

HAYAT FİNANS KATILIM BANKASI A.Ş.

**UNCONSOLIDATED FINANCIAL STATEMENTS
AND NOTES FOR THE PERIOD ENDED 31 MARCH 2024
WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

***(CONVENIENCE TRANSLATION OF
UNCONSOLIDATED FINANCIAL STATEMENTS,
RELATED DISCLOSURES AND INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)***



AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

(Convenience translation of the independent auditor's review report originally issued in Turkish, See Note I of Section Three)

To the General Assembly of Hayat Finans Katılım Bankası A.Ş.;

Introduction

We have reviewed the unconsolidated balance sheet of Hayat Finans Katılım Bankası A.Ş. ("the Bank") at 31 March 2024 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.



Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial information does not present fairly in all material respects the financial position of Hayat Finans Katılım Bankası A.Ş. at 31 March 2024 and its financial performance and its cash flows for the three-month-period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Other Matter

The unconsolidated financial statements of the Bank as at and for the year ended 31 December 2023 and as at and for the three-month period ended 31 March 2023 were audited and reviewed by another independent audit firm that expressed a unqualified opinion results in the audit report dated 29 February 2024 and unqualified conclusion in the auditor's review report dated 15 May 2023.

Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section Eight, is not consistent with the reviewed unconsolidated financial statements and disclosures in all material respects.

Additional Paragraph for Convenience Translation:

BRSA Accounting and Financial Reporting Legislation explained in detail in Section Three differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board including the application of IAS 29 - Financial Reporting in Hyperinflationary Economies as of 31 March 2024. Accordingly, the accompanying unconsolidated financial statements are not intended to present fairly the unconsolidated financial position, results of operations, changes in equity and cash flows of the Bank in accordance with IFRS.

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

Didem Demer Kaya, SMMM
Independent Auditor

Istanbul, 10 May 2024

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**Hayat
Finans**

**THE UNCONSOLIDATED FINANCIAL REPORT OF
HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024**

Address of the Bank's Headquarters : Mahir İz Cad., No: 25, 34662 Altunizade Üsküdar / İstanbul
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Web site of the Bank : www.hayatfinans.com.tr
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The unconsolidated interim financial report includes the following sections in accordance with the Communiqué on Financial Statements and Related Explanations and Notes that will be Publicly Announced as sanctioned by the Banking Regulation and Supervision Agency.

- General Information About The Bank
- Unconsolidated Financial Statements of The Bank
- Explanations on Accounting Policies
- Information Related to Unconsolidated Financial Position and Risk Management
- Explanations and Notes Related to Unconsolidated Financial Statements
- Other Explanations and Notes
- Independent Auditor's Limited Review Report
- Interim activity report

The unconsolidated financial statements for the three-month period and related disclosures and footnotes that are subject to independent review, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance, and in compliance with the financial records of our Bank and, unless stated otherwise, presented in thousands of Turkish Lira.

Ahmet Yahya KİĞİLİ
Chairman of
Board of Directors

Osman AKYÜZ
Chairman of the Audit
Committee

Oğuz KAYHAN
Member of the Audit
Committee

Galip KARAGÖZ
General Manager

Özgür BİLGİLİ
Treasury and Financial Affairs
Deputy General Manager

Erkan AKGÜZEL
Financial Affairs and
Reporting Assistant Manager

Contact information of the personnel in charge of the addressing of questions about this financial report:
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HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

SECTION ONE

GENERAL INFORMATION

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

Hayat Finans Katılım Bankası A.Ş. (“The Bank”), with the BRSA decision numbered 10165 dated April 21, 2022, has obtained establishment permission to operate in accordance with the operating principles for digital banks in the BRSA's Regulation on the Operating Principles of Digital Banks and Service Model Banking by completing the company establishment procedures dated August 10, 2022, the Bank has completed registration its title as Hayat Finans Katılım Bankası A.Ş. The bank became the first digital participation bank to obtain an operating license in Turkey with the BRSA decision dated March 23, 2023 and numbered 10543. Main field of operation is, in addition to the Bank's equity, to collect funds from domestic and foreign customers through “Current Accounts” and “Profit/ Loss Sharing Accounts” and allocate such funds to the economy, to perform all kinds of financing activities in accordance with the regulations, to encourage the investments of all individuals and legal entities operating in agricultural, industrial, trading and service industries, participating into the operations of these entities or individuals and to form joint business partnerships and to perform all these activities in a non-interest environment.

The Bank has informed that it has actually started banking activities with the letter it has written to the BRSA dated August 7, 2023 and numbered DYZ-2023-GM-33/413.

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

As of 31 March, 2024, 50.0000% of the Bank's shares belong to Hayat Kimya Sanayi Anonim Şirketi, 49.9997% to Kastamonu Entegre Ağaç Sanayi Ticaret Anonim Şirketi and 0.0003% to other legal entities.

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

Name	Title	Date of Assignment	Date of Audit Committee Assignments	Audit Committee End Date	Educational Degree	Ownership Percentage
Ahmet Yahya KİGİLİ	Chairman of the Board	15.08.2022	-	-	-	-
Mehmet Avni KİGİLİ	Deputy Chairman of the Board of Directors	15.08.2022	-	-	-	-
Murat ULUS	Executive Board Member	15.08.2022	-	-	Y. Lisans	-
Osman AKYUZ	Member of the Board of Directors and Chairman of the Audit Committee	15.08.2022	15.08.2022	-	Lisans	-
Oğuz KAYHAN	Member of the Board of Directors and Member of the Audit Committee	15.08.2022	15.08.2022	-	Doktora	-
Soner CANKO	Member of the Board	15.08.2022	-	-	Doktora	-
Melih Murat ERTEM	Member of the Board	01.12.2023	-	-	Y. Lisans	-
Galip KARAGÖZ	Member of the Board of Directors and General Manager	01.12.2023	-	-	Y. Lisans	-
Özer BARAN	Assistant General Manager for Credits and Operation	16.08.2022	-	-	Y. Lisans	-
Mükremin Seçkin YENEL	Assistant General Manager of Corporate Marketing	20.11.2023	-	-	Y. Lisans	-
Cetin Yalçın GÜLEC	Assistant General Manager for Technology	16.08.2022	-	-	Y. Lisans	-
Mehmet Necati ÖZDENİZ	Assistant General Manager of Retail Marketing	15.08.2023	-	-	Y. Lisans	-

Share of the Chairman and Members of the Board of Directors, Members of the Audit Committee, General Manager and Assistants of the Bank in the Bank's capital

None (31 December 2023 - None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

4. Information on qualified shareholders

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Hayat Kimya Sanayi A.Ş.	750,000	50.0000%	750,000	-
Kastamonu Entegre Ağaç Sanayi Ticaret A.Ş.	749,996	49.9997%	749,996	-
Other	4	0.0003%	4	-
Total	1,500,000	100.00%	1,500,000	-

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

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

As of 31 March 2024, the Bank is operating through 301 employees (31 December 2023 – 256). Summary of some of the Bank's operations described in the Articles of Association are as follows:

- To collect funds through "Current Accounts" and "Profit/Loss Sharing Accounts" and special fund pools in line with the regulations,
- To allocate funds to the economy and provide all kinds of cash, non-cash loans within the principles of non-interest banking,
- To offer financial and operational leasing,
- To handle all kinds of deposits and payments, including travelers' checks, credit cards and other payment instruments, provide member business services, consulting, advisory,
- To purchase financial instruments on money and capital markets in cash or installments, sell and mediate the sale and trade on the stock exchange in accordance with legislation and principles of non-interest banking,
- To act as a representative, deputy or agent for corporations and enterprises (including insurance companies), to provide private pension intermediary services,
- Providing investment consultancy, wealth management and financial planning consultancy on management, technical and financial issues,
- Regarding banking activities by obtaining the necessary permits; To provide support services to its subsidiaries, other banks, financial institutions, financial technology companies and other companies,
- To buy and sell money market instruments spot or forward, and to act as an intermediary in their buying and selling,
- To carry out all kinds of foreign exchange transactions, to buy, sell, import and export gold, silver, other precious metals, precious stones and metals, to be a member of the precious metal and metal exchanges that have been established or to be established, and to trade in these exchanges,
- Domestic or foreign companies and organizations related to the purpose and scope of the business; to act as a representative, proxy and agency and to engage in all kinds of commission works,
- To provide social aid in accordance with the principles and principles of deposit and participation banking

The Bank's activities are not limited to the list above. If another activity is decided to be beneficial to the Bank, the activities must be recommended by the Board of Directors, approved by the General Assembly and authorized by relevant legal authorities after whom it also needs to be approved by the Ministry of Trade since it constitutes an amendment of the Article of Association. Decisions that have been approved through all these channels will be included to the Article of Association.

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

None.

