23.8% of the Group's total assets as of 31 December 2021, 2022 and 2023, respectively, as most of the Group's funds are invested in interest-earning assets. The following describes the Group's loans and financial assets (including: (a) financial assets measured at fair value through profit or loss, (b) financial assets measured at fair value through other comprehensive income and (c) financial assets measured at amortised cost), which jointly represented 68.6%, 73.2% and 69.7%, respectively, of the Group's total assets as of 31 December 2021, 2022 and 2023.

Loans. Loans to customers represented 57.9%, 58.4% and 55.3% of the Group's total assets as of 31 December 2021, 2022 and 2023, respectively. The Group's loans amounted to TL 1,217,975,966 thousand as of 31 December 2023, a 60.0% increase from TL 761,104,244 thousand as of 31 December 2022, itself a 54.5% increase from TL 492,589,718 thousand as of 31 December 2021. Note 5.1.5 in the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2023 provides significant details about the breakdown of the Group's loan portfolio, including information on performing loans, collateral, maturity, consumer loan breakdown and provisions.

This growth was spread across a wide range of groups and industries, reflecting the Group's ability to meet the strong demand for consumer loans and loans to certain industry sectors (including energy and transportation vehicles) and the impact of the KGF programme. The Bank has a low direct exposure to the real estate sector and benefits from state guarantees for its loans to various large infrastructure projects. While the growth in Turkish Lira-denominated loans during 2022 was balanced across categories, Turkish Lira-denominated business banking loan growth was stronger in the first half of 2022; *however*, this growth declined in the second half of the year due to certain regulatory changes whereas the growth in credit card and consumer loans picked up pace. In 2023, the growth in Turkish Lira-denominated performing loans was 59.1%, which was slightly above the sector growth of 53.3%. The growth remained strong in credit card loans and consumer loans, which increased by 116.3% and 50.3%, respectively, as of 31 December 2023 from the end of the previous year. As the regulatory price cap on Turkish Lira-denominated commercial loans gradually eased throughout 2023, the Bank adjusted its overall lending strategy accordingly while maintaining its SME-oriented growth strategy. As such, the growth in Turkish Lira-denominated commercial loans was 37.5% during 2023, which was slightly below the sector's growth of 38.9%. With respect to foreign currency-denominated loans, these declined by 9.8% in 2022 due to redemptions and low demand; *however*, in 2023, such loans increased by 5.0% due largely to attractive spreads on export loans in the first quarter of 2023 (with demand for foreign currency-denominated loans thereafter being fairly muted).

In 2023, the Group's NPLs increased by 5.5% to TL 21,398,848 thousand as of 31 December 2023 from TL 20,289,804 thousand as of 31 December 2022, itself a 10.6% increase from TL 18,344,496 thousand as of 31 December 2021. In 2023, the Group's NPLs increased by 28.9% to TL 26,158,606 thousand. In 2022, the change in NPLs was due to small increases in new NPL flows that exceeded collections, whereas the change in 2023 was the result of strong collection performance and limited NPL inflows.

As of 31 December 2021, 2022 and 2023, the Group's restructured loans amounted to TL 43,324,432 thousand, TL 47,882,654 thousand and TL 52,145,629 thousand, respectively. For additional information on the movement of the NPL balances in the Group's balance sheet, see note 5.15.10 in the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2023.

As of 31 December 2022, the Group's NPL ratio decreased to 2.6% from 3.6% as of 31 December 2021, which decline was principally the result of high lending growth compared to the limited net NPL inflows and TL 12,020,470 thousand in write-downs. The NPL ratio (after adjusting for write-downs) in 2022 would have been 4.0%. The NPL ratio then declined yet again to 2.1% as of 31 December 2023, which decline was due to significant increase in loans during a time of limited NPL inflows and TL 13,668,003 thousand in write-downs in 2023 (which write-downs reduced the NPL ratio by 1.05%).

For additional information on the Group's loan portfolio, see "Selected Statistical and Other Information – Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential – Average Balance Sheet and Interest Data" and "– Summary of Loan Loss Experience."

Financial Assets. Financial assets (including: (a) financial assets measured at fair value through profit or loss, (b) financial assets measured at fair value through other comprehensive income and (c) financial assets measured at amortised cost), principally Turkish government securities, have historically represented a significant portion of the Group's assets. As of 31 December 2021, 2022 and 2023, investment securities represented 11.7%, 15.7% and 14.8%, respectively, of the Group's total assets. In each of these periods, the change in investment securities as a portion of the Group's total assets was the result of the Bank's focus on lending. The following table provides information as to the breakdown of the Group's financial asset portfolio (excluding derivative financial assets held for trading) as of the indicated dates:

	As of 31 December					
	2021	**%**	**2022**	**%**	**2023**	**%**
	(*TL thousands, except for percentages*)					
Financial assets measured at fair value through profit/(loss)						
Government securities	1,749,900	1.8	2,513,999	1.2	5,357,399	1.6
Equity securities	1,126,948	1.1	2,647,455	1.3	2,167,803	0.7
Other financial assets	478,246	0.5	551,121	0.3	1,009,637	0.3
Total financial assets measured at fair value through profit/(loss)	**3,355,094**	**3.4**	**5,712,575**	**2.8**	**8,534,839**	**2.6**
Financial assets measured at fair value through other comprehensive income						
Government securities	44,649,942	45.0	77,097,126	37.8	79,943,012	24.6
Equity securities	521,200	0.5	1,022,719	0.5	1,930,116	0.6
Other financial assets	10,575,156	10.7	10,808,555	5.3	19,702,125	6.1
Total financial assets measured at FVOCI	**55,746,298**	**56.2**	**88,928,400**	**43.6**	**101,575,253**	**31.2**
Financial assets measured at amortised cost						
Government securities	40,077,835	40.4	105,264,533	51.6	199,007,329	61.1
Other financial assets	89,212	0.1	4,755,323	2.3	17,375,536	5.3
Total financial assets measured at amortised cost	**40,167,047**	**40.5**	**110,019,856**	**53.9**	**216,382,865**	**66.5**
Expected credit losses (-)	**(47,183)**	**0.0**	**(466,516)**	**(0.2)**	**(1,044,702)**	**(0.3)**
Total	**99,221,256**	**100.0**	**204,194,315**	**100.0**	**325,448,255**	**100.0**

As of 31 December 2021, 2022 and 2023, respectively, securities issued by Türkiye represented 87.1%, 90.3% and 87.1% of the Group's securities portfolio consisting of: (a) financial assets measured at fair value through profit or loss (excluding derivative financial assets), (b) financial assets measured at fair value through other comprehensive income and (c) financial assets measured at amortised cost.

The most significant changes in the Group's securities portfolio from 2021 through 2023 was the increase in holdings of Turkish government securities held as financial assets measured at amortised cost in the table above, which increased from 40.4% of the Group's total investment securities portfolio as of 31 December 2021, 51.6% as of 31 December 2022 and 61.1% as of 31 December 2023.

Pursuant to Turkish market practice, the Group pledges securities to acquire funding under security repurchase agreements. The Group utilises such funding depending upon the difference in rates paid on deposits compared to Central Bank rates, which vary based upon market conditions as well as Central Bank policy. The securities in its securities portfolio that were so pledged amounted to TL 10,288,526 thousand as of 31 December 2021, TL 24,788,685 thousand as of 31 December 2022 and TL 45,308,190 thousand as of 31 December 2023, comprising 9.9%, 12.1% and 13.9%, respectively, of the Group's total securities portfolio.

For additional information on the Group's securities portfolio, see notes 5.1.2, 5.1.3 and 5.1.8 in the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2023 and "Selected Statistical and Other Information – Securities Portfolio."

Liabilities

As of 31 December 2023, the Group's total liabilities amounted to TL 1,956,091,577 thousand, a 58.8% increase from TL 1,150,454,363 thousand as of 31 December 2022, itself a 14.94% increase TL 770,174,745 thousand as of 31 December 2021.

The Group's TL 922,741,292 thousand in average interest-bearing liabilities during 2023 resulted primarily from average time deposits of customers (85.6%), average funds borrowed (5.9%) and average securities issued (1.1%). These same categories represented 80.5%, 8.9% and 4.1%, respectively, of the Group's TL 536,903,774 thousand in average interest-bearing liabilities during 2022 and 77.3%, 10.4% and 6.6%respectively, of the Group's TL 321,806,324thousand in average interest-bearing liabilities during 2021.

The following summarises the three principal categories of the Group's liabilities - deposits, funds borrowed and securities issued.

Deposits. Deposits have been and are expected to continue to be the most important source of funding for the Group. The Group's total deposits amounted to TL 1,604,930,709 thousand as of 31 December 2023, a 76.6% increase from TL 908,739,459 thousand as of 31 December 2022, itself a 55.9% increase from TL 582,833,426 thousand as of 31 December 2021. Foreign currency deposits (principally U.S. dollars and euro) represented 69.4%, 53.2% and 45.3% of the Group's total deposits as of 31 December 2021, 2022 and 2023, respectively. For additional information on the Group's deposits, see note 5.2.1 in the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2023 and "Selected Statistical and Other Information - Deposits."

Funds borrowed. As deposits are generally of a short-term duration, the Group has obtained wholesale funding on a more limited basis principally to better match the maturity and currency of its longer-term assets. This funding has included the Bank's borrowings (including syndicated bank loans) and financings collateralised by certain of the wire transfers and other remittances received by the Bank from its correspondent banks and other senders of such transfers. Funds borrowed amounted to TL 60,439,559 thousand as of 31 December 2023 (2.7% of the Group's total liabilities), TL 45,856,723 thousand as of 31 December 2022 (3.5% of the Group's total liabilities) and TL 43,626,729 thousand as of 31 December 2021 (5.1% of the Group's total liabilities). A portion of these liabilities (either when incurred or as a result of aging) are themselves short-term (as of 31 December 2023, 13.7% of funds borrowed were "short term" (*i.e.*, having a remaining term-to-maturity of one year or less) as compared to 13.0% and 9.0%, respectively, as of 31 December 2021 and 2022). For additional information on the Group's funds borrowed, see note 5.2.2 in the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2023 and "Selected Statistical and Other Information – Funds Borrowed and Certain Other Liabilities."

Securities issued. Securities issued amounted to TL 11,142,952 thousand as of 31 December 2023, constituting 2.5% of the Group's total liabilities, decreasing its share of the Group's total liabilities as compared to TL 17,608,189 thousand as of 31 December 2022 (1.4% of the Group's total liabilities) and TL 25,644,871 thousand as of 31 December 2021 (3.0% of the Group's total liabilities). In 2022 and 2023, the decline was due to the Bank's strategy for its wholesale portfolio, taking into consideration the high liquidity levels of the Bank and unfavourable market conditions for new issuances, the Bank utilised bilateral loans and rolling over syndicated loans (while not refinancing a maturing eurobond in 2023). The share of the outstanding balances of such transactions in the Group's balance sheet changes depending upon the relative costs of funding in the market; *however*, it has increased in recent years due to the Group's successful use of the Programme (which it launched in 2013). For additional information on the Group's securities issued, see note 5.2.4 in the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2023.

Shareholders' Equity

The Group's total shareholders' equity as of 31 December 2023 amounted to TL 245,621,518 thousand, an increase of 60.4% from TL 153,124,120 thousand as of 31 December 2022, which was an increase of 90.7% from TL 80,300,855 thousand as of 31 December 2021. Shareholders' equity principally changes as a result of the Group's net profit/(loss) and changes in the amount of unrealised gains and losses on financial assets measured at fair value through other comprehensive income (which changes are not included in profit/(loss)). The following tables summarise the components of the Group's shareholders' equity as of the indicated dates:

	As of 31 December		
	2021	**2022**	**2023**
		(*TL thousands*)	
Paid-in capital	4,200,000	4,200,000	4,200,000
Capital reserves	784,434	784,434	784,434
Other comprehensive income/expense items not to be recycled to profit or loss	1,852,255	4,561,421	15,299,688
Other comprehensive income/expense items to be recycled to profit or loss	7,191,703	19,914,049	23,453,042
Profit reserves	51,937,355	63,782,784	114,589,030
Profit/(loss)	14,015,592	59,396,697	86,374,997
Minority interest	319,516	484,735	920,327
Total shareholders' equity	**80,300,855**	**153,124,120**	**245,621,518**

For additional information on the Group's shareholders' equity, see note 5.2.14 in the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2023. In addition, see "Capital Adequacy" below.

The Bank's dividend policy is to distribute up to 30% of the distributable net profit subject (as is required by law) to the approval of the BRSA. With respect to 2020 net income, the BRSA allowed banks to distribute up to 10% of their distributable net income and, accordingly, the Bank distributed in April 2021 10% of its distributable net income for the year 2020. With respect to 2021 and 2022 net income, the BRSA limits for distributions were 10% and 15%, respectively, of a bank's distribution net income, which maximum amounts the Bank elected to distribute in the following year. With respect to 2023 net income, such will be determined (subject to BRSA approval) at the Bank's general shareholders' meeting expected to occur in Spring 2024. See "Ownership - Dividends and Dividend Policy."