SECTION TWO
UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Unconsolidated Balance Sheet (Statement of Financial Position)
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- III. Unconsolidated Income Statement (Profit and Loss Statement)
- IV. Unconsolidated Statement of Profit or Loss and Other Comprehensive Income
- V. Unconsolidated Statement of Changes in Shareholders' Equity
- VI. Unconsolidated Statement of Cash Flows

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

UNCONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2024

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

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

	ASSETS	Notes Section V	Reviewed Current Period 31.03.2024			Audited Prior Period 31.12.2023		
			TL	FC	Total	TL	FC	Total
I.	FINANCIAL ASSETS (Net)		941,675	462,330	1,404,005	1,341,903	174,508	1,516,411
1.1.	Cash and Cash Equivalents		293,515	429,796	723,311	51,762	144,120	195,882
1.1.1.	Cash and Balances with Central Bank	(1.1.)	62,612	373,849	436,461	51,498	127,599	179,097
1.1.2.	Banks	(1.3.)	318	56,006	56,324	284	16,651	16,935
1.1.3.	Money Markets Placements		230,596	-	230,596	-	-	-
1.1.4.	Expected Credit Loss (-)		(11)	(59)	(70)	(20)	(130)	(150)
	Financial Assets at Fair Value Through Profit or Loss	(1.2.)	579,010	32,534	611,544	1,254,789	30,388	1,285,177
1.2.1.	Government Debt Securities		-	32,534	32,534	-	30,388	30,388
1.2.2.	Equity Instruments		-	-	-	-	-	-
1.2.3.	Other Financial Assets		579,010	-	579,010	1,254,789	-	1,254,789
	Financial Assets at Fair Value Through Other Comprehensive Income	(1.4.)	69,150	-	69,150	35,352	-	35,352
1.3.1.	Government Debt Securities		27,001	-	27,001	-	-	-
1.3.2.	Equity Instruments		11,090	-	11,090	-	-	-
1.3.3.	Other Financial Assets		31,059	-	31,059	35,352	-	35,352
1.4.	Derivative Financial Assets		-	-	-	-	-	-
1.4.1.	Derivative Financial Assets at Fair Value Through Profit or Loss	(1.2.)	-	-	-	-	-	-
1.4.2.	Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(1.11.)	-	-	-	-	-	-
II.	FINANCIAL ASSETS MEASURED AT AMORTISED COSTS (Net)		1,108,202	589,210	1,697,412	686,459	474,658	1,161,117
2.1.	Loans	(1.5.)	1,090,787	524,716	1,615,503	686,798	416,552	1,103,350
2.2.	Leasing Receivables	(1.10.)	-	-	-	-	-	-
	Other Financial Assets Measured at Amortized Cost	(1.6.)	21,098	66,349	87,447	1,195	59,472	60,667
2.3.1.	Government Debt Securities		-	66,349	66,349	1,195	59,472	60,667
2.3.2.	Other Financial Assets		21,098	-	21,098	-	-	-
2.4.	Expected Credit Loss (-)		(3,683)	(1,855)	(5,538)	(1,534)	(1,366)	(2,900)
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(NET)	(1.16.)	-	-	-	-	-	-
3.1.	Held For Sale		-	-	-	-	-	-
3.2.	Related to Discontinued Operations		-	-	-	-	-	-
IV.	INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		20,000	-	20,000	-	-	-
4.1.	Investments in Associates (Net)	(1.7.)	-	-	-	-	-	-
4.1.1.	Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2.	Unconsolidated Associates		-	-	-	-	-	-
4.2.	Investment in Subsidiaries (Net)	(1.8.)	20,000	-	20,000	-	-	-
4.2.1.	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2.	Unconsolidated Non-Financial Subsidiaries		20,000	-	20,000	-	-	-
4.3.	Investment in Joint Ventures (Net)	(1.9.)	-	-	-	-	-	-
4.3.1.	Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2.	Unconsolidated Joint Ventures		-	-	-	-	-	-
V.	TANGIBLE ASSETS (Net)	(1.12.)	69,119	-	69,119	68,785	-	68,785
VI.	INTANGIBLE ASSETS (Net)	(1.13.)	155,006	-	155,006	133,224	-	133,224
6.1.	Goodwill		-	-	-	-	-	-
6.2.	Other		155,006	-	155,006	133,224	-	133,224
VII.	INVESTMENT PROPERTIES (Net)	(1.14.)	-	-	-	-	-	-
VIII.	CURRENT TAX ASSETS		1,564	-	1,564	980	-	980
IX.	DEFERRED TAX ASSETS	(1.15.)	113,762	-	113,762	52,487	-	52,487
X.	OTHER ASSETS	(1.17.)	124,928	1,064	125,992	43,489	-	43,489
	TOTAL ASSETS		2,534,256	1,052,604	3,586,860	2,327,327	649,166	2,976,493

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS OF 31 MARCH 2024

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

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

	Notes Section V	Reviewed Current Period 31.03.2024			Audited Prior Period 31.12.2023		
		TL	FC	Total	TL	FC	Total
LIABILITIES							
I. FUNDS COLLECTED	(2.1.)	938,884	958,419	1,897,303	743,168	545,710	1,288,878
II. FUNDS BORROWED	(2.3.)	-	-	-	-	-	-
III. MONEY MARKETS		-	-	-	-	-	-
IV. SECURITIES ISSUED (Net)	(2.4.)	-	-	-	-	-	-
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES		-	-	-	-	-	-
6.1. Derivative Financial Liabilities at Fair Value Through Profit or Loss	(2.2.)	-	-	-	-	-	-
6.2. Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(2.7.)	-	-	-	-	-	-
VII. LEASE PAYABLES	(2.6.)	3,378	-	3,378	3,703	-	3,703
VIII. PROVISIONS	(2.8.)	11,638	4,890	16,528	6,717	791	7,508
8.1. Restructuring Provision		-	-	-	-	-	-
8.2. Reserves For Employee Benefits		10,131	-	10,131	6,289	-	6,289
8.3. Insurance For Technical Provision (Net)		-	-	-	-	-	-
8.4. Other Provisions		1,507	4,890	6,397	428	791	1,219
IX. CURRENT TAX LIABILITIES	(2.9.)	48,895	-	48,895	22,191	-	22,191
X. DEFERRED TAX LIABILITIES	(1.15.)	-	-	-	-	-	-
XI. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(2.10.)	-	-	-	-	-	-
11.1. Held For Sale		-	-	-	-	-	-
11.2. Related to Discontinued Operations		-	-	-	-	-	-
XII. SUBORDINATED DEBT INSTRUMENTS	(2.11.)	-	-	-	-	-	-
12.1. Loans		-	-	-	-	-	-
12.2. Other Debt Instruments		-	-	-	-	-	-
XIII. OTHER LIABILITIES	(2.5.)	68,139	-	68,139	62,973	-	62,973
XIV. SHAREHOLDERS' EQUITY	(2.12.)	1,552,617	-	1,552,617	1,591,240	-	1,591,240
14.1. Paid-in Capital		1,500,000	-	1,500,000	1,500,000	-	1,500,000
14.2. Capital Reserves		-	-	-	-	-	-
14.2.1. Share Premiums		-	-	-	-	-	-
14.2.2. Share Cancellation Profits		-	-	-	-	-	-
14.2.3. Other Capital Reserves		-	-	-	-	-	-
14.3. Other Accumulated Comprehensive Income or Loss That Will Not Be Reclassified Through Profit or Loss		-	-	-	-	-	-
14.4. Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		526	-	526	(11)	-	(11)
14.5. Profit Reserves		91,251	-	91,251	29,076	-	29,076
14.5.1. Legal Reserves		4,563	-	4,563	1,454	-	1,454
14.5.2. Statutory Reserves		-	-	-	-	-	-
14.5.3. Extraordinary Reserves		86,688	-	86,688	27,622	-	27,622
14.5.4. Other Profit Reserves		-	-	-	-	-	-
14.6. Profit or Loss		(39,160)	-	(39,160)	62,175	-	62,175
14.6.1. Prior Years' Profits or Losses		-	-	-	-	-	-
14.6.2. Current Period Net Profit or Loss		(39,160)	-	(39,160)	62,175	-	62,175
TOTAL LIABILITIES AND EQUITY		2,623,551	963,309	3,586,860	2,429,992	546,501	2,976,493

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS OF 31 MARCH 2024

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

2. STATEMENT OF OFF-BALANCE SHEET ITEMS

	Notes Section V	Reviewed Current Period 31.03.2024			Audited Prior Period 31.12.2023		
		TL	FC	Total	TL	FC	Total
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		114,683	97,662	212,345	5,400	-	5,400
I. GUARANTEES AND WARRANTIES	(3.1.)	43,400	-	43,400	5,400	-	5,400
1.1. Letters of Guarantee		43,400	-	43,400	5,400	-	5,400
1.1.1. Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2. Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3. Other Letters of Guarantee		43,400	-	43,400	5,400	-	5,400
1.2. Bank Loans		-	-	-	-	-	-
1.2.1. Import Letter of Acceptances		-	-	-	-	-	-
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		-	-	-	-	-	-
1.3.1. Documentary Letters of Credit		-	-	-	-	-	-
1.3.2. Other Letters of Credit		-	-	-	-	-	-
1.4. Guaranteed Refinancing		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Other Guarantees		-	-	-	-	-	-
1.7. Other Warranties		-	-	-	-	-	-
II. COMMITMENTS		71,283	97,662	168,945	-	-	-
2.1. Irrevocable Commitments		71,283	97,662	168,945	-	-	-
2.1.1. Forward Asset Purchase and Sales Commitments		2,283	97,662	99,945	-	-	-
2.1.2. Share Capital Commitment to Associates and Subsidiaries		69,000	-	69,000	-	-	-
2.1.3. Loan Granting Commitments		-	-	-	-	-	-
2.1.4. Securities Underwriting Commitments		-	-	-	-	-	-
2.1.5. Commitments For Reserve Deposits Requirements		-	-	-	-	-	-
2.1.6. Payment Commitments for Checks		-	-	-	-	-	-
2.1.7. Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.8. Commitments For Credit Card Expenditure Limits		-	-	-	-	-	-
2.1.9. Commitments For Credit Cards and Banking Services Promotions		-	-	-	-	-	-
2.1.10. Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.11. Payables For Short Sale Commitments		-	-	-	-	-	-
2.1.12. Other Irrevocable Commitments		-	-	-	-	-	-
2.2. Revocable Commitments		-	-	-	-	-	-
2.2.1. Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(3.2.)	-	-	-	-	-	-
3.1. Derivative Financial Instruments Held for Risk Management		-	-	-	-	-	-
3.1.1. Fair Value Hedges		-	-	-	-	-	-
3.1.2. Cash Flow Hedges		-	-	-	-	-	-
3.1.3. Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2. Held For Trading Transactions		-	-	-	-	-	-
3.2.1. Forward Foreign Currency Buy/Sell Transactions		-	-	-	-	-	-
3.2.1.1. Forward Foreign Currency Buy Transactions		-	-	-	-	-	-
3.2.1.2. Forward Foreign Currency Sell Transactions		-	-	-	-	-	-
3.2.2. Other Forward Buy/Sell Transactions		-	-	-	-	-	-
3.3. Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		11,113,098	97,032	11,210,130	3,960,450	88,519	4,048,969
IV. ITEMS HELD IN CUSTODY		282,980	97,032	380,012	36,190	88,519	124,709
4.1. Customers' Securities Held		-	-	-	-	-	-
4.2. Investment Securities Held in Custody		83,581	-	83,581	-	-	-
4.3. Checks Received for Collection		124,050	-	124,050	-	-	-
4.4. Commercial Notes Received for Collection		-	-	-	-	-	-
4.5. Other Assets Received for Collection		-	-	-	-	-	-
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items Under Custody		-	-	-	-	-	-
4.8. Custodians		75,349	97,032	172,381	36,190	88,519	124,709
V. PLEDGED ITEMS		10,830,118	-	10,830,118	3,924,260	-	3,924,260
5.1. Marketable Securities		-	-	-	-	-	-
5.2. Guarantee Notes		-	-	-	-	-	-
5.3. Commodity		123,758	-	123,758	17,260	-	17,260
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		262,360	-	262,360	-	-	-
5.6. Other Pledged Items		10,444,000	-	10,444,000	3,907,000	-	3,907,000
5.7. Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED GUARANTEES AND WARRANTS		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET ITEMS (A+B)		11,227,781	194,694	11,422,475	3,965,850	88,519	4,054,369

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS (INCOME STATEMENT) AS OF 31 MARCH 2024

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

3. STATEMENT OF PROFIT OR LOSS (INCOME STATEMENT)

	Notes Section V	Current Period	Prior Period
		Reviewed 01.01.2024-31.03.2024	Reviewed 01.01.2023-31.03.2023
PROFIT AND LOSS TABLE			
I.	PROFIT SHARE INCOME	108,596	79,704
1.1.	Profit Share on Loans	94,928	-
1.2.	Profit Share on Reserve Deposits	-	-
1.3.	Profit Share on Banks	459	79,704
1.4.	Profit Share on Money Market Placements	4,490	-
1.5.	Profit Share on Marketable Securities Portfolio	8,629	-
1.5.1.	Fair Value Through Profit or Loss	506	-
1.5.2.	Fair Value Through Other Comprehensive Income	6,238	-
1.5.3.	Measured at Amortised Cost	1,885	-
1.6.	Finance Lease Income	-	-
1.7.	Other Profit Share Income	90	-
II.	PROFIT SHARE EXPENSE (-)	58,718	130
2.1.	Expense on Profit Sharing Accounts	58,618	-
2.2.	Profit Share Expense on Funds Borrowed	-	-
2.3.	Profit Share Expense on Money Market Borrowings	-	-
2.4.	Profit Share Expense on Securities Issued	-	-
2.5.	Profit Share Expense on Leasing	100	130
2.6.	Other Profit Share Expenses	-	-
III.	NET PROFIT SHARE INCOME/EXPENSE (I - II)	49,878	79,574
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE	(1,778)	(195)
4.1.	Fees And Commissions Received	228	-
4.1.1.	Non-Cash Loans	-	-
4.1.2.	Other	228	-
4.2.	Fees And Commissions Paid (-)	2,006	195
4.2.1.	Non-Cash Loans	-	-
4.2.2.	Other	2,006	195
V.	DIVIDEND INCOME	(4,3)	-
VI.	NET TRADING INCOME / LOSS	107,916	151
6.1.	Capital Market Transaction Gains/Losses	98,318	-
6.2.	Gains/Losses from Derivative Financial Instruments	111	-
6.3.	Foreign Exchange Gains/Losses	9,487	151
VII.	OTHER OPERATING INCOME	871	676
VIII.	GROSS OPERATING PROFIT (III+IV+V+VI+VII+ VIII)	156,887	80,206
IX.	ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	(4,7)	1,038
X.	OTHER PROVISIONS (-)	(4,7)	-
XI.	PERSONNEL EXPENSES (-)	134,418	35,163
XII.	OTHER OPERATING EXPENSES (-)	(4,8)	49,043
XIII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)	(100,665)	(5,038)
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER	-	-
XV.	INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES	-	-
XVI.	CONSOLIDATED BASED ON EQUITY METHOD	-	-
XVII.	INCOME / (LOSS) ON NET MONETARY POSITION	-	-
XVIII.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES	(100,665)	(5,038)
XIX.	PROVISION FROM TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(4,10)	1,233
18.1.	Current Tax Provision	-	644
18.2.	Deferred Tax Income Effect (+)	7,501	436
18.3.	Deferred Tax Expense Effect (-)	69,006	2,313
XX.	CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS	(93,164)	(3,805)
XXI.	INCOME FROM DISCONTINUED OPERATIONS	-	-
20.1.	Income on Non-Current Assets Held for Sale	-	-
20.2.	Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)	-	-
20.3.	Income on Other Discontinued Operations	-	-
XXII.	EXPENSES FROM DISCONTINUED OPERATIONS (-)	-	-
21.1.	Expenses From Non-Current Assets Held for Sale	-	-
21.2.	Expenses From Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)	-	-
21.3.	Expenses From Other Discontinued Operations	-	-
XXIII.	PROFIT / LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS	-	-
XXIV.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	-	-
23.1.	Current Tax Provision	-	-
23.2.	Deferred Tax Expense Effect (+)	-	-
23.3.	Deferred Tax Income Effect (-)	-	-
XXV.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS	-	-
XXVI.	NET PROFIT/LOSS (XVII+XXII)	(93,164)	(3,805)
	Earnings Per Share Income/Loss	(0.0261)	(0.0025)

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AS OF 31 MARCH 2024

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

4. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Reviewed Current Period 01.01.2024-31.03.2024	Reviewed Prior Period 01.01.2023-31.03.2023
I.	CURRENT PROFIT (LOSS)	(39,160)	(3,805)
II.	OTHER COMPREHENSIVE INCOME	537	-
2.1	Other Comprehensive Income Not Reclassified Through Profit or Loss	-	-
2.1.1	Property And Equipment Revaluation Increase/Decrease	-	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	-	-
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.1.5	Taxes Related to Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.2	Other Comprehensive Income Reclassified Through Profit or Loss	537	-
2.2.1	Foreign Currency Translation Difference	-	-
	Valuation And/Or Reclassification Income/Expense of the Financial Assets at Fair Value		
2.2.2	Through Other Comprehensive Income	767	-
2.2.3	Cash Flow Hedge Income/Loss	-	-
2.2.4	Foreign Net Investment Hedge Income/Loss	-	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	-	-
2.2.6	Taxes Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(230)	-
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	(38,623)	(3,805)

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 MARCH 2024

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

5. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

		Paid-in Capital	Share Premiums	Share Cancellation profits	Other Capital Reserves	Accumulated Other Income or Loss That Will Not Be Reclassified to Profit or Loss			Accumulated Other Income or Loss That Will Be Reclassified to Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Net Profit/Loss for the Period	Total Shareholders' Equity	
						1	2	3	4	5	6					
	Current Period (01/01/2024 – 31/03/2024)															
I.	Prior Period Ending Balance	1,500,000	-	-	-	-	-	-	-	(11)	-	29,076	-	62,175	1,591,240	
	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1	Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2	Effect of Changes In Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	Adjusted Beginning Balance (I+II)	1,500,000	-	-	-	-	-	-	-	(11)	-	29,076	-	62,175	1,591,240	
IV.	Total Comprehensive Income (Loss)	-	-	-	-	-	-	-	-	537	-	-	-	(39,160)	(38,623)	
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Capital Increase by Internal Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Increase / Decrease by Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	62,175	-	(62,175)	-	
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2	Transfers To Legal Reserves	-	-	-	-	-	-	-	-	-	-	62,175	(62,175)	-	-	
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	62,175	(62,175)	-	
	Balances at end of the period (III+IV+.....+X+XI)	1,500,000	-	-	-	-	-	-	-	526	-	91,251	-	(39,160)	1,552,617	

1. Accumulated revaluation increase/ decrease of fixed assets.

2. Accumulated remeasurement gain/ loss of defined benefit pension plan.

3. Other (Shares of investments valued by equity method in other comprehensive income not classified through profit or loss and other accumulated amounts of other comprehensive income items not reclassified through other profit or loss)

4. Foreign currency translation differences

5. Accumulated revaluation and/ or remeasurement gain/ loss of the financial asset at fair value through other comprehensive income.

6. Other (Cash flow hedge gain/ loss, shares of investments valued by equity method in other comprehensive income classified through profit or loss and other accumulated amounts of other comprehensive income items reclassified through other profit or loss.)