Off-Balance Sheet Commitments and Contingencies

In the normal course of business in order to meet the needs of its customers and to hedge the Group's own positions (and generally not for speculative purposes), the Group enters into certain off-balance sheet transactions. These transactions expose the Group to credit risk that is not reflected on the Group's balance sheet. The Group applies to these transactions the same credit policies in making commitments and assuming conditional obligations as it does for on-balance sheet transactions, including the requirement to obtain collateral when it is considered necessary.

The Group generates significant amounts of fees from these transactions while incurring a very small amount of credit losses thereon as almost all of these transactions expire without any need for payment by the Group (for example, a letter of credit expiring when the related buyer of goods makes its payment to the seller). Since many of the commitments are expected to expire without being drawn upon, the total amount does not necessarily represent future cash requirements.

The most significant category of such transactions includes letters of guarantee, letters of credit, bank acceptances and other support that the Group provides to its import and export customers, as well as off-balance sheet exposure for derivative financial instruments and the Group's commitments to make loans to its borrowers.

The following summarises the three principal categories of the Group's off-balance sheet exposures – letters of credit and similar transactions, commitments to customers under credit facilities and derivative financial instruments. See also note 5.3 in the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2023 for additional information.

Guarantees and sureties. Most of the Group's letters of guarantee and credit were issued (or confirmed) in connection with the export and trade finance-related activities of the Group's customers. The following table summarises the Group's exposure under such transactions as of the indicated dates:

	As of 31 December		
	2021	**2022**	**2023**
		(TL thousands)	
Letters of guarantee	104,364,646	187,090,406	343,736,133
Letters of credit	25,954,648	35,059,723	53,548,755
Bank acceptances	2,751,737	3,918,563	7,962,125
Endorsements	1,128,961	5,653,771	2,619,600
Other guarantees	258,782	646,094	12,043,653
Total guarantees and sureties	**134,458,774**	**232,368,557**	**419,910,266**

The Group generates significant amounts of fees from these transactions while incurring a very small amount of credit losses thereon as almost all of these transactions expire without any need for payment by the Group (for example, a letter of credit that expires when the related buyer of goods makes its payment to the seller). The Group has not, since the beginning of 2021, experienced any material credit events with respect to its guarantees and sureties. The Group accounts for expected credit losses for non-cash exposures, including irrevocable unused credit card limits, at initial recognition by using credit conversion factors in line with TFRS 9.

Commitments. The Group's "commitments" are composed principally of unused credit limits for credit cards, overdrafts, checks and loans to customers and commitments for credit-linked-notes, under which the Group has unused commitments of TL 748,892,416 thousand as of 31 December 2023, an increase of 200.2% from TL 249,499,657 thousand as of 31 December 2022, itself an increase of 78.1% from TL 140,074,237 thousand as of 31 December 2021. These increases are consistent with the general growth of the Group's lending business, including its credit card business.

Derivative Financial Instruments. The Group's exposure to derivative transactions arises principally in connection with customer-dealing and funding activities. The Group also enters into certain derivatives transactions in order to hedge its currency, interest rate and other risks. The Group enters into derivative financial instruments with domestic and foreign counterparties that it considers to be creditworthy (mostly with an investment grade rating) or, in most cases, that are fully secured. As of 31 December 2023, the Group's face values of outstanding derivative contracts arising from various derivatives amounted to TL 1,177,937,839 thousand, a 9.0% increase from TL 1,081,008,221 thousand as of 31 December 2022, itself a 49.1% increase from TL 725,086,638 thousand as of 31 December 2021. The changes resulted from currency swap transactions and interest rate swaps entered into for the Group and its customers mainly in order to hedge the positions against the volatility in exchange rates and interest rates in the markets. See note 5.3.2 in the BRSA Annual Financial Statements as of and for the year ended 31 December 2023 and, for a breakdown of the Group's commitments arising from derivatives as of 31 December 2021, 2022 and 2023, see "Selected Statistical and Other Information – Derivative Transactions."

Governments in the United States, Europe and elsewhere have made or are expected to make changes in laws relating to derivatives transactions, including how they settle. The Bank's management does not anticipate that such changes will have a material adverse effect on its ability to obtain reasonably priced hedges for its currency, interest rate and other risks; however, the volatility in the markets in recent years has made certain derivatives more expensive than in previous years and such increased costs might make the Group's hedging operations less cost-effective.

Capital Adequacy

Each of the Bank and the Group is required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by the Bank of International Settlements. These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures. In accordance with these guidelines, each of the Bank and the Group must maintain a total capital ratio in excess of 8% calculated in accordance with BRSA regulations. In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4% higher than the legal capital ratio (see "Turkish Regulatory Environment - Capital Adequacy" for further details).

In order to implement the rules of the report entitled "A Global Regulatory Framework for More Resilient Banks and Banking Systems" published by the Basel Committee in December 2010 and revised in June 2011 (*i.e*., Basel III) into Turkish law, the Equity Regulation and amendments to the then-existing capital adequacy regulation each entered into force on 1 January 2014. Subsequently, the BRSA replaced such capital adequacy regulation with the Capital Adequacy Regulation, which entered into force on 31 December 2016. The Equity Regulation defines capital of a bank as the sum of: (a) principal capital (*i.e*., Tier 1 capital), which is composed of core capital (*i.e.,* Common Equity Tier 1 capital) and additional principal capital (*i.e*., additional Tier 1 capital) and (b) supplementary capital (*i.e*., Tier 2 capital) *minus* capital deductions. Pursuant to the Capital Adequacy Regulation: (i) both the unconsolidated and consolidated minimum common equity Tier 1 capital adequacy ratios are 4.5% and (ii) both unconsolidated and consolidated minimum Tier 1 capital adequacy ratios are 6.0%; *however*, due to the application of certain requirements (including the D-SIBs requirements, which only applies on a consolidated basis), such ratios as they apply to the Bank as of 16 February 2024 are 7.02% and 8.52%, respectively, on a Bank-only basis and 8.62% and 10.12%, respectively, on a Group basis.

In calculating its capital adequacy ratios, the Capital Adequacy Regulation allows the Bank to use ratings of eligible external credit assessment institutions (namely Fitch, S&P Global Ratings Europe Limited ("*S&P*"), Moody's, Japan Credit Rating Agency, Ltd., DBRS Ratings Ltd. and International Islamic Rating Agency) while calculating the risk-weighted assets for capital adequacy purposes. Each of S&P, Moody's and Fitch downgraded certain credit ratings of Türkiye, and both Moody's and Fitch downgraded certain ratings of the Bank, in 2021, 2022 and/or 2023 (S&P does not provide a credit rating for the Bank). According to guidance published by the BRSA on 24 February 2017, foreign exchange-required reserves held with the Central Bank are subject to a 0% risk weight, which amendment offset the negative impact on capital adequacy that otherwise would have resulted from past downgrades of Türkiye. See "The Group and its Business - Credit Ratings."

The Group maintains regulatory capital adequacy ratios on both a Bank-only and consolidated basis in excess of the regulatory minimums required and recommended levels. The Group's Tier 1 and common equity Tier 1 capital adequacy ratios both stood at 13.8% as of 31 December 2021 and then increased to 16.2% as of 31 December 2022 and 16.8% as of 31 December 2023 (15.4%, 18.1% and 18.4%, respectively, with respect to the Bank). The Group's total capital adequacy ratio of 16.7% as of 31 December 2021 increased to 18.6% as of 31 December 2022 and then increased further to 18.9% as of 31 December 2023 (18.5%, 20.6% and 20.6%, respectively, with respect to the Bank). On 31 January 2023, the BRSA announced that capital adequacy ratio calculations until such date as determined by the BRSA may be calculated using the Central Bank's foreign exchange buying rates as of 30 December 2022 (and, though the Bank did not apply this potential forbearance) also that negative revaluation differences of securities classified under "financial assets measured at fair value through other comprehensive income" need not be included in the capital calculation. If such measure had not been taken into account, then the Group's total capital adequacy ratios as of 31 December 2022 and 31 December 2023 would decline to 14.5% and 16.5%, respectively (18.9% and 18.3%, respectively, with respect to the Bank).

The following table sets out information on the Group's capital and its capital adequacy ratios as of the indicated dates:

	As of 31 December		
	2021	2022	2023
	(TL thousands, except percentages)		
Paid-in capital	4,200,000	4,200,000	4,200,000
Paid-in capital inflation adjustment	772,554	772,554	772,554
Reserves	51,937,355	63,782,784	114,589,030
Profit	14,015,592	59,396,697	86,374,997
Tier 1 Capital (I)	80,688,398	152,025,140	241,666,189
Tier 2 Capital (II)	17,014,510	22,370,738	30,426,490
Deductions (III)	2,984	82	2,356
Own Funds (I+II-III)	97,699,924	174,395,796	272,090,323
Risk Weighted Assets (including market and operational risk)	585,131,580	937,541,310	1,437,302,870
Capital Ratios:			
Tier 1 capital adequacy ratio	13.8%	16.2%	16.8%
Common equity Tier 1 capital adequacy ratio	13.8%	16.2%	16.8%
Total capital adequacy ratio[(1)]	16.7%	18.6%	18.9%

(1) On 17 June 2021 (as revised multiple times thereafter), the BRSA announced that capital adequacy ratio calculations until such date as determined by the BRSA may be calculated using a favourable foreign exchange rate. If such measure had not been taken into account, then the Group's Tier 1, common equity Tier 1 and total capital adequacy ratios would decline to 11.5%, 11.5% and 14.1%, respectively, as of 31 December 2021, 14.5%, 14.5% and 16.8%, respectively, as of 31 December 2022 and 14.5%, 14.5% and 16.5%, respectively, as of 31 December 2023.

The significant increases in the Group's capital in 2022 represented the growth in the Group's retained earnings despite the significant depreciation of the Turkish Lira. In 2023, the Group's capital continued to increase due to the income generated by the Group, which more than offset the impact of the depreciation of the Turkish Lira.

Please see: (a) "Risk Factors - Risks Relating to Türkiye - Economic Conditions - Turkish Economy" with respect to the negative impact on the capital ratios resulting from the depreciation of the Turkish Lira and positive (but likely temporary) impacts of certain regulatory accommodations provided by the BRSA and (b) "Risk Factors - Risks Relating to Türkiye - Economic Conditions - Inflation" with respect to the potential distorting impact of high inflation, including the use of non-inflation-adjusted figures in the BRSA Financial Statements.

Liquidity and Funding

The Group manages its assets and liabilities to seek to ensure that it has sufficient liquidity to meet its present and future financial obligations and that it is able to take advantage of appropriate business opportunities as they arise. Liquidity risk represents the potential for loss as a result of limitations on the Group's ability to adjust future cash flows to meet the needs of depositors and borrowers and to fund operations on a timely and cost-effective basis. Financial obligations arise from withdrawals of deposits, repurchase transactions, extensions of loans or other forms of credit and the Group's own working capital needs.

The ability to maintain or replace interest-bearing deposits is a key factor in determining liquidity requirements, as well as the exposure to interest and exchange rate risks. The Group's principal sources of funding are short-term and demand deposits and the Group has developed a diversified and stable deposit base in each of its retail, commercial, corporate and SME business lines, including having one of the largest shares of the Turkish demand deposit market. As of 5 January 2024, the Bank's management believes that funds from the Group's deposit-taking operations generally will continue to meet its liquidity needs for the foreseeable future; *however*, maturities of large borrowings or securities offerings do from time to time require the Group to have sufficient liquidity on hand, which does require the Group to closely monitor market conditions for potential opportunities to obtain replacement financing on a cost-effective basis. As of 31 December 2021, 2022 and 2023, the Group's loan-to-deposit ratio was 84.3%, 84.7% and 76.9%, respectively. The change in 2022 was due to the growth in deposits exceeding the growth in loans and the impact of the depreciation of the Turkish Lira. In 2023, the ratio declined significantly due to regulatory changes that limited loan growth and encouraged conversion of foreign currency deposits to Turkish Lira. For additional information on deposits, see "Selected Statistical and Other Information - Deposits."

To a lesser extent, the Group also funds its operations through short-term and long-term borrowings, eurobond issuances and other domestic and international transactions. The Bank uses the relationships that it develops with its correspondent banks in connection with international payment and trade-related finance activities to raise funds from the syndicated loan markets. The Bank has also capitalised on its ability to generate foreign currency-denominated payments from abroad (such as diversified payment rights) by tapping international capital markets through "future flow" transactions. See "Selected Statistical and Other Information – Funds Borrowed and Certain Other Liabilities."

The Bank has issued various Series of Notes under the Programme, including some small and/or short-term private transactions. The Bank may issue, from time to time, additional Series of notes under the Programme, which (as permitted by the Programme) may be in any currency, with any tenor and with any interest rate, which issuances may be listed or unlisted.

The Bank is subject to the BRSA's regulations on the measurement of the liquidity adequacy of a bank. The Regulation on Liquidity Coverage Ratios was published in order to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period. According to this regulation, the liquidity coverage ratio of banks is not permitted to fall below 100% on an aggregate basis and 80% on a foreign currency-only basis. See "Turkish Regulatory Environment - Capital Adequacy."

The Group's simple averages of daily liquidity ratios for each of the last three months of the past three fiscal years are shown below:

	Turkish Lira + Foreign Currency	**Foreign Currency**
31 October 2021	184.33%	405.98%
30 November 2021	188.17%	393.65%
31 December 2021	218.64%	419.98%
31 October 2022	218.36%	556.61%
30 November 2022	212.16%	511.81%
31 December 2022	216.28%	499.90%
31 October 2023	230.51%	273.56%
30 November 2023	216.66%	275.78%
31 December 2023	221.86%	316.78%

The following table sets out the calculation of the Group's period-end liquidity ratios during each of the past three fiscal years, including the "liquidity coverage ratios" that are applied to the applicable asset and liability category in determining (with respect to assets) how much liquidity the Group maintains and (with respect to liabilities) how much liquidity the Group is required to maintain:

	2021		**2022**		**2023**	
	TL + FC	**Foreign Currency**	**TL + FC**	**Foreign Currency**	**TL + FC**	**Foreign Currency**
	(TL thousands, except percentages)					
High-Quality Liquid Assets						
Total high-quality liquid assets	184,253,304	103,593,389	361,051,673	205,102,320	589,511,259	299,020,752
Cash Outflows						
Retail deposits and deposits from small business customers, of which	33,153,012	22,705,041	54,756,102	33,116,976	90,846,229	45,357,298
Stable deposits	*2,499,897*	*84,340*	*4,034,434*	*114,473*	*7,703,698*	*299,495*
Less stable deposits	*30,653,115*	*22,620,701*	*50,721,668*	*33,002,503*	*83,142,531*	*45,057,803*
Unsecured wholesale funding, of which	78,673,136	46,207,148	134,854,792	76,050,569	213,804,925	111,678,164
Non-operational deposits	*57,509,897*	*38,907,943*	*97,918,142*	*63,189,598*	*151,516,739*	*89,305,942*
Unsecured funding	*21,163,239*	*7,299,205*	*36,936,650*	*12,860,971*	*62,288,186*	*22,372,222*
Secured wholesale funding	*565,670*	-	*500,933*	-	*925,210*	-
Other cash outflows, of which	36,849,978	29,838,735	56,339,836	45,286,616	96,245,132	45,435,240
Outflows related to derivative exposures and other collateral requirements	*17,974,608*	*21,166,493*	*18,052,938*	*29,861,010*	*16,577,158*	*22,018,280*
Payment commitments and other off-balance sheet commitments granted for debts to financial markets	*18,875,370*	*8,672,242*	*38,286,898*	*15,425,606*	*79,667,974*	*23,416,960*
Other revocable off-balance sheet commitments and contractual obligations	296,244	258,920	535,007	451,385	777,522	675,418
Other irrevocable or conditionally revocable off-balance sheet obligations	1,219,178	1,207,821	1,681,002	1,601,198	2,669,579	2,522,292
Total Cash Outflows	**150,757,218**	**100,217,665**	**248,667,672**	**156,506,744**	**405,268,597**	**205,668,412**
Cash Inflows						
Secured receivables	-	-	-	-	-	-
Unsecured receivables	50,641,491	32,616,478	79,044,232	41,249,546	137,615,179	64,082,701
Other cash inflows	6,693,228	56,840,117	1,871,426	99,332,105	2,540,690	35,992,194
Total Cash Inflows	**57,334,719**	**89,456,595**	**80,915,658**	**140,581,651**	**140,155,869**	**100,074,895**
Total High-Quality Liquid Assets (HQLA)	**184,253,304**	**103,593,389**	**361,051,673**	**205,102,320**	**589,511,259**	**299,020,752**
Total Net Cash Outflows	**93,422,499**	**25,054,416**	**167,752,014**	**39,126,686**	**265,112,728**	**105,593,517**
Liquidity Coverage Ratio	**197.05%**	**406.54%**	**215.60%**	**522.77%**	**223.01%**	**288.71%**

In addition to the liquidity ratios described above, the Bank is also required to maintain deposits with the Central Bank against a minimum reserve requirement. These reserve deposits are calculated on the basis of Turkish Lira and foreign currency liabilities taken at the rates determined by the Central Bank. The Central Bank started to pay interest for U.S. dollar (but not other foreign currency) reserve accounts as of 5 May 2015; *however*, through 16 February 2024, interest has not been paid on U.S. dollar reserve deposits since September 2019.

The Group's banks in the Netherlands and Romania are also subject to similar reserve deposit requirements. For detailed information on the Group's reserve deposits requirements see note 5.1.1 in the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2023.

Capital Expenditures

As a financial group, capital expenditures are not a material part of the Group's expenses and principally relate to expenses for branch expansion. The following table summarises the Group's capital expenditures for the indicated periods:

	2021	**2022**	**2023**
		(TL thousands)	
Real estate	9,289	831,024	62,256
Leased tangible assets	-	-	-
Right-of-use assets	368,843	897,021	2,509,050
Vehicles	5,499	8,675	83,748
Other tangible assets	672,665	1,057,596	3,288,986
Intangible assets	471,661	697,805	1,756,660
Total capital expenditures	**1,527,957**	**3,582,121**	**7,700,700**

EXHIBIT D

SELECTED STATISTICAL AND OTHER INFORMATION

The following tables present certain selected statistical and other information for the Group (or, in certain indicated circumstances, the Bank) as of the indicated dates and for the indicated periods. Except as specifically noted herein, the selected statistical and other information should be read in conjunction with the BRSA Annual Financial Statements (including the notes therein) and the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations." All foreign currency amounts in this section were notionally converted into Turkish Lira in the manner described in Section Three of the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2023.

I. Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential

A. Average Balance Sheet and Interest Data

The following tables set out the average balances of assets and liabilities, and the interest earned or expensed on such amounts, of the Bank for the indicated years. For purposes of the following tables, except as otherwise indicated, the average for each year is calculated on a daily basis and is based upon management estimates (and thus are not equivalent to the parallel APM definitions). For purpose of the following tables: (a) non-accruing credits have been treated as non-interest-earning assets and (b) loan fees have been included in interest income.

	2021			2022			2023		
	Average Balance	**Avg. Yield**	**Interest Income**	**Average Balance**	**Avg. Yield**	**Interest Income**	**Average Balance**	**Avg. Yield**	**Interest Income**
				(TL thousands, except percentages)					
ASSETS									
Average interest-earning assets									
Deposits with banks[1]	30,598,267	9.8%	3,003,064	68,248,881	5.0%	3,445,574	132,995,716	6.02%	8,008,432
Turkish Lira	*18,353,181*	*16.2%*	*2,972,430*	*33,070,381*	*7.8%*	*2,576,840*	*76,291,478*	*5.34%*	*4,077,526*
Foreign currency	*12,245,086*	*0.3%*	*30,634*	*35,178,500*	*2.5%*	*868,734*	*56,704,238*	*6.93%*	*3,930,906*
Investments in securities	60,439,050	16.6%	10,011,018	130,224,146	31.6%	41,162,769	229,038,808	23.26%	53,272,451
Turkish Lira	*38,709,782*	*23.6%*	*9,128,374*	*77,992,528*	*48.8%*	*38,052,807*	*150,495,110*	*32.14%*	*48,371,727*
Foreign currency	*21,729,268*	*4.1%*	*882,645*	*52,231,618*	*6.0%*	*3,109,962*	*78,543,698*	*6.24%*	*4,900,724*
Loans and advances to customers, and other interest-earning assets	341,211,385	12.9%	44,084,517	526,326,230	15.4%	81,224,232	818,984,850	18.64%	152,679,384
Turkish Lira	*230,645,733*	*17.5%*	*39,976,029*	*355,554,964*	*21.7%*	*72,876,951*	*594,225,790*	*21.70%*	*128,968,115*
Foreign currency	*110,565,652*	*3.4%*	*4,108,488*	*170,771,265*	*2.4%*	*8,347,280*	*224,759,060*	*10.55%*	*23,711,270*
Total for average interest-earning assets	**432,248,702**	**13.2%**	**57,098,598**	**724,799,256**	**17.4%**	**125,832,575**	**1,181,019,375**	**18.12%**	**213,960,267**
Turkish Lira	***287,708,696***	***18.2%***	***52,076,832***	***466,617,873***	***25.2%***	***113,506,598***	***821,012,379***	***22.10%***	***181,417,367***
Foreign currency	***144,540,006***	***3.2%***	***5,021,766***	***258,181,384***	***3.1%***	***12,325,977***	***360,006,996***	***9.04%***	***32,542,899***
Average non-interest-earning assets									
Cash and cash equivalents	20,405,889			44,344,339			55,882,450		
Tangibles	7,053,465			9,236,495			18,207,127		
Equity participations	13,925,267			24,293,820			41,568,187		
Other assets and accrued income	81,028,639			155,794,295			230,567,622		
Average total non-interest-earning assets	**122,413,260**			**233,668,949**			**346,225,386**		
Average total assets	**554,661,961**			**958,468,206**			**1,527,244,760**		

(1) Comprises balances with banks and interbank funds sold.

	2021			2022			2023		
	Average Balance	Avg. Rate	Interest Expense	Average Balance	Avg. Rate	Interest Expense	Average Balance	Avg. Rate	Interest Expense
				(TL thousands, except percentages)					
LIABILITIES									
Average interest-bearing liabilities									
Deposits from customers	227,448,832	8.55%	19,454,116	372,099,850	9.00%	33,502,100	628,601,515	20.29%	127,544,256
Turkish Lira	*132,665,358*	*14.39%*	*19,085,841*	*232,666,117*	*14.05%*	*32,689,943*	*546,809,838*	*23.25%*	*127,156,354*
Foreign currency	*94,783,474*	*0.39%*	*368,274*	*139,433,733*	*0.58%*	*812,156*	*81,791,678*	*0.47%*	*387,902*
Short-term debt and other interest-bearing liabilities(1)	3,136,615	5.49%	172,185	1,876,200	11.87%	222,694	1,271,011	22.15%	281,573
Turkish Lira	*1,427,150*	*9.34%*	*133,286*	*968,912*	*18.38%*	*178,107*	*677,400*	*32.48%*	*220,029*
Foreign currency	*1,709,465*	*2.28%*	*38,899*	*907,288*	*4.91%*	*44,586*	*593,611*	*10.37%*	*61,544*
Long-term debt and other interest-bearing liabilities	67,228,889	5.48%	3,687,279	101,471,621	8.15%	8,266,485	101,052,031	9.61%	9,707,784
Turkish Lira	*5,645,718*	*19.58%*	*1,105,324*	*2,363,127*	*22.73%*	*537,112*	*1,142,606*	*45.93%*	*524,818*
Foreign currency	*61,583,171*	*4.19%*	*2,581,954*	*99,108,495*	*7.80%*	*7,729,372*	*99,909,425*	*9.19%*	*9,182,967*
Repurchase agreements	1,936,573	7.49%	145,024	6,028,821	8.67%	522,483	35,886,574	4.43%	1,590,616
Turkish Lira	*665,147*	*17.91%*	*119,145*	*3,158,499*	*13.44%*	*424,654*	*3,149,386*	*10.70%*	*337,134*
Foreign currency	*1,271,426*	*2.04%*	*25,880*	*2,870,321*	*3.41%*	*97,829*	*32,737,188*	*3.83%*	*1,253,482*
Total for average interest-bearing liabilities	**299,750,909**	**7.83%**	**23,458,604**	**481,476,492**	**8.83%**	**42,513,761**	**766,811,132**	**18.14%**	**139,124,229**
Turkish Lira	***140,403,373***	***14.56%***	***20,443,596***	***239,156,655***	***14.15%***	***33,829,817***	***551,779,230***	***23.24%***	***128,238,335***
Foreign currency	***159,347,536***	***1.89%***	***3,015,008***	***242,319,837***	***3.58%***	***8,683,944***	***215,031,902***	***5.06%***	***10,885,894***
Average non-interest-bearing liabilities and equity									
Deposits-demand	163,278,115			322,125,181			487,582,678		
Accrued expenses and other liabilities	21,457,538			35,356,902			79,135,058		
Current and deferred tax liabilities	1,911,428			6,379,903			6,583,139		
Shareholders' equity and net profit	68,263,972			113,129,728			187,132,753		
Total average non-interest-bearing liabilities and equity	**254,911,053**			**476,991,714**			**760,433,628**		
Total average liabilities and equity	**554,661,961**			**958,468,206**			**1,527,244,760**		

(1) Interbank Money Market (*Bankalararası Para Piyasası*) placements are included under "Short-term debt and other interest-bearing liabilities."

The following tables set out the average balances of assets and liabilities, and the interest earned or expensed on such amounts, of the Group for the indicated years. For purposes of the following tables, the average is calculated as the average of the opening, quarter-end and closing balances for the applicable year. For the purpose of the following tables: (a) non-accruing credits have been treated as non-interest-earning assets and (b) loan fees have been included in interest income.