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 MARCH 2024

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

5. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

		Paid-in Capital	Share Premiums	Share Cancellation profits	Other Capital Reserves	Accumulated Other Income or Loss That Will Not Be Reclassified to Profit or Loss			Accumulated Other Income or Loss That Will Be Reclassified to Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Net Profit/Loss for the Period	Total Shareholders' Equity	
						1	2	3	4	5	6					
	Prior Period (01/01/2023 – 31/03/2023)															
I.	Prior Period Ending Balance	1,500,000	-	-	-	-	-	-	-	-	-	-	-	-	29,076	1,529,076
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes In Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)	1,500,000	-	-	-	-	-	-	-	-	-	-	-	-	29,076	1,529,076
IV.	Total Comprehensive Income (Loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,805)	(3,805)
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase by Internal Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase / Decrease by Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers To Legal Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	29,076	(29,076)	-	-
	Balances at end of the period (III+IV+.....+X+XI)	1,500,000	-	-	-	-	-	-	-	-	-	-	29,076	(3,805)	1,525,271	

1. Accumulated revaluation increase/ decrease of fixed assets,

2. Accumulated remeasurement gain/ loss of defined benefit pension plan,

3. Other (Shares of investments valued by equity method in other comprehensive income not classified through profit or loss and other accumulated amounts of other comprehensive income items not reclassified through other profit or loss)

4. Foreign currency translation differences

5. Accumulated revaluation and/ or remeasurement gain/ loss of the financial asset at fair value through other comprehensive income,

6. Other (Cash flow hedge gain/ loss, shares of investments valued by equity method in other comprehensive income classified through profit or loss and other accumulated amounts of other comprehensive income items reclassified through other profit or loss.)

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2024

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

6. STATEMENT OF CASH FLOWS

	Note Section V	Reviewed Current Period 01.01.2024- 31.03.2024	Reviewed Prior Period 01.01.2023- 31.03.2023
A.			
CASH FLOWS FROM BANKING OPERATIONS			
I.1		(240,925)	(1,733)
Operating Profit Before Changes in Assets And Liabilities From Banking Operations			
1.1.1		79,918	76,583
1.1.2		(50,855)	-
1.1.3		-	-
1.1.4		3,769	-
1.1.5		41,750	676
1.1.6		-	-
1.1.7		(304,474)	(28,542)
1.1.8		-	1,887
1.1.9	(6.3)	(11,033)	(52,337)
I.2		790,477	(12,433)
Changes in Assets And Liabilities From Banking Operations			
1.2.1		668,945	-
1.2.2		(45,361)	-
1.2.3		(454,480)	-
1.2.4	(6.3)	(2,556)	87
1.2.5		-	-
1.2.6		600,662	-
1.2.7		-	-
1.2.8		-	-
1.2.9		-	-
1.2.10	(6.3)	23,267	(12,520)
I.		549,552	(14,166)
Net Cash Provided From / (Used in) Banking Operations			
B.			
CASH FLOWS FROM INVESTING ACTIVITIES			
II.		(100,538)	(10,029)
Net Cash Provided From / (Used in) Investing Activities			
2.1		(20,000)	-
2.2		-	-
2.3		(30,289)	(3,950)
2.4		-	-
2.5		(66,090)	-
2.6		35,050	-
2.7		(20,349)	-
2.8		1,140	-
2.9		-	(6,079)
C.			
CASH FLOWS FROM FINANCING ACTIVITIES			
III.		(425)	(130)
Net Cash Provided From / (Used in) Financing Activities			
3.1		-	-
3.2		-	-
3.3		-	-
3.4		-	-
3.5		(425)	(130)
3.6		-	-
IV.	(6.3)	4,086	4,591
Effect of Change in Foreign Exchange Rate on Cash And Cash Equivalents			
V.		452,675	(19,734)
Net Increase (Decrease) in Cash And Cash Equivalents			
VI.	(6.1)	51,751	1,493,990
Cash And Cash Equivalents at The Beginning of The Period			
VII.	(6.1)	504,426	1,474,256
Cash And Cash Equivalents at The End of The Period			

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES IN THE RELATED PERIOD

1. Explanations on basis of presentation

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

The Bank prepares its financial statements in accordance with the “Regulation on The Procedures and Principles for Accounting Practices and Retention of Documents by Banks” published in the Official Gazette dated 1 November 2006 with numbered 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Agency (“BRSA”) as well as the circulars and pronouncements published by the BRSA. For matters not regulated by the aforementioned legislations, the Bank prepares its financial statements in accordance with the BRSA Accounting and Financial Reporting Legislation, which comprises the terms of the Turkish Accounting Standard (TMS 34), Interim financial reporting standard and Turkish Financial Reporting Standards issued by the Public Oversight Accounting and Auditing Standards Authority.

The unconsolidated financial statements are prepared in TL on the basis of historical cost, except for financial assets and liabilities shown at their fair values.

Accounting policies and valuation principles applied in the preparation of financial statements

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

The accounting policies and valuation principles applied in the preparation of unconsolidated financial statements, are determined and applied in accordance with regulations, communiqués, explanations and circulars on accounting and financial reporting principles published by the BRSA, and in case where there is no special regulation made by the BRSA, in accordance with principles in the context of TFRS. The preparation of the unconsolidated financial statements according to BRSA Reporting and Accounting Legislation requires the Bank’s management to make estimates and assumptions related to assets and liabilities in the balance sheet and contingent issues as of the balance sheet date. Such estimates and assumptions include the fair value calculations of the financial instruments, provisions for the lawsuits, deferred tax assets and liabilities, impairment of the financial assets and revaluation of immovables and reviewed periodically and when adjustments are considered necessary, they are reflected in the financial statements. The assumptions and estimates used are explained in the related notes. Accounting policies and evaluation principles in preparing Financial statements are determined and applied as per the principles stated in “BRSA Accounting and Financial Reporting Legislation” and consistent with the accounting policies applied for December 31, 2023 financial statements.

According to TAS 29 "Financial Reporting in High-Inflation Economies" Standard, businesses whose functional currency is the currency of a high-inflation economy report their financial statements according to the purchasing power of money at the end of the reporting period. Based on the statement made by the Public Oversight Accounting and Auditing Standards Authority (KGK) on 23 November 2023, it is stated that the financial statements of the companies that apply Turkish Financial Reporting Standards (TFRS) for the annual reporting period ending on or after 31 December 2023 are subject to “TAS 29 High Inflationary Reporting Standards”. It must be presented in accordance with the accounting principles in "Financial Reporting in Economies" and adjusted for the effect of inflation. In the same statement, it was stated that institutions or organizations authorized to regulate and supervise their own fields may determine different transition dates for the implementation of inflation accounting. In this context, the Banking Regulation and Supervision Agency (BRSA); In accordance with the Board decision dated December 12, 2023; it has been announced that the financial statements of banks and financial leasing, factoring, financing, savings financing and asset management companies dated 31 December 2023 will not be subject to inflation adjustment. Pursuant to the BRSA's decision dated January 11, 2024 and numbered 10825; It has been decided that banks and financial leasing, factoring, financing, savings financing and asset management companies will switch to inflation accounting as of January 1, 2025. Accordingly, "TAS 29 Financial Reporting Standard in High Inflation Economies" was not applied in the Bank's financial statements dated 31 March 2024.

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Changes in accounting estimates, errors and classifications

If changes in accounting estimates are related to only one period, they are applied in the current period in which the change is made, and if they are related to future periods, they are applied both prospectively and in the future periods. Significant accounting errors are applied retrospectively, and prior period financial statements are restated. There were no significant changes in the accounting estimates of the Bank in the current year. Comparative information is rearranged when deemed necessary in order to comply with the presentation of the current period financial statements. The Bank has not made any changes in the presentation of the financial statements in the current period.

The Bank's financial statements are prepared comparatively with the previous period in order to enable the determination of financial position and performance trends.

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

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

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

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial instruments into Turkish Lira are included in the income statement.

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

The Bank's derivative transactions are classified, measured and accounted in accordance with the provisions of "IFRS 9 Financial Instruments". Fair values are used in the initial recording of derivative transactions and are valued at fair values in the periods following their recording. Liabilities and assets arising from derivative transactions are recorded in the off-balance sheet accounts based on the contract amounts. Derivative transactions are valued at fair value in the periods following their recording and are shown in the balance sheet in the "Fair Value Difference of Derivative Financial Assets Reflected through Profit and Loss" or "Fair Value Difference of Derivative Financial Liabilities Reflected through Profit and Loss Portion" accounts, depending on whether the fair value is positive or negative. These amounts shown in the balance sheet reflect the fair values of derivative products. Differences in fair value as a result of the valuation are accounted for in the "Profit/loss from derivative financial transactions" accounts in the income statement.

4. Explanations on profit share income and expense

Profit share income is reflected in the records using the internal yield ratio method according to the accrual basis over the funds used, and it is accounted for in the dividend income account in the financial statements. When applying the internal yield method, the Bank amortizes the fees included in the calculation of the effective profit ratio and the transaction costs over the expected life of the financial instrument. If a financial asset suffers a credit impairment and is classified as non-performing receivables, profit accruals and discounts are calculated for the relevant customers in accordance with the IFRS 9 Financial Instruments Standard.

The Bank calculates expense rebates on profit/loss participation accounts according to the unit value calculation method and classifies these amounts in the "Collected Funds" account item on the balance sheet.

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5. Explanations on fees and commission income and expenses

Other than fees and commission income and expenses received from certain banking transactions that are recorded as income or expense in the period they are collected, fees and commission income and expenses are recognized in the income statement depending on the duration of the transaction. Except for fees and commissions that are integral part of the effective profit share rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers.

Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period.