	2021			2022			2023		
	Average Balance	Average Yield	Interest Income	Average Balance	Average Yield	Interest Income	Average Balance	Averag e Yield	Interest Income
				(TL thousands, except percentages)					
ASSETS									
Average interest-earning assets									
Banks	4,597,023	3.74%	172,009	20,378,384	3.52%	718,077	72,351,883	7.74%	5,596,569
Financial assets measured at fair value through profit/(loss).........	7,107,864	2.22%	157,721	2,109,160	11.12%	234,465	7,251,060	8.19%	593,524
Interbank money market placements..........	15,195,431	13.56%	2,061,232	37,871,532	7.29%	2,760,820	61,543,380	7.54%	4,637,906
Financial assets measured at fair value through other comprehensive income...............	44,127,010	12.58%	5,553,056	81,051,307	25.25%	20,461,672	92,448,267	22.83%	21,106,469
Loans.................	430,048,442	10.60%	45,580,108	683,181,988	12.48%	85,245,876	1,064,326,601	15.23%	162,139,970
Financial assets measured at amortised cost	35,270,443	12.77%	4,503,461	84,755,390	24.61%	20,859,568	180,302,507	17.94%	32,352,941
Total for average interest-earning assets.................	**536,346,212**	**10.82%**	**58,027,587**	**909,347,761**	**14.33%**	**130,280,478**	**1,478,223,697**	**15.32 %**	**226,427,379**
Average non-interest-earning assets	128,745,520			234,761,672			406,975,624		
Total average assets.................	**665,091,732**			**1,144,109,433**			**1,885,199,322**		

	2021			2022			2023		
	Average Balance	Average Rate	Interest Expense	Average Balance	Average Rate	Interest Expense	Average Balance	Average Rate	Interest Expense
				(TL thousands, except percentages)					
LIABILITIES									
Average interest-bearing liabilities									
Deposits.........................	240,560,711	8.08%	19,443,102	408,504,371	8.40%	34,307,435	796,426,377	16.51%	131,507,584
Funds borrowed............	33,394,060	3.76%	1,256,488	47,928,079	6.65%	3,184,986	51,162,917	16.08%	8,228,429
Interbank money market takings...........................	9,960,093	3.74%	372,542	20,863,546	5.30%	1,105,104	47,987,498	5.95%	2,856,006
Securities issued	48,740,702	5.89%	2,870,828	63,667,971	4.82%	3,068,434	71,491,496	4.25%	3,036,749
Total for average interest-bearing liabilities.......................	**332,655,565**	**7.20%**	**23,942,960**	**540,963,966**	**7.70%**	**41,665,959**	**967,068,288**	**15.06%**	**145,628,768**
Average non-interest-bearing liabilities and equity	332,436,166			603,145,467			918,131,034		
Total average liabilities and equity ..	**665,091,732**			**1,144,109,433**			**1,885,199,322**		

The following table shows the net interest income and net yield for the Bank for the indicated years.

	2021	2022	2023
		(TL thousands, except percentages)	
Net interest income			
Turkish Lira	31,633,236	79,676,782	53,179,033
Foreign currency	2,006,759	3,642,032	21,657,005
Total	**33,639,994**	**83,318,814**	**74,836,038**
Net yield			
Turkish Lira	10.99%	17.08%	6.48%
Foreign currency	1.39%	1.41%	6.02%
Total	**7.78%**	**11.50%**	**6.34%**

The following table shows the net interest income and net yield for the Group for the indicated years.

	2021	2022	2023
	(TL thousands, except percentages)		
Net interest income	36,064,391	88,092,627	86,366,451
Net yield	6.72%	9.69%	5.84%

B. Net Changes in Interest Income and Expense – Volume and Rate Analysis

The following table provides a comparative analysis of net changes in the Bank's interest earned and interest paid by reference to changes in average volume and rates for the indicated years. Changes in interest income and interest expense are attributed either to changes in average balances (volume changes) or changes in average rates (rate changes) for interest-earning assets and sources of funds on which interest is earned or expensed. Volume change is calculated as the change in volume multiplied by the current rate, while the rate change is calculated as the change in rate multiplied by the previous volume. The rate volume change (change in rate multiplied by change in volume) is allocated between volume change and rate change at the ratio each component bears to the absolute value of their total. Average balances represent the average of the opening and closing balances for the indicated years. For purpose of the following tables, NPLs have been treated as non-interest-earning assets.

	2023/2022 Increase (decrease) due to changes in		
	Volume	**Rate**	**Net Change**
		(TL thousands)	
Interest income			
Deposits with banks	3,802,252	760,606	4,562,858
Turkish Lira	2,310,024	(809,338)	1,500,686
Foreign currency	1,492,228	1,569,944	3,062,172
Investments in securities	24,945,321	(12,835,639)	12,109,681
Turkish Lira	23,303,582	(12,984,662)	10,318,920
Foreign currency	1,641,739	149,023	1,790,762
Loans and advances to customers, and other interest-earning assets	57,495,569	13,959,584	71,455,153
Turkish Lira	51,800,051	4,291,112	56,091,163
Foreign currency	5,695,517	9,668,472	15,363,989
Total interest income	**86,243,141**	**1,884,550**	**88,127,692**
Interest expense			
Deposits from customers	72,778,296	21,263,860	94,042,157
Turkish Lira	73,051,667	21,414,744	94,466,411
Foreign currency	(273,371)	(150,883)	(424,254)
Short-term debt and other interest-bearing liabilities	(127,208)	186,087	58,879
Turkish Lira	(94,687))	136,608	41,921
Foreign currency	(32,521)	49,479	16,957
Long-term debt and other interest-bearing liabilities	(486,989)	1,928,289	1,441,300
Turkish Lira	(560,605)	548,311	(12,294)
Foreign currency	73,616	1,379,978	1,453,594
Repurchase Agreements	1,142,604	(74,471)	1,068,133
Turkish Lira	(976)	(86,544)	(87,520)
Foreign currency	1,143,579	12,073	1,155,652
Total interest expense	**73,306,703**	**23,303,765**	**96,610,468**
Net change in net interest income	**12,936,439**	**(21,419,215)**	**(8,482,776)**

	2022/2021		
	Increase (decrease) due to changes in		
	Volume	**Rate**	**Net Change**
		(TL thousands)	
Interest income			
Deposits with banks	1,713,104	(1,270,593)	442,510
Turkish Lira	*1,146,762*	*(1,542,352)*	*(395,590)*
Foreign currency	*566,341*	*271,759*	*838,100*
Investments in securities	20,982,343	10,169,409	31,151,751
Turkish Lira	*19,166,179*	*9,758,254*	*28,924,433*
Foreign currency	*1,816,164*	*411,154*	*2,227,318*
Loans and advances to customers, and other interest-earning assets	28,545,085	8,594,630	37,139,715
Turkish Lira	*25,602,241*	*7,298,681*	*32,900,922*
Foreign currency	*2,942,844*	*1,295,949*	*4,238,792*
Total interest income	**51,240,531**	**17,493,445**	**68,733,976**
Interest expense			
Deposits from customers	14,310,332	(262,348)	14,047,984
Turkish Lira	*14,050,259*	*(446,157)*	*13,604,102*
Foreign currency	*260,073*	*183,809*	*443,882*
Short-term debt and other interest-bearing liabilities	(123,655)	174,163	50,508
Turkish Lira	*(84,234)*	*129,055*	*44,821*
Foreign currency	*(39,421)*	*45,108*	*5,687*
Long-term debt and other interest-bearing liabilities	2,180,466	2,398,740	4,579,206
Turkish Lira	*(746,096)*	*177,884*	*(568,212)*
Foreign currency	*2,926,562*	*2,220,856*	*5,147,418*
Repurchase Agreements	389,721	(12,2620	377,459
Turkish Lira	*335,226*	*(29,717)*	*305,509*
Foreign currency	*54,495*	*17,454*	*71,950*
Total interest expense	**16,756,864**	**2,298,292**	**19,055,157**
Net change in net interest income	**34,483,667**	**15,195,153**	**49,678,820**

II. Securities Portfolio

The Group's securities portfolio comprises trading securities (*i.e.*, debt and equity securities that the Group principally holds for the purpose of short-term profit taking, which are reflected in the balance sheet as "financial assets measured at fair value through profit or loss") and investment securities (*i.e.*, both "financial assets measured at amortised cost" and "financial assets measured at fair value through other comprehensive income"). The Group also enters into purchases (or sales) of securities under agreements to resell (or repurchase) substantially identical investments at a certain date in the future at a fixed price (*i.e.*, "repos"). Securities sold under repurchase agreements continue to be recognised in the balance sheet and are measured in accordance with the accounting policy for the related security portfolio as appropriate. The Group's portfolio of marketable securities consists primarily of Turkish government securities (including bonds, treasury bills and eurobonds) denominated in Turkish Lira, U.S. dollars and euro.

As of 31 December 2023, the size of the Group's aggregate securities portfolio increased by 59.5% to TL 326,492,957 thousand from TL 204,660,831 thousand as of 31 December 2022, itself a 106.0% increase from TL 99,268,439 thousand as of 31 December 2021. The significant changes in 2022 and 2023 were the result of new regulations, including requirements for a bank (if it were not to achieve certain targets) to purchase long-term, Turkish Lira fixed rate securities issued by the Turkish government. Accordingly, the Group's volume of Turkish Lira-denominated securities as of 31 December 2022 and 2023 was TL 129,946,244 thousand and TL 202,656,754 thousand, respectively, of which 27.6% and 44.4%, respectively, consisted of long-term Turkish Lira fixed-rate securities issued by the Turkish government, whereas, as of 31 December 2021, such securities totalled TL 60,398,852, which represented only 19.0% of the Group's total Turkish Lira-denominated securities. See "Turkish Regulatory Environment – Liquidity and Reserve Requirements" with respect to certain regulatory requirements to hold such securities.

A. Book Value of Securities

The following table sets out a breakdown of securities (on a book-value basis) held by the Group as of the indicated dates:

	As of 31 December		
	2021	2022	2023
		(TL thousands)	
Financial assets measured at fair value through profit or loss	**3,355,094**	**5,712,575**	**8,534,839**
Turkish Lira-denominated	2,051,069	3,747,045	3,702,038
Foreign currency-denominated and indexed	1,304,025	1,965,530	4,832,801
Financial assets measured at fair value through other comprehensive income	**55,746,298**	**88,928,400**	**101,575,253**
Turkish Lira-denominated	35,483,531	63,766,271	57,354,432
Foreign currency-denominated and indexed	20,262,767	25,162,129	44,220,821
Financial assets measured at amortised cost	**40,167,047**	**110,019,856**	**216,382,865**
Turkish Lira-denominated	22,864,252	62,454,628	141,655,134
Foreign currency-denominated and indexed	17,302,795	47,565,228	74,727,731
Total	**99,268,439**	**204,660,831**	**326,492,957**

Financial Assets Measured at Fair Value through Profit or Loss

The Group's trading securities portfolio is composed of debt and equity securities that the Group principally holds for the purpose of short-term profit taking. These include investments designated as trading instruments. These securities are referred to as "financial assets measured at fair value through profit or loss" and any financial asset that does not qualify for amortised cost measurement at fair value through other comprehensive income must be measured after initial recognition at fair value through profit or loss.

After initial recognition, securities that are classified as "financial assets measured at fair value through profit or loss" are measured at estimated fair value. When market prices are not available or if liquidating a position would reasonably be expected to affect market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or management's estimates of the amounts that can be realised.

The following table sets out a breakdown of the Group's financial assets measured at fair value through profit or loss as of the indicated dates:

	As of 31 December		
	2021	2022	2023
		(TL thousands)	
Government securities	1,749,900	2,513,999	5,357,399
Equity securities	1,126,948	2,647,455	2,167,803
Other securities	478,246	551,121	1,009,637
Total	**3,355,094**	**5,712,575**	**8,534,839**

As of 31 December 2023, the size of the Group's financial assets measured at fair value through profit or loss increased by 49.4% to TL 8,534,839 thousand from TL 5,712,575 thousand as of 31 December 2022, which itself had increased by 70.3% from TL 3,355,094 thousand as of 31 December 2021. The Group's portfolio of financial assets measured at fair value through profit or loss comprises Turkish Lira-denominated bonds, eurobonds, bonds issued by corporations (including financial institutions) and foreign governments. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Fair Value of Securities."

Investment Securities Portfolio

The Group's investment portfolio consists of "financial assets measured at amortised cost" and "financial assets measured at fair value through other comprehensive income."

"Financial assets measured at amortised cost" are financial assets (other than bank loans and receivables) with fixed or determinable payments and fixed maturities that the Group intends and has the ability to hold to maturity. The Group cannot classify any financial asset as financial assets measured at amortised cost if the Group has, during the current fiscal year or during the two preceding fiscal years, sold or transferred any financial assets measured at amortised cost before their maturities. "Financial assets measured at fair value through other comprehensive income" are financial assets that are neither held for trading purposes nor are intended to be held to maturity (*i.e.*, financial assets measured at amortised cost). Financial assets measured at fair value through other comprehensive income can include certain debt and equity investments. The Group classifies investment securities depending upon the intention of management at the time of the purchase thereof, though such can be reclassified if the intention of management later changes.