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

6. Explanations on financial assets

The Bank categorizes its financial assets as "Fair Value Through Profit/Loss", "Fair Value Through Other Comprehensive Income" or "Measured at Amortized Cost". Such financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Issued for classification and measurement of the financial instruments published in the Official Gazette No. 29953 dated January 19, 2017 by the Public Oversight Accounting and Auditing Standards Authority (POA). Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value Through Profit or Loss", transaction costs are added to fair value or deducted from fair value.

The Bank recognizes a financial asset in the financial statements only when it becomes a party to the contractual terms of a financial instrument. During the initial recognition of a financial asset, the business model determined by Bank management and the nature of contractual cash flows of the financial asset are taken into consideration.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit/loss" are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and profit share at certain date; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. Equity securities classified as financial assets at fair value through profit/loss are recognized at fair value.

Financial assets at fair value through other comprehensive income

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial assets with contractual terms that lead to cash flows are solely payments of principal and profit share at certain dates, they are classified as fair value through other comprehensive income.

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Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Profit share income calculated with effective profit share rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. "Unrealized gains and losses" arising from the difference between the amortised cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the "Accumulated other comprehensive income or expense to be reclassified through profit or loss" under shareholders' equity.

Securities representing the share in the capital classified as financial assets at fair value through profit or loss are recognized at fair value. Exceptionally, cost may be an appropriate estimation method for determining fair value. This is only possible if there is not enough recent information on the measurement of fair value or if the fair value can be measured with more than one method and the cost reflects the fair value estimation among these methods in the best way.

During initial recognition an entity can choose in an irrevocable was to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

Financial assets measured at amortized cost

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

Financial Assets Measured at Amortized Cost; consists of financial assets, excluding loans and receivables, that are held with the intention of keeping until maturity and that the necessary conditions to be held until maturity, including funding ability, are met, have fixed or determinable payments and fixed maturities. Financial Assets Measured at Amortized Cost are first recorded at their acquisition cost and subsequently valued at their discounted cost using the internal yield method. Profit share income related to Financial Assets Measured at Amortized Cost is reflected in the income statement.

Derivative financial assets

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

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

Loans

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

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7. Explanations on impairment of financial assets

In accordance with the "Regulation on the Procedures and Principles for the Classification of Loans and the Provisions to be Set Aside for These" published in the Official Gazette dated 22 June 2016 and numbered 29750, the Bank started to allocate impairment provisions in accordance with the provisions of TFRS 9 after it started operating.

Since the Bank does not have sufficient historical data to create internal models for TFRS 9 expected credit loss calculation, the Bank prepared its assumptions and methodologies based on expert opinion.

Expected credit loss is a probability calculation that is used to predict the credit losses that will occur if the loan payments required under the contract are not made on time and is weighted according to the default risks of the loans. Calculation of expected credit losses consists of three main parameters: Probability of Default, Loss Given Default, and Default Amount.

Probability of Default (PD), refers to the probability that the loan will default within a certain time period. The bank uses two different default probability values when calculating expected credit loss in accordance with TFRS 9:

- 12-Month probability of default: Estimation of the probability of default within 12 months after the reporting date.
- Lifetime probability of default: Estimation of the probability of default over the expected life of the financial instrument.

Since the bank does not have historical data that could create a PD model within the scope of TFRS 9, it determined the PD value using participation banks' default data.

Loss Given Default (LGD), is the economic loss of the borrower arising from the loan in case of default and is expressed as a ratio. "Working LGD" rate refers to the LGD rate that corresponds to the period between the date of transfer to follow-up accounts for non-performing receivables and the period in which ECL calculation is made. LGD rate for all receivables except non-performing receivables is 45%

Exposure amount at Default (EAD), refers to the balance disbursed in cash loans as of the report date. For non-cash loans and commitments, it is the value calculated by applying the loan conversion rate. The credit conversion rate corresponds to the loan conversion rate used in the adaptation of possible risk increases between the current date and the default date.

For non-cash loans, credit conversion ratio is used in EAD calculation. The cash conversion rate of a non-cash loan indicates the rate at which compensation will occur. For the cash conversion rates of non-cash loans, the risk weighting given in the BRSA Circular No. 2016/1 dated 28.03.2016 was taken into account.

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

Stage 1 covers financial instruments with no significant increase in credit risk from initial recognition to the next reporting period or with low credit risk at the reporting date. For these assets, a 12-month expected credit loss is recognized. In the 12-month expected credit loss provision calculation for Stage 1 loans, the weighted average of annual default rates calculated on the 5-year loan and non-performing receivables data publicly disclosed by participation banks starting from the period in which the PD calculation is made is used as the probability of default (PD) parameter. While determining the relevant period, the minimum historical observation period mentioned in the "Guide on Evaluation, Validation and Corporate Governance of Internal Rating-Based Approaches and Advanced Measurement Approach" was taken into consideration.

Stage 2 covers financial assets for which there has been a significant increase in credit risk since initial recognition but for which there is no objective evidence of impairment. For these assets, lifetime expected credit losses are recognized. In this context, these are the basic issues taken into account in determining whether a financial asset's credit risk has increased significantly and is transferred to Stage 2. In the lifetime expected loan loss provision calculation for stage 2 loans, the weighted average of stage 2 provision rates calculated over the 5-year close monitoring provision amounts announced to the public by participation banks starting from the period in which the PD calculation is made is used as the PD parameter.

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Stage 3 includes financial assets for which there is objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized.

The Bank periodically evaluates the provisions set aside for loans and other receivables in accordance with TFRS 9, based on their results, and makes updates to the basketing rules and the parameters used in the calculation of the relevant provision balances, if deemed necessary, as a result of these evaluations.

If the credit risk on a financial instrument has not increased significantly since it was first recognized in the financial statements, the Bank classifies the financial asset in question as the first stage and adjusts the loss allowance for the financial instrument at an amount equal to the 12-month expected credit losses at each reporting date.

The purpose of impairment is to recognize lifetime expected losses in the financial statements for all financial instruments with significant increases in credit risk since their initial recognition, individually or collectively, by taking into account all reasonable and supportable information, including forward-looking ones.

12-Month Expected Loss Provision (Stage 1) These are financial assets that do not have a significant increase in credit risk when they are first included in the financial statements or thereafter, and the number of days of delay does not exceed 30 days.

Credit risk impairment provision for these assets is recognized as 12-month expected credit loss provision. It is valid for all assets unless there is a significant deterioration in credit quality. The 12-month expected loss values (within 12 months after the reporting date or sooner if the life of a financial instrument is less than 12 months) are part of the lifetime expected loss calculation.

Significant Increase in Credit Risk (Stage 2) if there is a significant increase in credit risk after it is first included in the financial statements, the relevant financial asset is transferred to the 2nd Stage. Credit risk impairment provision is determined according to the lifetime expected credit loss provision of the relevant financial asset.

The bank classifies financial assets as stage 2, taking into account the following criteria:

- Loans with overdue days exceeding 30 days but not exceeding 90 days,
- Data received from the early warning system and the evaluation to be made by the bank in this case,
- The Bank's management concludes that there is a significant increase in the credit risk as a result of the comparison with the default risk at the beginning of the loan to determine whether the customer's risk of default has increased significantly since the initial definition of the loan,
- In loans whose repayment is entirely dependent on collateral, the net realizable value of the collateral falls below the receivable amount.

Default (Stage 3/Special Provision) According to the Bank's internal procedures, the relevant financial asset is within the scope of default if the following situations exist:

- Loans that are over 90 days overdue from the last installment date (In this case, the customer is followed up on the 91st day).
- Loans that are restructured and classified as live receivables and whose payment is delayed for more than 30 days within the one-year monitoring period (In this case, the customer is monitored on the 31st day).
- Loans that were restructured and classified as live receivables and were restructured at least once within a one-year monitoring period.

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8. Explanations on offsetting of financial assets and liabilities

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

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

Central Bank of the Republic of Turkey (“CBRT”) made some changes on orders for open market transactions (“OMT”) and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement, a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they need funding or in attempt to evaluate the excess liquidity. In this context, the Treasury Lease Certificates included in the assets of the participation banks of the Central Bank of the Republic of Turkey are subject to the sale process with the promise of repurchase and can carry out API transactions and obtain funds in this way.

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

A non-current asset classified as held for sale (or disposal group) is the lower of its book value and fair value less costs to sell, in accordance with the provisions of “TFRS 5 Turkish Financial Reporting Standard on Assets Held for Sale and Discontinued Operations”. In order to classify an asset as held for sale, the sale should be highly probable, and the asset should be available for immediate sale in its present condition. Highly saleable condition requires a plan by the management regarding the sale of the asset together with an active program for the determination of buyers as well as for the completion of the plan. Also, the asset should be actively in the market at a price consistent with its fair value. In addition, the sale is expected to be recognized as a completed sale within one year after the classification date and the necessary transactions and procedures to complete the plan should demonstrate the fact that there is remote possibility of making any significant changes in the plan or cancellation of the plan. Various events and conditions may extend the completion period of the disposal over one year.

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

The Bank has no discontinued operations.

11. Explanations on goodwill and other intangible assets

Goodwill and other intangible assets are recorded at cost in accordance with TAS 38 “Turkish Accounting Standards for Intangible Assets”. As of the balance sheet date, there is no goodwill in the financial statements of the Bank. The Bank’s intangible assets consist of softwares, capitalized information technology services and intangible rights. Intangible assets are amortised by the Bank over their estimated economic useful lives in equal amounts on a straight-line basis. Useful lives of the Bank’s software have been determined as 3 to 4 years and other intangible assets’ useful lives have been determined as 15 years.