Financial assets measured at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. Financial assets measured at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The contractual terms of both financial asset categories should give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost portfolio. The Group's portfolio of "financial assets measured at amortised cost" consists principally of Turkish Lira-denominated Turkish government bonds and treasury bills, Turkish government eurobonds and bonds issued by foreign governments.

The following table sets out certain information relating to the Group's portfolio of financial assets measured at amortised cost as of the indicated dates (including income accruals):

	As of 31 December		
	2021	**2022**	**2023**
		(TL thousands)	
Government securities	40,077,835	105,264,533	199,007,329
Other securities	89,212	4,755,323	17,375,536
Total	**40,167,047**	**110,019,856**	**216,382,865**

As of 31 December 2023, the size of the Group's financial assets measured at amortised cost (including income accruals) increased by 96.7% to TL 216,382,865 thousand from TL 110,019,856 thousand as of 31 December 2022, which itself had increased by 173.9% from TL 40,167,047 thousand as of 31 December 2021. In 2022, the portfolios of both foreign currency-denominated and Turkish Lira-denominated securities increased due to the Bank's acquisition of fixed rate notes. In 2023, the portfolio of fixed rate notes issued by the Turkish Treasury continued to increase in order to comply with new regulatory requirements described herein.

Financial assets measured at fair value through other comprehensive income portfolio. The Group's portfolio of "financial assets measured at fair value through other comprehensive income" consists of Turkish government bonds and treasury bills, Turkish government eurobonds and bonds issued by corporations (including financial institutions) and foreign governments.

The following table sets out certain information relating to the Group's portfolio of financial assets measured at fair value through other comprehensive income as of the indicated dates:

	As of 31 December		
	2021	**2022**	**2023**
		(TL thousands)	
Government securities	44,649,942	77,097,126	79,943,012
Equity securities	521,200	1,022,719	1,930,116
Other securities	10,575,156	10,808,555	19,702,125
Total	**55,746,298**	**88,928,400**	**101,575,253**

As of 31 December 2023, the size of the Group's financial assets measured at fair value through other comprehensive income increased by 14.2% to TL 101,575,253 thousand from TL 88,928,400 thousand as of 31 December 2022, which itself had increased by 59.5% from TL 55,746,298 thousand as of 31 December 2021. In both 2022 and 2023, the portfolio of foreign exchange-denominated securities remained stable while the portfolio of Turkish Lira-denominated securities increased due both to regulatory changes and the purchase of additional CPI-linked securities.

As of 31 December 2021, 2022 and 2023, the Group's BRSA Financial Statements included unrealised gains (net of tax) amounting to TL 7,191,703 thousand, TL 19,914,049 thousand and TL 23,453,042 thousand, respectively, in other comprehensive income under shareholders' equity.

In 2021, 2022 and 2023, net gains transferred to income on disposal from other comprehensive income amounted to TL 190,692 thousand, TL 8,281,861 thousand and TL 5,370,840 thousand, respectively.

B. Maturities of Securities

The following tables set out the maturities of the securities in the Group's total securities portfolio as of 31 December 2023:

	1 year or less	After 1 year through 5 years	After 5 years	Undistributed	Total
			(*TL thousands*)		
Financial assets measured at fair value through profit or loss	3,570,404	2,701,862	347,171	1,970,252	8,589,689
Financial assets measured at fair value through other comprehensive income	14,240,878	68,244,523	18,904,658	185,194	101,575,253
Financial assets measured at amortised cost	39,574,301	145,557,197	31,133,718	117,649	216,382,865
Total	**57,385,583**	**216,503,582**	**50,385,547**	**2,273,095**	**326,547,807**

	1 year or less	After 1 year through 5 years	After 5 years	Undistributed	Total
Financial assets measured at fair value through profit or loss	6.2%	1.2%	0.7%	86.7%	2.6%
Financial assets measured at fair value through other comprehensive income	24.8%	31.5%	37.5%	8.1%	31.1%
Financial assets measured at amortised cost	69.0%	67.2%	61.8%	5.2%	66.3%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

	1 year or less	After 1 year through 5 years	After 5 years	Total
		(TL thousands)		
Turkish government bonds and treasury bills	120,539,426	130,801,590	25,392,081	276,733,097
Bonds issued by corporations	5,332,939	7,644,324	24,329,867	37,307,130
Others	-	-	-	-
Total	**125,872,365**	**138,445,914**	**49,721,948**	**314,040,227**

	1 year or less	After 1 year through 5 years	After 5 years	Total
Turkish government bonds and treasury bills	95.7%	94.5%	51.1%	88.1%
Bonds issued by corporations	4.3%	5.5%	48.9%	11.9%
Others	-	-	-	-
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The following table sets out the remaining maturities of the Group's consolidated securities portfolio as of the indicated dates:

	As of 31 December		
	2021	2022	2023
		(TL thousands)	
Financial assets measured at fair value through profit or loss	**3,355,094**	**5,712,575**	**8,589,689**
Three months or less	1,752,814	3,090,298	919,382
Over three months through 12 months	379,495	1,289,724	2,596,172
Over one year through five years	734,628	1,049,405	2,701,862
Over five years	467,410	268,081	347,171
Undistributed	20,747	15,067	2,155,446
Financial assets measured at fair value through other comprehensive income	**55,746,298**	**88,928,400**	**101,390,059**
Three months or less	5,159,910	6,311,069	5,031,558
Over three months through 12 months	4,001,130	16,591,529	9,209,320
Over one year through five years	30,314,320	41,939,653	68,244,523
Over five years	16,270,938	24,086,149	18,904,658
Financial assets measured at amortised cost	**40,167,047**	**110,019,856**	**216,382,865**
Three months or less	1,749,723	387,196	11,931,524
Over three months through 12 months	4,660,637	12,804,649	27,642,777
Over one year through five years	25,779,215	80,862,443	145,557,197
Over five years	7,977,472	15,964,889	31,133,718
Undistributed	-	679	117,649
Total	**99,268,439**	**204,660,831**	**326,492,957**

The following table sets out the Group's total securities portfolio in Turkish Lira and in foreign currencies as of the indicated dates:

	As of 31 December		
	2021	2022	2023
		(TL thousands)	
Turkish Lira-denominated securities	60,398,852	129,967,944	202,711,604
Foreign currency and foreign currency-indexed securities	38,869,587	74,692,887	123,781,353
Total securities	**99,268,439**	**204,660,831**	**326,492,957**

C. Securities Concentrations

As of 31 December 2023, the Group did not hold debt securities of any one issuer that (in the aggregate) had a book value in excess of 10% of the Group's shareholders' equity, other than securities issued by the Turkish government. As of such date, the Group's TL 95,806,664 thousand of Turkish government securities represented 39.0% of the Group's shareholders' equity.

The following table provides information regarding financial assets measured at fair value through profit/(loss): (a) provided as collateral/blocked assets with respect to various banking, insurance and asset management transactions and (b) subject to repurchase agreements as of the indicated dates:

	As of 31 December		
	2021	2022	2023
		(TL thousands)	
Collateralised/blocked assets	553,922	752,685	1,320,961
Assets subject to repurchase agreements	-	-	-
Total	**553,922**	**752,685**	**1,320,961**

The following table provides information regarding financial assets measured at fair value through other comprehensive income: (a) provided as collateral/blocked assets with respect to various banking, insurance and asset management transactions and (b) subject to repurchase agreements as of the indicated dates:

	As of 31 December		
	2021	2022	2023
		(*TL thousands*)	
Collateralised/blocked assets	13,180,520	34,218,839	28,500,043
Assets subject to repurchase agreements	5,098,811	8,452,415	16,808,147
Total	**18,279,331**	**42,671,254**	45,308,190

The following table provides information regarding financial assets measured at amortised cost: (a) provided as collateral/blocked assets with respect to various banking, insurance and asset management transactions and (b) subject to repurchase agreements as of the indicated dates:

	As of 31 December		
	2021	2022	2023
		(*TL thousands*)	
Collateralised/blocked assets	31,190,703	71,305,713	87,113,578
Assets subject to repurchase agreements	5,189,715	16,336,270	36,937,136
Total	**36,380,418**	**87,641,983**	**124,050,714**

Pursuant to market practice, the Group pledges securities to acquire funding under security repurchase agreements. The securities so pledged amounted to TL 10,288,526 thousand as of 31 December 2021, TL 24,788,685 thousand as of 31 December 2022 and TL 53,745,283 thousand as of 31 December 2023, comprising 9.9%, 12.1% and 16.5%, respectively, of the Group's securities portfolio on such dates. Such securities are included in the above tables.

III. Loans

The Group's loans (*i.e.*, cash loans) amounted to TL 1,217,975,966 thousand as of 31 December 2023, increasing by 60.0% from TL 761,104,244 thousand as of 31 December 2022, which itself increased by 54.5% compared to TL 492,589,718 thousand as of 31 December 2021. These increases in the Group's loans and advances to customers resulted from an increase in foreign currency exchange rates together with customer-driven growth. In 2022, the growth in Turkish Lira-denominated performing loans was primarily driven by credit card loans, which increased by 126.1% from TL 49,563,395 thousand as of 31 December 2021 to TL 112,051,021 thousand as of 31 December 2022. The strong growth in credit cards continued in 2023, increasing by a further 116.3% to TL 242,368,968 thousand. Turkish Lira-denominated business banking loans were also a big contributor to the growth in 2022 and 2023, increasing by 84.7%, from TL 129,232,009 thousand as of 31 December 2021 to TL 238,749,773 thousand as of 31 December 2022 and then increasing by a further 37.5% to TL 328,271,687 thousand as of 31 December 2023. The increase in 2022 was mainly observed in the first half of the year as regulations then imposed a cap on interest rates for business banking loans. In 2023, the Group grew particularly in SME loans and strategically revised its lending priorities due to regulatory measures. As discussed below, there are several important characteristics of the Group's loans portfolio, including diversification based upon sector and currency.

Loans represent the largest component of the Group's assets. As of 31 December 2021, 2022 and 2023, the Group's total loans and advances to customers, less expected credit losses but including lease and factoring receivables, comprised 56.4%, 57.5% and 54.9%, respectively, of the Group's total assets.

As of 31 December 2023, on the basis of the total amount of cash loans advanced, 86.9% of the Bank's loans were fixed rate and the rest were variable rate. The average interest rate that the Bank charged to borrowers in 2023 was 25.2% for Turkish Lira-denominated loans and advances and 9.2% for foreign currency-denominated loans and advances, calculated on the basis of daily averages of balances and interest rates and according to the Bank's management's estimates, as compared to 23.3% and 6.6%, respectively, in 2022 and 18.7% and 5.0%, respectively, in 2021.

The Group provides financing for various purposes and although the majority of commercial and corporate loans have an average maturity of up to 36 months, for certain commercial and corporate loans (such as working capital and project finance loans) and for certain retail loans (such as mortgage loans) the maturities are up to 10 years (or occasionally over 10 years). As of 31 December 2023, the Group's loans with remaining maturities over one year and over five years composed 37.3% and 8.3%, respectively, of the Group's total loans.

A. Types of Loans

The following table sets out the composition of the Bank's total performing loan portfolio (but excluding financial lease receivables and factoring receivables) by industry sectors as of the indicated dates:

	As of 31 December					
	2021		2022		2023	
	(TL thousands, except percentages)					
Consumer loans	122,508,790	30.5%	203,895,219	32.1%	377,470,037	33.1%
Transportation vehicles and sub-industries	24,533,087	6.1%	32,231,611	5.1%	81,787,743	7.2%
Metal and metal products	15,227,796	3.8%	29,492,196	4.6%	51,301,665	4.5%
Energy	58,158,180	14.5%	70,797,855	11.1%	42,904,914	3.8%
Food	17,189,348	4.3%	27,790,920	4.4%	36,249,401	3.2%
Financial institutions	13,794,176	3.4%	26,059,442	4.1%	38,157,428	3.4%
Chemistry and chemical products	7,831,514	2.0%	13,800,838	2.2%	32,175,681	2.8%
Textile	17,319,413	4.3%	26,023,934	4.1%	49,250,811	4.3%
Construction	16,820,318	4.2%	25,732,228	4.0%	33,510,873	2.9%
Transportation and logistics	16,167,517	4.0%	23,558,056	3.7%	43,545,119	3.8%
Service sector	12,691,373	3.2%	28,867,690	4.5%	18,777,385	1.6%
Tourism	11,924,328	3.0%	14,065,129	2.2%	20,179,152	1.8%
Agriculture and stockbreeding	5,591,266	1.4%	10,715,839	1.7%	13,712,737	1.2%
Durable consumption	5,660,142	1.4%	7,783,269	1.2%	15,869,924	1.4%
Data processing	14,598,951	3.6%	4,907,848	0.8%	9,156,356	0.8%
Stone/rock and related products	5,688,392	1.4%	8,938,739	1.4%	18,422,316	1.6%
Machinery and equipment	5,511,671	1.4%	8,771,885	1.4%	16,481,077	1.4%
Mining	7,805,722	1.9%	11,413,419	1.8%	17,848,703	1.6%
Paper and paper products	4,331,701	1.1%	10,086,073	1.6%	14,093,095	1.2%
Electronic/optical/medical equipment	2,500,814	0.6%	4,632,653	0.7%	6,468,648	0.6%
Plastic products	1,350,442	0.3%	1,987,220	0.3%	2,859,648	0.3%
Others	14,244,349	3.5%	43,959,439	6.9%	62,915,023	5.5%
Total	**401,449,291**	**100.0%**	**635,511,501**	**100.0%**	**1,003,137,737**	**100.0%**

B. Maturities and Sensitivities of Loans to Changes in Interest Rates

The following table sets out certain information relating to the maturity profile of the Bank's performing cash loan portfolio (based upon scheduled repayments but excluding interest accruals) as of the indicated dates:

	1 year or less(1)	After 1 year through 5 years	After 5 years	Total
	(TL thousands)			
31 December 2023	520,035,197	286,600,60	203,700,785	1,010,336,141
31 December 2022	283,767,181	176,731,229	179,360,841	639,859,250
31 December 2021	131,994,988	134,590,796	141,132,800	407,718,584

(1) Includes demand loans, loans having no stated schedule of repayment and no stated maturity and overdrafts.

Composition of Loan Portfolio by Currency

As of 31 December 2023, foreign currency-denominated loans comprised 37.4% of the Group's loan portfolio (of which U.S. dollar-denominated obligations were the most significant), compared to 36.4% as of 31 December 2022 and 45.5% as of 31 December 2021. The share of foreign currency-denominated loans decreased in the Group's loan portfolio as of 31 December 2022 and 2023 compared to the previous year, despite the depreciation of the Turkish lira, due to declining demand for foreign currency-denominated loans demand and the Bank's increased preference for lending in Turkish Lira.

The following table sets out an analysis by currency of the exposure of the Group's cash loans portfolio as of the indicated dates (excluding Stage 1 and Stage 2 expected credit losses but including lease and factoring receivables):

	As of 31 December(1)					
	2021		2022		2023	
	(TL thousands, except percentages)					
Turkish Lira	277,679,313	54.50%	501,833,075	63.56%	788,929,942	62.63%
U.S. dollar	105,356,815	20.68%	129,145,882	16.36%	203,432,983	16.15%
Euro and others	126,426,474	24.82%	158,599,982	20.09%	267,228,797	21.22%
Total	**509,462,602**	**100.00%**	**789,578,939**	**100.00%**	**1,259,591,722**	**100.00%**

(1) The foreign currency-indexed loans included under Turkish Lira-denominated loans in the Group's BRSA Financial Statements are presented above under the relevant foreign currency column.

In both 2022 and 2023, foreign currency-denominated loans declined in foreign currency terms, though increasing in Turkish Lira terms due to the depreciation of the Turkish Lira. The decline in such loans in foreign currency terms was due to redemptions and low levels of demand for foreign currency borrowing.

C. Risk Elements

1. Non-performing Loans and Restructured or Rescheduled Loans

The following table sets out the composition of the Group's total NPLs (gross) and restructured or rescheduled loans as of the indicated dates:

	As of 31 December		
	2021	2022	2023
		(TL thousands)	
NPLs	18,344,496	20,289,804	26,158,606
Restructured or rescheduled loans	43,324,432	47,882,654	43,060,173

A loan is categorised as non-performing (*i.e.*, Stage 3) when the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement due to a lack of assets, a high indebtedness ratio, insufficient working capital and/or insufficient equity on the part of the customer. See "Summary of Loan Loss Experience" for certain criteria in relation to concepts of the "restructuring" of loans pursuant to the Classification of Loans and Provisions Regulation.

2. Potential Problem Loans

As of each of 31 December 2021, 2022 and 2023, there were no material amounts of loans that are not included in the preceding table but for which information known to the Group about possible credit problems of borrowers caused the Bank's management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms and that might result in disclosure of such loans in the above table for future years. See "– Summary of Loan Loss Experience" below.

3. Loan Concentrations

As of each of 31 December 2021, 2022 and 2023, the Group's loan portfolio did not contain any concentration of credits that exceeded 10% of its total loans that are not otherwise already disclosed as a category of loans pursuant to "Types of Loans" above. For the purposes of this paragraph, loan concentrations are considered to exist when there are credits to a multiple number of borrowers engaged in similar activities that would cause them to be similarly impacted by economic or other conditions.

From an individual borrower perspective, as of 31 December 2023, the gross cash loans to the Bank's 10 largest customers (on a Bank-only basis) represented 10.8% of its gross loan portfolio (including loans measured at fair value through profit or loss), essentially unchanged from 8.3% as of 31 December 2022 and 10.0% as of 31 December 2021. In recent years, as a result of improvements in the Turkish economy, the percentage of smaller loans in the loan portfolio has been on an increasing trend. Although limited to some extent by the Group's selective growth strategy, the percentage of small loans like retail and SME loans increased in 2021, 2022 and 2023, as the economy improved and customer demand increased and might continue to increase in the near future.

D. Other Interest-Earning Assets

As of each of 31 December 2021, 2022 and 2023, the Group's other interest-earning assets did not include any non-loan assets that would be included in III.C.1. ("Non-performing Loans and Restructured or Rescheduled Loans") or III.C.2. ("Potential Problem Loans") above if such assets were loans.

IV. Summary of Loan Loss Experience

The Bank's head office risk committee: (a) is responsible for monitoring the Bank's loan portfolio and establishing allowances and provisions in relation thereto based upon reports provided by the branch or other applicable risk committees and (b) provides monthly reports to the Bank's Board of Directors detailing all aspects of the Bank's loan activity, including the number of new problem loans, the status of existing NPLs and the level of collections. The head office risk committee also conducts evaluations of other assets and off-balance sheet contingent liabilities.

According to the default definition, a financial asset is considered to be in objective default when more than 90 days past due or subjective default when unlikely to be paid. The Bank considers a financial asset to be defaulted, and Stage 3 (credit-impaired), as follows:

Objective Default: Financial assets that are past due more than 90 days. The current definition of default used by the Bank and its consolidated financial subsidiaries is based upon a more than 90 days past due definition (*i.e.*, default status starts on the 91st day).

Subjective Default: Financial assets that are considered to be unlikely to be paid. Whenever it is considered that an obligor is unlikely to pay its credit obligations, the related financial asset is considered to be in default regardless of the existence of any past-due amount or the number of days past due.

In accordance with the applicable regulations, the Bank makes specific allowances for expected credit losses. These specific allowances must be increased gradually so that the reserves reach a ceiling level of 100% of the NPL, subject to the amount and type of collateral securing such loan. As noted above, a loan is categorised as non-performing when interest, fees or principal remain unpaid 90 days after the due date. The Group maintains a stricter provisioning policy than required by applicable regulations and seeks to maintain credit loss reserves of equal or greater amounts than NPLs after consideration of the fair value of collateral received.

TFRS 9 provides for a forward-looking ECL approach, which forms an impairment model that has three stages based upon the change in credit quality since initial recognition. The ECLs are measured as an allowance equal to either 12-month ECL for Stage 1 assets or lifetime ECL for Stage 2 or Stage 3 (credit-impaired) assets. An asset moves from Stage 1 to Stage 2 when its credit risk increases significantly since initial recognition.

At each reporting date, it is assessed whether the credit risk on a financial asset has increased significantly since initial recognition. When making the assessment, the change in the risk of a default occurring on the financial asset is determined. As of each reporting date, if the credit risk on a financial asset has not increased significantly since initial recognition, then the loss allowance for that financial asset is set at an amount equal to its 12-month expected credit losses; *however*, if there is a significant increase in the credit risk of a financial asset since initial recognition, a loss allowance regarding such financial asset is set at an amount equal to lifetime expected credit losses.

ECLs are calculated based upon a probability-weighted estimate of credit losses (the present value of all cash shortfalls) over the expected life of the financial asset. A cash shortfall is the difference between the cash flows that are due based upon the contract and the cash flows that are expected to be received. The calculation of ECLs per each stage is summarised in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies - Impairment of Financial Assets and Expected Credit Losses."

The Group's NPLs amounted to TL 18,344,496 thousand, TL 20,289,804 thousand and TL 26,158,606 thousand as of 31 December 2021, 2022 and 2023, respectively. The Group's NPL ratio and NPLs to total cash loans and non-cash loans were 3.6%, 2.6% and 2.8% and 2.8%, 2.0% and 1.6%, respectively, as of 31 December 2021, 2022 and 2023. As of 31 December 2023, 19.9% and 17.1% of the Group's performing cash loans excluding financial leases and factoring receivables were credit card and consumer loans, respectively. The Group's allowance for expected credit losses to NPLs was 160.6%, 197.6% and 225.4% as of 31 December 2021, 2022 and 2023, respectively.

In order for the restructured non-performing corporate and commercial loans to be classified as Stage 2, all of the following conditions must be met:

- recovery in debt service,

- at least one year should have transpired since the date of restructuring,

- payment of all accrued and overdue amounts by the debtor (interest and principal) since the date of restructuring/refinancing or the date when the debtor is classified as non-performing (the earlier date to be considered) and fulfilment of the payment condition of all overdue amounts as of the date of restructuring/refinancing, and

- collection of all overdue amounts, termination of the reasons for classification of the financial asset as a non-performing receivable (based upon the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification.

During the follow-up period of at least two years following the date of restructuring/refinancing, if there is a new restructuring/refinancing or a delay of more than 30 days, then the transactions that were non-performing at the beginning of the follow-up period are classified as non-performing again. Performing or non-performing retail loans that are subject to restructuring are removed from the watchlist only if the debt is paid in full.

Corporate and commercial companies for which financial assets have been restructured and refinanced can be removed from the watchlist when all of the following conditions are met:

- after a thorough review of the company's financial data and its owners' equity position, it is not anticipated that the owner(s) of the company will face financial difficulties and it is assessed that the restructured debt will be paid on time (starting from the date when the debt is restructured, all due principal and interest payments will be made on time), and

- at least two years shall have transpired since the date of restructuring (or, if it is later, the date of removal from non-performing loan category), at least 10% (or the ratio then specified in the applicable law) of the total principal amount at the time of the restructuring/refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of the restructuring/refinancing.

In addition, when the conditions that trigger a transfer to Stage 2 are no longer met, the exposure is transferred to Stage 1. If the credit risk on financial assets for which lifetime expected credit losses have been recognised subsequently improves so that the requirement for recognising lifetime expected credit losses is no longer met, then the loss allowance is measured at an amount equal to the 12-month expected credit losses (with a resulting gain recognised in profit or loss).

Analysis of the Allowance for Loan Losses

The following table sets forth an analysis of the movements in the allowance for expected credit losses on loans and advances to customers for the Group (including lease and factoring receivables) for each year indicated below:

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	(TL thousands)			
Balances at beginning of period	**4,490,335**	**20,906,952**	**14,689,002**	**40,086,289**
Additions during the period (+)	9,543,307	18,376,506	5,192,688	33,112,501
Disposal (-)	(15,308,730)	(10,177,058)	(5,125,597)	(30,611,385)
Debt sale (-)	(28,051)	(1,805)	(1,112,974)	(1,142,830)
Write-offs (-)	-	-	(1,410,115)	(1,410,115)
Transfer to Stage 1	8,543,428	(8,506,589)	(36,839)	-
Transfer to Stage 2	(2,167,065)	2,292,130	(125,065)	-
Transfer to Stage 3	(43,597)	(4,146,128)	4,189,725	-
Foreign currency differences	821,449	9,040,046	1,469,938	11,331,433
Balances at end of period	**5,851,076**	**27,784,054**	**17,730,763**	**51,365,893**

	2022			
	Stage 1	Stage 2	Stage 3	Total
	(TL thousands)			
Balances at beginning of period	**2,937,910**	**14,329,200**	**12,185,034**	**29,452,144**
Additions during the period (+)	9,913,170	11,434,422	10,806,650	32,154,242
Disposal (-)	(11,443,476)	(5,271,309)	(2,179,547)	(18,894,332)
Debt sale (-)	-	(76,277)	(762,572)	(838,849)
Write-offs (-)	-	-	(8,255,121)	(8,255,121)
Transfer to Stage 1	3,660,263	(3,649,806)	(10,457)	-
Transfer to Stage 2	(1,024,508)	1,121,382	(96,874)	-
Transfer to Stage 3	(18,367)	(1,286,569)	1,304,936	-
Foreign currency differences	465,343	4,305,909	1,696,953	6,468,205
Balances at end of period	**4,490,335**	**20,906,952**	**14,689,002**	**40,086,289**

	2021			
	Stage 1	Stage 2	Stage 3	Total
	(TL thousands)			
Balances at beginning of period	**2,189,211**	**8,564,468**	**10,215,084**	**20,968,763**
Additions during the period (+)	4,672,571	9,110,670	3,074,673	16,857,914
Disposal (-)	(5,388,472)	(5,138,799)	(1,635,436)	(12,162,707)
Debt sale (-)	-	(8,191)	(654,887)	(663,078)
Write-offs (-)	-	-	(3,499,529)	(3,499,529)
Transfer to Stage 1	1,869,814	(1,861,372)	(8,442)	-
Transfer to Stage 2	(705,111)	885,154	(180,043)	-
Transfer to Stage 3	(18,396)	(1,492,548)	1,510,944	-
Foreign currency differences	318,293	4,269,818	3,362,670	7,950,781
Balances at end of period	**2,937,910**	**14,329,200**	**12,185,034**	**29,452,144**

The amount of the net additions to the allowance charged to the income statement and (following a change to the presentation of the financial statements as per new rules introduced by the BRSA) statement of profit or loss were TL 12,645,988 thousand in 2021, TL 19,728,115 thousand in 2022 and TL 13,832,549 thousand in 2023.