If there is objective evidence of impairment, the asset’s recoverable amount is estimated in accordance with the TAS 36 “Turkish Accounting Standard for Impairment of Assets” and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is provided.

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12. Explanations on tangible assets

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

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets.

Depreciation is calculated on a pro-rata basis for the assets that have been placed in use for less than one year as of the balance sheet date.

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

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

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

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

13. Explanations on leasing transactions

The Bank assesses whether the contract has a lease qualification or include a lease transaction.

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

The right of use asset and lease liability are measured at the present value of the lease payments in accordance with TFRS 16 "Leases" standard. Lease payments are discounted using the Bank's alternative borrowing profit share rate.

Right of use assets

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

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

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

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

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

The Bank applies the depreciation liabilities in TAS 16 Tangible Fixed Assets while depreciating the right of use asset. The Bank determines whether the right of use has been impaired and recognizes any identified impairment losses in accordance with TAS 36 – Impairment of Assets.

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Lease Obligation

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

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

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

14. Explanations on Provisions and contingent liabilities

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

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

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

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

15. Explanations on liabilities relating to employee benefits

Defined benefit plans

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

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

Defined contribution plans

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

Short term benefits to employees

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

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16. Explanations on taxation

Corporate Tax

While corporate tax which is applied to corporate earnings at the rate of 20% in Turkey, in accordance with the regulation introduced by the Law No.7456 "On the Formation of Additional Motor Vehicle Tax to Compensate the Economic Losses Caused by the Earthquakes That Occurred on 6 February 2023, Amending Certain Laws and the Decree Law No. 375, the corporate earnings of 2023 and later taxation periods this rate has been determined to be applied as 25% and for the banks, companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies this rate has been determined to be applied as 30%.

This rate is applied to tax base which is calculated by adding certain non-deductible expenses for tax purposes and deducting certain exemptions (like dividend income) and other deductions on accounting income. If there is no dividend distribution, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. As per the decisions No.2009/14593 and No.2009/14594 of the Council of Ministers published in the Official Gazette No.27130 dated 3 February 2009, certain duty rates included in the articles No.15 and 30 of the new Corporate Tax Law No.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the nonresident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions has been changed to 10% from 15% by the Presidential decision published in the Official Gazette No. 31697 dated 22 December 2021. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings. In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

75% of earnings generated through sale of equity shares, founders' shares, redeemed shares and preemption rights are exempt from the corporate tax with the conditions that such earnings shall be held in a special reserve account under equity until the end of five years following the year of sale and shall be collected as cash until the end of the following two fiscal years. While 50% of earnings generated through sale of real estate held at least for two years by the institutions were exempt from the corporate tax with the conditions that such earnings shall be held in a special reserve account under equity until the end of five years following the year of sale and shall be collected as cash until the end of the following two fiscal years, in accordance with the regulation introduced by Law No. 7456 "On the Formation of Additional Motor Vehicle Tax to Compensate the Economic Losses Caused by the Earthquakes That Occurred on 6 February 2023, Amending Certain Laws and the Decree Law No. 375, this article has been abolished and has been removed from entry into force of the law dated 15 July 2023. The exemption rate for real estates previously included in the assets of institutions has been determined as 25%.

All earnings generated through transfer of equity shares, founders' shares, redeemed shares and preemption rights by the companies being under legal proceedings or guarantor and mortgage provider of such companies, to banks, financial leasing companies and finance companies or the Savings Deposit Insurance Fund in connection with liquidation of their liabilities and earnings of banks, financial leasing companies and finance companies through sale of immovable part of such assets or other items are exempt from corporate tax at the rate of 50% and 75%, respectively.

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As of 31 December 2021, the conditions sought for inflation adjustment in the calculation of corporate tax have been fulfilled, within the framework of the repeated provision of Article 298/Ç of the Tax Procedure Law. These conditions are both the exceed in the increase of Producer Price Index in the last 3 accounting period including current period by 100% and the exceed in the increase in the current period by 10%. However, temporary article 33 has been added on the Tax Procedure Law No. 213 with the regulation made with the Tax Procedure Law and the Law on Change in Corporate Tax Law No. 7352 published in the Official Gazette No.31734 dated 29 January 2022, the application of inflation adjustment in the calculation of corporate tax was postponed to 2023. According to this, the financial statements for the 2021 and 2022 accounting periods, including the provisional tax periods, are not subject to inflation adjustment, and for the 2023 accounting period; are not subject to inflation adjustment as of the provisional tax periods, and the financial statements dated 31 December 2023 are subject to inflation adjustment regardless of whether the inflation adjustment conditions are met or not. Profit/loss difference arising from inflation adjustment in the financial statements are to be shown in previous years' profit/loss accounts and does not affect the corporate tax base. According to Article 17 of the Law No. 7491 on Amendments to Certain Laws and Decree Laws published in the Official Gazette No. 32413 dated 28 December 2023, it has become law that profit/loss differences arising from the inflation adjustment to be made in the 2024 and 2025 accounting periods, including the provisional tax periods, do not be taken into account in determining the income of banks, companies within the scope of the Financial Leasing, Factoring, Financing and Savings Financing Companies Law No. 6361 dated 21 November 2012, payment and electronic money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies.

With the Communiqué Amending the General Communiqué on Tax Procedure Law (order no. 537) published in the Official Gazette numbered 32073 on 14 January 2023, the procedures and principles of the articles allowing the revaluation of real estates and depreciation units have been redrawn. By taking into consideration aforementioned Communiqué, the Bank, has been revaluated real estate and depreciation units within its balance sheet by providing conditions in the provisions of Tax Procedure Law's provisional Article 32 and duplicated Article 298/ç until 30 September 2023. Since the financial statements are subject to inflation adjustment as of 31 December 2023, real estates and depreciation units are not subject to revaluation as of 31 December 2023. Corporate tax is calculated by taking into account of real estates and depreciation units' amortized values until 30 September 2023.

According to Law No. 7440 on Restructuring of Certain Receivables and Amending Certain Laws published in the Official Gazette (dated on March 12, 2023, and numbered 32130), corporate tax payers are to be calculating additional tax in order to be indicated in corporate income tax returns of the year 2022. With the regulation of Law No. 5520 on the "Corporate Tax Law" and other tax regulations, an additional tax of 10% will be calculated based on the exemption and deduction amounts subject to deduction from corporate income and the tax bases subject to reduced corporate tax within the scope of Article 32/A of the same law and with the exception regulated in subparagraph (a) of the first paragraph of Article 5 of the Law No. 5520., an additional tax of 5% will be calculated based on exempted dividends and earnings from abroad. The first partial payment of this additional taxes is to be paid within the payment period of the corporate income tax, and the second partial payment is to be paid in the fourth month following this period.

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Deferred Tax

For taxable temporary differences that arise between the book value of an asset or liability and its tax base value determined in accordance with tax legislation, the Bank is responsible for obtaining financial profit that can be deducted in subsequent periods, in accordance with the provisions of "TAS 12 - Income Taxes", BRSA's explanations and circulars and tax legislation. As far as possible, deferred tax is calculated on deductible temporary differences. In calculating deferred tax, the time when temporary differences will be taxable/deductible is estimated and legalized tax rates valid as of the balance sheet date in accordance with the applicable tax legislation are used. While deferred tax liability is calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly probable to benefit from these differences by obtaining taxable profit in the future. Calculated deferred tax assets and deferred tax liabilities are netted in the financial statements. Tax effects related to transactions directly accounted for in equity are also reflected in equity.

According to the temporary article 33 of the Tax Procedure Law, the tax effects arising from the inflation adjustment of corporate taxes in the financial statements are included in the deferred tax calculation.

17. Explanations on additional disclosures on borrowings

Financial liabilities, held for trading and derivative financial liabilities classified as at fair value through profit/loss are at fair value; All other financial liabilities are valued at their discounted values using the effective internal yield method in the periods following their recording, including transaction costs.

18. Explanations on share certificates issued

If the shares issued in capital increases are issued at a price higher than their nominal value, the Bank accounts the difference between the issue price and nominal value in equity as "Share Issuance Premiums".

19. Explanations on acceptances and availed drafts

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

20. Explanations on government grants

None (31 December 2023 – None).

21. Explanations on segment reporting

The bank carries out its activities in three main departments: Retail Banking, Corporate Banking, Treasury and International Banking. Each department provides services with its own products and activity results are monitored on the basis of these departments. Reporting by business segments is presented in Chapter Four.

22. Explanations on other matters

The Bank has no disclosures on other matters.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

1. Explanations on Equity Items

Total capital and Capital Adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 31 December 2023, Bank’s total capital has been calculated as TL 1,289,506 (31 December 2023 - TL 1,426,026), capital adequacy ratio is 69.5% (31 December 2023 – 216.9%).

In the calculation of the amount subject to credit risk, in accordance with the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks (Regulation) published in the Official Gazette dated October 23, 2015, as stated in the Board Decision dated April 28, 2022 and numbered 9996, with the decision dated January 31, 2023 and numbered 10496; when calculating the values of monetary assets and non-monetary assets, other than items in foreign currency measured in historical cost, pursuant to TAS and related special provisions; the application for the use of the Central Bank of the Republic of Türkiye foreign exchange buying rate as of December 30, 2022 has been decided to continue using the CBRT's foreign exchange buying rate as of July 26, 2023, until a BRSA Decision to the contrary is taken.