V. Deposits

As of 31 December 2023, the Group's major source of funds for its lending and investment activities were deposits, which accounted for 82.0% of the Group's total liabilities (as compared to 79.0% as of 31 December 2022 and 75.7% as of 31 December 2021). Funds borrowed accounted for 3.1% of total liabilities as of 31 December 2023, compared to 4.0% of total liabilities as of 31 December 2022, which changed from 5.7% as of 31 December 2021. Other sources of funding include (*inter alia*) interbank money markets, securities issued and subordinated debts.

The following table sets out the Group's deposits and other sources of funding as of the indicated dates:

	As of 31 December					
	2021		2022		2023	
	(TL thousands, except percentages)					
Deposits	582,833,426	82.9%	908,739,459	87.1%	1,604,930,709	88.9%
Funds borrowed	43,626,729	6.2%	45,856,723	4.4%	60,439,559	3.4%
Interbank money markets	15,942,789	2.3%	24,299,009	2.3%	55,994,558	3.1%
Securities issued[(1)]	49,828,239	7.1%	49,629,007	4.8%	60,189,908	3.3%
Subordinated debts	10,911,505	1.5%	15,245,929	1.5%	23,639,403	1.3%
Total	**703,142,688**	**100.0%**	**1,043,770,127**	**100.0%**	**1,805,194,137**	**100.0%**

(1) Includes financial liabilities measured at fair value through profit or loss.

Deposits

The Group's deposits consist of demand and time deposits. Current accounts generally bear no interest and can be withdrawn upon demand. For time deposits, different interest rates are paid on the various types of accounts offered by the

Group. The Group's deposits mainly comprise foreign currency-denominated deposits and Turkish Lira-denominated saving and commercial deposits.

The following table sets out a breakdown of the Group's deposits as of the indicated dates:

	As of 31 December		
	2021	**2022**	**2023**
		(TL thousands)	
Foreign currency	369,567,087	438,901,030	653,657,154
Saving	107,537,994	271,245,162	602,512,073
Commercial	58,568,978	141,039,598	256,633,677
Bank deposits	2,457,230	1,829,208	2,322,597
Public and other	44,702,137	55,724,461	89,805,208
Total	**582,833,426**	**908,739,459**	**1,604,930,709**

The following table sets out a breakdown of the Bank's deposits as a daily average during the indicated periods (excluding expense accruals) and the average interest rate paid thereon:

	2021		**2022**		**2023**	
	Average Deposits	**Average Interest Rate**	**Average Deposits**	**Average Interest Rate**	**Average Deposits**	**Average Interest Rate**
			(TL thousands, except percentages)			
Demand deposits[(1)]	**163,278,116**	**0.00%**	**322,125,181**	**0.00%**	**487,582,678**	**0.00%**
Foreign currency	*120,352,523*	*0.00%*	247,424,304	0.00%	356,896,637	0.00%
From banks	—	—	—	—	—	—
From governments and official institutions	—	—	—	—	—	—
From other customers	*120,352,523*	*0.00%*	*247,424,304*	*0.00%*	356,896,637	*0.00%*
Turkish Lira	42,925,593	0.00%	74,700,877	0.00%	130,686,041	0.00%
From banks	*441,780*	*0.00%*	*637,750*	*0.00%*	1,263,718	*0.00%*
From governments and official institutions	*1,048,772*	*0.00%*	*1,380,645*	*0.00%*	5,817,995	*0.00%*
From other customers	*41,435,041*	*0.00%*	*72,682,482*	*0.00%*	123,604,329	*0.00%*
Savings deposits	**71,260,877**	**14.58%**	**115,206,804**	**14.19%**	**327,341,604**	**22.57%**
Foreign currency	—	—	—	—	—	—
Turkish Lira	71,260,877	14.58%	115,206,804	14.19%	**327,341,604**	**22.57%**
From banks	—	—	—	—	—	—
From governments and official institutions	—	—	—	—	—	—
From other customers	*71,260,877*	*14.58%*	*115,206,804*	*14.19%*	*327,341,604*	*22.57%*
Time deposits	***156,187,955***	**5.81%**	***202,938,923***	**8.45%**	**304,947,844**	**17.60%**
Foreign currency	94,783,474	0.39%	85,479,610	0.95%	85,479,610	0.45%
From banks	*159,071*	*0.39%*	*275,810*	*0.95%*	*220,919*	*0.45%*
From governments and official institutions	—	—	—	—	—	—
From other customers	*94,624,403*	*0.39%*	*85,203,800*	*0.95%*	85,258,691	*0.45%*
Turkish Lira	61,404,481	14.17%	117,459,313	13.91%	219,468,234	24.28%
From banks	*595,456*	*14.17%*	*224,921*	*13.91%*	*738,280*	*24.28%*
From governments and official institutions	*95,686*	*14.17%*	*88,959*	*13.91%*	*107,403*	*24.28%*
From other customers	*60,713,339*	*14.17%*	*117,145,433*	*13.91%*	*218,622,551*	*24.28%*
Total	**390,726,948**	**4.98%**	**640,270,908**	**5.23%**	**1,119,872,126**	**11.39%**

(1) Demand deposits generally do not bear interest; *however*, there are occasional exceptions negotiated with customers such as corporations with large deposits.

The following table sets out by maturity the amount outstanding of the Bank's time deposits of US$100,000 or more (or its equivalent) as of 31 December 2023:

	3 months or less	Over 3 months through 6 months	Over 6 months through 12 months	Over 12 months
		(TL thousands)		
Deposits over US$100,000				
Foreign currency	137,719,740	148,946,197	109,548,303	72,895,017
Turkish Lira	28,731,329	874,736	2,397,745	905,399

The Group's deposits are comprised of demand and time deposits. The Group's deposits increased by 76.6% to TL 1,604,930,709 thousand as of 31 December 2023 compared to TL 908,739,459 thousand as of 31 December 2022, which itself was a 56.0% increase from TL 582,833,426 thousand as of 31 December 2021.

The following table sets out certain information relating to deposits as of the indicated dates:

	As of 31 December		
	2021	2022	2023
		(TL thousands)	
Demand deposits	295,305,454	431,738,696	662,702,476
Time deposits	287,527,972	477,000,763	942,228,233
Total	**582,833,426**	**908,739,459**	**1,604,930,709**

The following table sets out certain information relating to the deposits in Turkish currency and foreign currency as of the indicated dates:

	As of 31 December(1)					
	2021		2022		2023	
			(TL thousands, except percentages)			
Turkish Lira deposits	213,266,339	36.6%	469,838,429	51.7%	951,273,555	59.3%
Foreign currency deposits	369,567,087	63.4%	438,901,030	48.3%	653,657,154	40.7%
Total	**582,833,426**	**100.0%**	**908,739,459**	**100.0%**	**1,604,930,709**	**100.0%**

(1) Gold deposits included under deposits in the Group's BRSA Financial Statements are presented under other liabilities.

In 2022 and 2023, the Group's Turkish Lira deposit share decreased to 48.3% and then 40.7%, respectively, principally due to the Central Bank's Liraisation strategy.

The following table sets out the maturity of deposits made with the Group by amount as of the indicated dates:

	As of 31 December		
	2021	2022	2023
		(TL thousands)	
Three months or less	528,116,411	816,683,933	1,050,777,300
Over three months through 12 months	31,429,404	53,422,430	390,110,369
Over one year	23,238,591	38,588,897	163,995,693
Accumulating Deposits	49,020	44,199	47,347
Total	**582,833,426**	**908,739,459**	**1,604,930,709**

VI. Return on Equity and Assets

The following table sets out certain of the Group's selected financial ratios and other data for the indicated years:

	2021	2022	2023
	(TL thousands, except percentages)		
Average total assets	665,091,732	1,144,109,433	1,885,199,322
Average shareholders' equity	71,367,635	123,461,491	195,418,043
Average shareholders' equity as a percentage of average total assets	10.673%	10.79%	10.37%
Return on average total assets	2.04%	5.11%	4.61%
Return on average shareholders' equity	19.04%	47.39%	44.47%

VII. Funds Borrowed and Certain Other Liabilities

Funds Borrowed

The following table sets out a breakdown of funds borrowed by the Group from banks outstanding as of the indicated dates by maturity profile:

	As of 31 December		
	2021	2022	2023
	(TL thousands)		
Short-term	5,669,106	7,169,614	8,304,947
Medium- and long-term	37,957,623	38,687,109	52,134,612
Total	**43,626,729**	**45,856,723**	**60,439,559**

The Bank's management believes that the changes in the short- and long-term debts described in the table above are consistent with the Group's strategy, including to diversify the sources of non-deposit funding.

The following table sets out certain information as to the currency of the Group's funds borrowed from banks outstanding as of the indicated dates:

	As of 31 December					
	2021		2022		2023	
	(TL thousands, except percentages)					
Turkish currency	2,771,981	6.4%	5,959,345	13.0%	6,059,032	10.0%
Foreign currency	40,854,748	93.6%	39,897,378	87.0%	54,380,527	90.0%
Total	**43,626,729**	**100.0%**	**45,856,723**	**100.0%**	60,439,559	**100.0%**

The following table sets out a breakdown of the Bank's borrowings, including securities issued and subordinated debts (for short-term borrowings, including the short-term portion of long-term borrowings), outstanding as of the indicated dates (excluding expense accruals) and the maximum amount in each category outstanding at any month-end during the indicated year (short-term being of one year or less):

	As of 31 December					
	2021		2022		2023	
	Amount	**Maximum Month-end Amount**	**Amount**	**Maximum Month-end Amount**	**Amount**	**Maximum Month-end Amount**
	(TL thousands)					
Short-term borrowings from banks and other institutions	172,185	172,185	222,694	2,959,677	1,756,156	1,756,156
Foreign currency	*133,286*	*133,286*	*178,107*	*345,884*	*951,569*	*951,569*
Turkish Lira	*38,899*	*38,899*	*44,586*	*2,613,793*	*804,587*	*804,587*
Long-term borrowings	3,687,279	3,687,279	8,266,485	8,266,485	118,062,496	118,212,496
Foreign currency	*1,105,324*	*1,105,324*	*537,112*	*537,112*	*1,002,880*	*1,152,880*
Turkish Lira	*2,581,954*	*2,581,954*	*7,729,372*	*7,729,372*	*117,059,616*	*117,059,616*
Total	**3,859,464**	**3,859,464**	**8,489,178**	**11,226,162**	**119,818,653**	**119,818,653**

The following table sets out a breakdown of the Bank's approximate average daily borrowings for the indicated years and the approximate weighted average interest rate thereon:

	2021		2022		2023	
	Average Amount	**Interest Rate**	**Average Amount**	**Interest Rate**	**Average Amount**	**Interest Rate**
	(TL thousands, except percentages)					
Short-term borrowings from banks and other institutions	3,136,615	5.81%	1,876,200	11.65%	1,271,011	22.15%
Foreign currency	*1,427,150*	*9.34%*	*968,912*	*18.38%*	*677,400*	*32.48%*
Turkish Lira	*1,709,465*	*2.28%*	*907,288*	*4.91%*	*593,611*	*10.37%*
Long-term borrowings	67,228,889	5.48%	101,471,621	8.15%	101,052,031	9.61%
Foreign currency	*5,645,718*	*19.58%*	*2,363,127*	*22.73%*	*1,142,606*	*45.93%*
Turkish Lira	*61,583,171*	*4.19%*	*99,108,495*	*7.80%*	*99,909,425*	*9.19%*
Total	**70,365,504**	**5.48%**	**103,347,821**	**8.21%**	**102,323,042**	**9.76%**

The following tables set out a description of the Group's material long-term funds borrowed as of the indicated dates (with many of the indicated interest rates being based upon a floating rate and thus re-set periodically):

	As of 31 December 2023			
	Interest rate	**Latest maturity**	**Amount in original currency**	**Outstanding Amount**
			(millions)	*(TL thousands)*
BANCA UBAE SPA	8%	2024	US$260	7,536,659
HABIB BANK AG	7%	2024	€219	7,025,431
AZER-TURK BANK	9%	2024	US$199	5,779,557
RAIFFEISEN BANK	7%	2024	€143	4,581,803
EIB	4%	2024	US$87	2,525,870
IFC II	6%	2029	€51	1,953,815
EFSE	6-7%	2028	€44	1,481,543
EBRD-II	8%	2025	€43	1,367,223
Proparco	7%	2028	€42	1,353,811
BSTDB	5-6%	2026	€35	1,132,794
IsbankAG	8%	2026	€51	996,743
Akbank AG	11%	2026	€26	835,978
IFC I	10%	2025	US$20	585,701
GGF	8-9%	2025	US$20	572,007
GGF	7%	2026	€5	169,753
EBRD I	4%	2024	US$5	144,987
Others				16,514,939
Total				**54,495,614**

	As of 31 December 2022			
	Interest rate	Latest maturity	Amount in original currency	Outstanding Amount
			(millions)	*(TL thousands)*
EBRD I	20%	2023	TL 39	38,643
EIB I+V	3-4%	2024	US$166	3,085,668
İşbank AG	3-5%	2025	€37	635,851
Akbank AG	6-9%	2025	€21	417,291
EIB II	4%	2023	€11	221,515
IFC I	6-9%	2029	€62	1,235,209
IFC II	10%	2023	RON 7	27,307
EFSE	4%	2028	€20	405,850
EBRD II	1%	2025	US$4	46,210
Proparco	4-6%	2028	€71	1,054,990
EBRD III	2%	2024	€18	351,680
EBRD IV	4%	2024	US$5	92,960
Others				13,867,965
Total				**21,481,139**

	As of 31 December 2021			
	Interest rate	Latest maturity	Amount in original currency	Outstanding Amount
			(millions)	*(TL thousands)*
EIB I+V	3-4%	2024	US$169	2,214,393
Proparco	2-3%	2028	€87	1,289,430
İşbank AG	2-3%	2023	€46	682,975
IFC I	2%	2024	€44	658,516
EIB II	1-2%	2023	€22	331,060
Akbank AG	3%	2022	€21	311,808
EFSE	2-3%	2024	€20	298,998
EBRD I	2%	2024	€18	262,783
EBRD II	1-4%	2025	US$10	130,160
EBRD III	20%	2023	TL 116	115,929
IFC II	4-5%	2023	RON 17	40,804
Others				22,705,964
Total				**29,042,820**

The Group's short-term funds borrowed included the following syndicated loan facilities as of 31 December 2021, 2022 and 2023:

(a) as of 31 December 2021: two one year-syndicated loan facilities to be utilised for general trade finance purposes, including export and import contracts, in two tranches of: (i) US$279,000,000 and €294,000,000 with rates of USD LIBOR + 2.50% and EURIBOR + 2.25% *per annum*, respectively, and (ii) US$365,000,000 and €247,000,000 with rates of USD LIBOR + 2.15% and EURIBOR + 1.75% *per annum*, respectively,

(b) as of 31 December 2022: two one year-syndicated loan facilities to be utilised for general trade finance purposes, including export and import contracts, in two tranches of: (i) US$283,500,000 and €290,500,000 with rates of SOFR + 2.75% and EURIBOR + 2.10% *per annum*, respectively, and (ii) US$155,000,000 and €238,500,000 with rates of SOFR + 4.25% and EURIBOR + 4.00% *per annum*, respectively, and

(c) as of 31 December 2023: two one year-syndicated loan facilities to be utilised for general trade finance purposes, including export and import contracts, in two tranches of: (i) US$199,000,000 and €218,500,000 with rates of SOFR + 4.25% and EURIBOR + 4.00% *per annum*, respectively, and (ii) US$259,500,000 and €142,500,000 with rates of SOFR + 3.50% and EURIBOR + 3.25% *per annum* respectively.

Interbank Money Markets

Interbank money markets includes Borsa İstanbul money market takings, obligations under repurchase agreements and interbank money market takings as set forth in the table below:

	As of 31 December		
	2021	2022	2023
		(TL thousand)	
Interbank money market takings	-	-	-
İstanbul Stock Exchange[1] money market takings	1,688,545	1,687,592	3,573,001
Obligations under repurchase agreements	14,254,245	22,611,418	52,421,596
Total	**15,942,789**	**24,299,020**	**55,994,597**

(1) Borsa İstanbul.

The Group's obligations arising from agreements for the repurchase/resale of securities amounted to TL 55,994,597 thousand as of 31 December 2023, as compared to TL 22,611,418 thousand as of 31 December 2022 and TL 6,851,324 thousand as of 31 December 2021, representing 4.0%, 1.7% and 0.8%, respectively, of the total assets of the Group as of such dates. The securities sold by the Group under such repurchase agreements are recognised in the BRSA Financial Statements as being owned by the Group, but subject to a pledge (see II.C. (Securities Portfolio - Securities Portfolio Concentrations) above).

Securities Issued (net) and Similar Liabilities

The Group issues securities in Turkish Lira and foreign currencies. The outstanding amount of its securities issued (net) amounted to TL 25,644,871 thousand, TL 17,608,189 thousand and TL 11,142,952 thousand, respectively, as of 31 December 2021, 2022 and 2023. The following table sets out a breakdown of certain information relating to the Group's securities issued (net) as of the indicated dates by maturity profile:

	As of 31 December					
	2021		2022		2023	
	Short Term	Medium and Long-Term	Short Term	Medium and Long-Term	Short Term	Medium and Long-Term
			(TL thousands)			
Nominal	4,750,629	24,114,422	1,482,991	17,698,185	2,698,366	8,432,298
Cost	4,579,306	23,986,170	1,454,412	17,476,729	2,411,701	8,426,273
Carrying Value	4,673,647	20,971,224	1,485,501	16,122,688	2,514,189	8,628,763

In 2022 and 2023, the declines were primarily due to the redemption of eurobonds.

In addition, the Group has raised foreign currency funds from "future flow" and other transactions, which are categorised in the balance sheet as "financial liabilities at fair value measured at fair value through profit or loss." The outstanding amount of such obligations totalled TL 24,183,368 thousand, TL 32,020,818 thousand and TL 49,046,956 thousand, respectively, as of 31 December 2021, 2022 and 2023. The increases in 2022 and 2023 are primarily due to the depreciation of the Turkish Lira, the impact of which exceeded the impact of amortisations of the principal of such obligations.

Other Indebtedness

The Bank issues, and may issue in the future, from time to time: (a) additional Series of Notes under the Programme, which (as permitted by the Programme) are, and in the future may be, in any currency, with any tenor and with any interest rate, which issuances may be listed or unlisted, (b) additional series under its covered bond programme, which might be in any currency, with any tenor and with any interest rate, which issuances may be listed or unlisted, and (c) other obligations. The Bank might also incur, from time to time, additional obligations under its "diversified payment rights" programme and/or similar programmes, which might be in any currency, with any tenor and with any interest rate.

Subordinated Debts

The following tables set out a description of the Group's subordinated debts (including expense accruals) as of the indicated dates.

	As of 31 December 2023		
	Latest Maturity	Interest Rates	Carrying Value
	(TL thousands, except percentages)		
Subordinated debt of US$750 million	2027	7.177%	14,046,860
Subordinated debt of TL 252.9 million	2029	TLREF+1.30%	259,967
Subordinated debt of TL 750 million	2030	TLREF+2.50%	762,016

	As of 31 December 2022		
	Latest Maturity	Interest Rates	Carrying Value
	(TL thousands, except percentages)		
Subordinated debt of US$750 million	2027	7.177%	14,046,860
Subordinated debt of TL 252.9 million	2029	TLREF+1.30%	259,967
Subordinated debt of TL 750 million	2030	TLREF+2.50%	762,016

	As of 31 December 2021		
	Latest Maturity	Interest Rates	Carrying Value
	(TL thousands, except percentages)		
Subordinated debt of US$750 million	2027	6.125%	9,880,843
Subordinated debt of TL 252.9 million	2029	TLREF+1.30%	263,337
Subordinated debt of TL 750 million	2030	TLREF+2.50%	767,325

On 23 May 2017, the Bank raised US$750 million in subordinated debt, which has a term of 10 years due May 2027, with its first Basel III-compliant Tier 2 issuance in the international capital market. On 9 October 2019, the Bank raised TL 252.9 million in subordinated debt, which debt has a term of 10 years and is due in October 2029.

Non-Cash Loans and Other Contingent Liabilities

The Group enters into certain financial instruments with off-balance sheet risk in the normal course of business in order to meet the needs of its customers. These instruments, which include non-cash loans (letters of guarantee, acceptance credits, letters of credit and other guarantees and sureties) and other commitments and contingencies, involve varying degrees of credit risk and are not reflected in the Group's balance sheet. The Group's maximum exposure to credit losses for letters of guarantee and acceptance credits and letters of credit is represented by the contractual amount of these transactions. Since many of the commitments are expected to expire without being drawn upon, the total amount does not necessarily represent future cash requirements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Off-Balance Sheet Commitments and Contingencies."

The following table sets out certain details of the Group's non-cash loans as of the indicated dates:

	As of 31 December		
	2021	2022	2023
		(TL thousands)	
Letters of guarantee	104,364,646	187,090,406	343,736,133
Letters of credit	25,954,648	35,059,723	53,548,755
Bills of exchange and acceptances	2,751,737	3,918,563	7,962,125
Other guarantees and endorsements	258,782	646,094	2,619,600
Endorsements	1,128,961	5,653,771	12,043,653
Total	**134,458,774**	**232,368,557**	**419,910,266**

As of 31 December 2023, non-cash loans of the Group increased by 81.0% to TL 419,910,266 thousand from TL 232,368,557 thousand as of 31 December 2022, itself an increase of 73.0% from TL 134,458,774 thousand as of

31 December 2021. The Group issues letters of guarantee, letters of credit, acceptance credits and other payment commitments arising in a wide variety of transactions.

As of 31 December 2023, the Group's commitments for unused credit limits and promotions of credit cards, checks and loans to customers, and commitments for loan granting and other revocable and irrevocable commitments amounted to TL 748,892,416 thousand, an increase of 200.2% from TL 249,499,657 thousand as of 31 December 2022, itself an increase of 78.1% compared to TL 140,074,237 thousand as of 31 December 2021.

Derivative Transactions

Forward foreign exchange contracts are agreements to purchase or sell a specific quantity of a foreign currency or precious metals at an agreed-upon price with delivery and settlement on a specified future date. Such contracts include only deliverable contracts. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in currency exchange rates.

The Group's outstanding derivative transactions (*e.g.*, spots, forwards, swaps, future rate agreements, options and forward agreements for gold trading) amounted to TL 725,086,638 thousand, TL 1,081,008,221 thousand and TL 1,177,937,839 thousand, respectively, as of 31 December 2021, 2022 and 2023.

The following table sets out the breakdown of notional amounts of outstanding derivative contracts by type of transaction as of the indicated dates:

	As of 31 December		
	2021	**2022**	**2023**
		(TL thousands)	
Derivative financial instruments held for risk management			
A. Total derivative financial instruments held for risk management	**75,629,999**	**69,900,161**	**76,324,068**
Fair value hedges	11,361,095	18,740,678	34,448,844
Cash flow hedges	64,268,904	51,159,483	41,875,224
Foreign currency-related derivative transactions (I)	**370,471,513**	**621,762,964**	**571,309,914**
Currency forwards – Purchases	16,163,312	32,972,881	50,890,924
Currency forwards – Sales	16,877,318	31,884,723	46,465,077
Currency swaps – Purchases	152,792,985	207,566,562	202,137,265
Currency swaps – Sales	156,421,378	224,698,041	246,670,745
Currency options – Purchases	11,316,913	61,965,481	8,991,727
Currency options – Sales	14,314,975	60,613,643	9,231,132
Currency futures – Purchases	1,293,187	1,093,433	3,580,194
Currency futures – Sales	1,291,445	968,200	3,342,850
Interest rate-related derivative transactions (II)	**206,614,572**	**300,786,140**	**391,515,088**
Interest rate swaps – Purchases	98,601,353	147,585,652	195,548,461
Interest rate swaps – Sales	98,601,353	147,585,652	195,548,462
Interest rate options – Purchases	4,982,841	3,423,170	-
Interest rate options – Sales	2,190,191	2,066,795	-
Securities options – Purchases	1,267,078	1,558	111,270
Securities options – Sales	814,640	123,313	132,637
Interest rate futures – Purchases	-	-	-
Interest rate futures – Sales	157,116	-	174258
Other trading derivatives (III)	**72,370,554**	**88,558,956**	**138,788,769**
B. Total trading derivatives (I+II+III)	**649,456,639**	**1,011,108,060**	**1,101,613,771**
Total derivative transactions (A+B)	**725,086,638**	**1,081,008,221**	**1,177,937,839**