In accordance with the BRSA Decision No. 10747 dated December 12, 2023, if the net valuation differences of the securities held by the banks in the "Securities at Fair Value Through Other Comprehensive Income" portfolio are negative as of January 1, 2024, to be calculated in accordance with the Regulation on Equity of Banks published in the Official Gazette dated September 5, 2013 and numbered 28756 and published in the Official Gazette dated September 5, 2013 and numbered 28756, and to continue to apply the existing provisions of the said Regulation for "Securities at Fair Value Through Other Comprehensive Income" acquired after the date of this decision.

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Components of Total Capital

	Current Period	Prior Period
COMMON EQUITY TIER I CAPITAL		
Paid-In Capital to Be Entitled for Compensation After All Creditors	1,500,000	1,500,000
Share Premium	-	-
Reserves	91,251	29,076
Other Comprehensive Income According to TAS	105	93
Profit	(39,160)	62,175
Current Period Profit	(39,160)	62,175
Prior Period Profit	-	-
Bonus Shares from Associates, Affiliates and Joint-Ventures Not Accounted in Current Period's Profit	-	-
Common Equity Tier I Capital Before Deductions	1,552,196	1,591,344
Deductions From Common Equity Tier I Capital		
Valuation Adjustments Calculated as Per the Article 9. (I) Of The Regulation on Bank Capital	-	-
Current And Prior Periods' Losses Not Covered by Reserves, And Losses Accounted Under Equity According to TAS (-)	(420)	104
Leasehold Improvements on Operational Leases (-)	-	-
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	150,621	125,809
Remaining after deducting from the related deferred tax liability with the deferred tax asset based on future taxable income, except for deferred tax assets based on temporary differences	118,147	52,487
Differences Arise When Assets and Liabilities Not Held at Fair Value, Are Subjected to Cash Flow Hedge Accounting	-	-
Total Credit Losses That Exceed Total Expected Loss Calculated According to The Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization Gains	-	-
Unrealized Gains and Losses from Changes in Bank's Liabilities' Fair Values Due to Changes in Creditworthiness	-	-
Net Amount of Defined Benefit Plans	-	-
Direct And Indirect Investments of The Bank on Its Own Tier I Capital (-)	-	-
Shares Obtained Against Article 56, Paragraph 4 Of the Banking Law (-)	-	-
Total Of Net Long Positions of The Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or Less of The Issued Share Capital Exceeding The 10% Threshold of Above Tier I Capital (-)	-	-
Total Of Net Long Positions of The Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or More of the Issued Share Capital Exceeding The 10% Threshold of Above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding The 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets Arising from Temporary Differences Exceeding The 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding The 15% Threshold of Tier I Capital as Per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy of Banks (-)	-	-
The Portion of Net Long Position of The Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% Or More of the Issued Share Capital Not Deducted from Tier I Capital (-)	-	-
Mortgage Servicing Rights Not Deducted (-)	-	-
Excess Amount Arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other Items to Be Defined by The BRSA (-)	-	-
Deductions From Tier I Capital in Cases Where There Are No Adequate Additional Tier I Or Tier II Capitals (-)	-	-
Total Deductions from Common Equity Tier I Capital	268,348	178,400
Total Common Equity Tier I Capital	1,283,848	1,412,944

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ADDITIONAL TIER I CAPITAL		
Privileged stocks not included in common equity and share premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions From Additional Tier I Capital		
Direct And Indirect Investments of the Bank on Its Own Additional Tier I Capital (-)	-	-
Investments In Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in The Article 7 of the Regulation	-	-
Total Of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or Less of the Issued Share Capital Exceeding The 10% Threshold of Above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions Where the Bank Owns More Than 10% of the Issued Share Capital (-)	-	-
Other Items to Be Defined by The BRSA (-)	-	-
Items To Be Deducted from Tier I Capital During the Transition Period		
Goodwill And Other Intangible Assets and Related Deferred Taxes Not Deducted from Tier I Capital as Per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy of Banks (-)	-	-
Net Deferred Tax Asset/Liability Not Deducted from Tier I Capital as Per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy of Banks (-)	-	-
Deduction From Additional Tier I Capital When There Is Not Enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	1,283,848	1,412,944
Tier II Capital		
Debt Instruments and The Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and The Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts Explained in the First Paragraph of the Article 8 of the Regulation on Bank Capital)	5,658	3,082
Tier II Capital before deductions	5,658	3,082
Deductions From Tier II Capital		
Direct and Indirect Investments of The Bank on Its Own Tier II Capital (-)	-	-
Investments In Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or Less of the Issued Share Capital Exceeding The 10% Threshold of Above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or More of the Issued Share Capital Exceeding The 10% Threshold of Tier I Capital (-)	-	-
Other Items to Be Defined by The BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	5,658	3,082
Total Equity (Total Tier I And Tier II Capital)	1,289,506	1,416,026

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Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted Against the Articles 50 and 51 of the Banking Law (-)	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 Of the Banking Law and The Assets Acquired Against Overdue Receivables and Held for Sale but Retained More Than Five Years (-)	-	-
Other Items to Be Defined by The BRSA (-)	-	-
Items to be Deducted from The Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or Less of the Issued Share Capital Exceeding the 10% Threshold of Above Tier I Capital Not Deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as Per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns More Than 10% of the Issued Share Capital Exceeding The 10% Threshold of Above Tier I Capital Not Deducted from Additional Tier I Capital or Tier II Capital as Per the Temporary Article 2, Clause 1 of The Regulation (-)	-	-
The Portion of Net Long Position of The Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or more of the issued Share Capital, of the Net Deferred Tax Assets Arising from Temporary Differences and of the Mortgage Servicing Rights Not Deducted from Tier I Capital as Per the Temporary Article 2, Clause 2, Paragraph (1) And (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
Capital		
Total Capital (Total of Tier I Capital and Tier II Capital)	1,289,506	1,416,026
Total Risk Weighted Assets	1,855,462	652,772
Capital Adequacy Ratios		
CET1 Capital Ratio (%)	69.2%	216.5%
Tier I Capital Ratio (%)	69.2%	216.5%
Capital Adequacy Ratio (%)	69.5%	216.9%
Buffers		
Total additional core capital requirement ratio (a+b+c)	4.0	4.0
a) Capital conservation buffer requirement (%)	2.5	2.5
b) Bank specific countercyclical buffer requirement (%)	1.5	1.5
c) Higher bank buffer requirement ratio (%)	-	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 Of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	61.5%	208.9%
Amounts Lower Than Excesses as Per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% Or Less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions Where the Bank Owns More Than 10% or Less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets Arising from Temporary Differences	-	-
Limits For Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (Before Limit of One Hundred and twenty-five Per Ten Thousand)	5,658	3,082
General Loan Provisions for Exposures in Standard Approach Limited By 1.25% of Risk Weighted Assets	5,658	3,082
Total Loan Provision That Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision That Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited By 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (Effective Between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items Subject to Temporary Article 4	-	-
Amount Of Additional Tier I Capital Items Subject to Temporary Article 4 That Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items Subject to Temporary Article 4	-	-
Amount Of Additional Tier II Capital Items Subject to Temporary Article 4 That Exceeds Upper Limit	-	-

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Information on debt instruments to be included in equity calculation:

None.

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

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

2. Explanations on currency risk

Foreign currency risk represents the Banks's exposure to loss due to the changes in foreign currency exchange rates. According to the standard method, all foreign currency assets, liabilities and forward foreign exchange transactions of the Bank are taken into account when calculating the capital liability subject to exchange rate risk. The "Standard Method" method used in legal reporting is used to measure the exchange rate risk that the Bank is exposed to.

The Bank monitors daily the designated limits set by the Board of Directors and additionally observes the possible value changes in foreign currency positions. The limits are determined and followed both for the net foreign currency position and for the cross-exchange rate risk within the position.

The announced current foreign exchange buying rates of the Bank as of 31 March 2024 and the prior five working days are as follows (full TL):

	25/03/2024	26/03/2024	27/03/2024	28/03/2024	29/03/2024	Balance Sheet Valuation Rate
Usd	32.0943	32.1671	32.2092	32.2979	32.3472	32.3472
Euro	34.7244	34.8797	34.8709	34.9122	34.8766	34.8766
Gold	2,436.72	2,405.77	2,405.77	2,398.50	2,451.67	2,451.67

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for 31 days preceding the balance sheet date are as follows (full TL):

	Monthly Average FC Purchase Rate
USD	32.0103
EURO	34.7765
GOLD	2,342.22

Sensitivity to exchange rate risk

The Bank is exposed to exchange rate risk in Euro, USD and Gold.

The table below shows the Bank's sensitivity to a 10% increase in USD, Euro and Gold.

	% Increase in the exchange rate	Effects on profit/loss		Effects on equity	
		Current Period	Prior Period	Current Period	Prior Period
Usd	10%	9,427	9,275	9,427	9,275
Euro	10%	(311)	792	(311)	792
Gold	10%	(91)	200	(91)	200

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Currency risk of the Bank

Current Period	EUR	USD	Other FC	Total
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey ¹	177,110	4,621	192,068	373,799
Banks ¹	45,590	10,407	-	55,997
Financial assets at fair value through profit and loss	-	32,534	-	32,534
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Loans and finance lease receivables ¹	523,043	-	-	523,043
Subsidiaries, associates, and joint ventures	-	-	-	-
Financial assets at amortized cost ¹	-	66,167	-	66,167
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets	-	1,064	-	1,064
Total Assets	745,743	114,793	192,068	1,052,604
Liabilities				
Current account and funds collected from Banks via participation accounts	-	-	-	-
Current and profit-sharing accounts FC	748,661	35,695	174,063	958,419
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	-	-	-	-
Marketable securities issued	-	-	-	-
Miscellaneous payables	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	2,455	2,435	-	4,890
Total Liabilities	751,116	38,130	174,063	963,309
Net balance sheet position	(5,373)	76,663	18,005	89,295
Net off-balance sheet position	2,267	17,606	(18,911)	962
Financial derivative assets	2,267	31,794	15,251	49,312
Financial derivative liabilities	-	14,188	34,162	48,350
Non-cash loans	-	-	-	-
Prior Period				
Total assets	549,424	95,703	4,039	649,166
Total liabilities	541,503	2,956	2,042	546,501
Net balance sheet position	7,921	92,747	1,997	102,665
Net off-balance sheet position	-	-	-	-
Financial derivative assets	-	-	-	-
Financial derivative liabilities	-	-	-	-
Non-cash loans	-	-	-	-

¹ The net amounts after deducting expected loss provisions of which TL 50 from cash assets (31 December 2023 – TL 121), TL 9 from banks (31 December 2023 – TL 9), TL 1,673 from loans (31 December 2023 – TL 667) and TL 182 from financial assets measured at amortized cost (31 December 2023 – TL 699).

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3. Explanations related to stock position risk

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

As of 31 March 2024, the Bank has no shares.

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

None.

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

None.

4. Liquidity risk management, liquidity coverage ratio and net stable funding ratio

The liquidity risk of the Bank is the risk of being unable to fulfill its payment obligations on time due to not having enough cash sources or cash inflows to finance its cash outflows fully and on time due to cash flow instabilities.

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

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

Liquidity risk is managed by the Asset Liability Committee (ALCO) and relevant business units within the framework of the issues regarding the management of liquidity risk included in the Regulation on Risk Management Policies approved by the Board of Directors and the Risk Appetite Regulation. In liquidity risk management, the measures to be taken and the practices to be implemented are determined by taking into account normal economic conditions and stress conditions. The bank defines liquidity risk, measures and monitors risks with liquidity risk measurement methods in accordance with international standards and presents them to the relevant parties periodically. An Emergency Funding Plan has been prepared to regulate the procedures and principles for the Bank to ensure and maintain an adequate liquidity level under stress conditions.

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

The practices and responsibilities regarding liquidity risk are determined in accordance with the Treasury Regulation approved by the Board of Directors. The Bank's liquidity policy is to have a liquidity buffer at a level that will cover liabilities under all economic conditions and to maintain the necessary liquidity at the lowest cost. It also has limits available for use at financial institutions.

In the weekly Asset Liability Committee meetings attended by senior management, indicators regarding the liquidity situation are examined and liquidity risk is addressed. Additionally, the Board of Directors is informed through the Audit Committee.

In order to manage liquidity risk prudently, it is necessary to know what kind of problem the mismatch between assets and liabilities will create under what economic conditions and the cost it will bring. Liquidity risk management aims to measure the Bank's current and future liquidity position prudently and proactively, taking into account the currency types and maturities of assets and liabilities. Reports on liquidity gap analysis are prepared by the Treasury Management Department and Risk Management Department and monitored by the Asset Liability Committee. Risk Management Department monitors the limits regarding liquidity risk determined by the Board of Directors. The Treasury Management Department manages funding and liquidity risk to prevent funding insufficiency at any time or from any source and makes regular reports to the Asset Liability Committee regarding the Bank's liquidity position. Risk Management Directorate monitors the liquidity coverage ratio and reports the results to the BRSA.

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

The Bank's liquidity management is carried out by the Asset Liability Committee. Since the Bank has no associates or subsidiaries subject to consolidation as of 31 March 2024, consolidated liquidity risk management is not possible.

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

The bank aims to ensure that current and participation accounts are widespread and stable, and that the fund sources used are diversified and long-term. Risk indicators regarding liquidity and issues such as the ratio of liquid assets to total assets, the ratio of participation funds to loans, and the concentration within the collected funds are closely monitored.

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

The Bank's LC liquidity is managed through interbank transactions. Foreign currency liquidity is kept in interbank transactions and in correspondent bank accounts within limits.

Information on liquidity risk mitigation techniques

Liquidity risk is achieved through practices such as keeping sufficient high-quality liquid asset stock at a level to cover the bank's cash outflows, diversifying funding sources in order to reduce liquidity risk concentrations, reducing the maturity difference between assets and liabilities through maturity gap analysis, and providing at least a certain part of the fund resources through collected funds aims to implement mitigation techniques.

Information on the use of stress tests

The purpose of the stress test is to determine the sources of possible liquidity weaknesses and whether the current on- and off-balance sheet positions are acted in accordance with the liquidity risk appetite. While developing stress test analyses, it includes scenarios that take into account systemic crisis, bank crisis and both situations together. Different threshold levels are determined for the percentage of the predicted deficit covered by the buffer in the stress test. The Stress Test is aligned with Bank's risk appetite framework, ICAAP, budget and other processes and integrated with risk appetite metrics. Stress test results are reported to ALCO.

General information about the Contingency Funding Plan

In order to establish the necessary principles for identifying and managing possible serious liquidity problems, the Liquidity and Emergency Funding Plan was prepared and approved by the Board of Directors. The plan ultimately aims to protect current and participation account holders, creditors and shareholders. The basic indicators of the Emergency Funding Plan have been determined, and the plan is put into practice in case of unexpected developments in the liquidity situation or other indicators are triggered. Asset Liability Committee is responsible for the implementation of the plan.

Analysis of financial liabilities by remaining contractual maturities

Current Period	Up to 1 months ¹	1-3 months	3-12 months	1-5 years	Above 5 years	Total	Balance Sheet Value
Funds Collected	1,378,980	200,766	340,321	1	-	1,920,068	1,897,303
Finance Lease Payable	142	283	1,274	2,124	-	3,823	3,378
Miscellaneous Payables	52,810	-	-	-	-	52,810	52,810
Total	1,431,932	201,049	341,595	2,125	-	1,976,701	1,953,491

¹ Includes demand deposits.

Prior Period	Up to 1 months ¹	1-3 months	3-12 months	1-5 years	Above 5 years	Total	Balance Sheet Value
Funds Collected	835,341	45,076	421,711	-	-	1,302,128	1,288,878
Finance Lease Payable	142	283	1,274	2,549	-	4,248	3,703
Miscellaneous Payables	59,736	-	-	-	-	59,736	59,736
Total	895,219	45,359	422,985	2,549	-	1,366,112	1,352,317

¹ Includes demand deposits.

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Liquidity coverage ratio

Liquidity coverage ratio is calculated by dividing the high quality liquid assets owned by the Bank to the net cash outflows within a one-month maturity term.

Current Period	Total Unweighted Value ¹		Total Unweighted Value ¹		
	TL+FC	FC	TL+FC	FC	
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	390,403	300,790	390,404	300,790
CASH OUTFLOWS					
2	Funds collected from retail and from small business customers, of which:	793,902	262,069	79,389	26,207
3	Stable funds collected	35	-	2	-
4	Less stable funds collected	793,867	262,069	79,387	26,207
5	Unsecured wholesale funding, of which:	652,023	246,793	376,974	98,453
6	Operational funds collected	-	-	-	-
7	Non-operational funds collected	555,781	246,793	309,463	98,453
8	Unsecured funding	96,242	-	67,511	-
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which	50,633	48,350	50,633	48,350
11	Outflows related to derivative exposures and other collateral requirements	50,633	48,350	50,633	48,350
12	Outflows related to restructured financial Instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	43,400	-	2,170	-
16	TOTAL CASH OUTFLOWS			509,166	173,010
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	403,470	202,684	355,026	181,684
19	Other cash inflows	49,312	49,312	49,312	49,312
20	TOTAL CASH INFLOWS	452,782	251,996	404,338	230,996
			Upper Limit Applied Value		
21	TOTAL HQLA			390,403	300,790
22	TOTAL NET CASH OUTFLOWS			127,291	43,252
23	LIQUIDITY COVERAGE RATIO (%)			306.70	695.44

¹ The average calculated for the last three months of the liquidity coverage ratio calculated by taking the weekly simple arithmetic average

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Prior Period	Total Unweighted Value ¹		Total Unweighted Value ¹		
	TL+FC	FC	TL+FC	FC	
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	-	-	250,792	198,099
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	407,679	119,120	40,767	11,912
3	Stable deposits	-	-	-	-
4	Less stable deposits	407,679	119,120	40,767	11,912
5	Unsecured wholesale funding, of which:	456,432	13,191	204,973	5,263
6	Operational deposits	-	-	-	-
7	Non-operational deposits	419,068	13,191	167,609	5,263
8	Unsecured funding	37,364	-	37,364	-
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which	-	-	-	-
11	Outflows related to derivative exposures and other collateral requirements	-	-	-	-
12	Outflows related to restructured financial Instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	5,400	-	270	-
16	TOTAL CASH OUTFLOWS			246,010	17,175
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	525,013	130,263	184,508	12,881
19	Other cash inflows	-	-	-	-
20	TOTAL CASH INFLOWS	525,013	130,263	184,508	12,881
				Upper Limit Applied Value	
21	TOTAL HQLA			250,792	198,099
22	TOTAL NET CASH OUTFLOWS			61,502	4,294
23	LIQUIDITY COVERAGE RATIO (%)			407.78	4,613.39

¹ The average calculated for the last three months of the liquidity coverage ratio calculated by taking the weekly simple arithmetic average

The lowest, highest and average liquidity coverage rates in the last 3 months of 2024 are stated as table below.

Current Period	Highest	Date	Lowest	Date	Average
TL+FC (%)	1,153	02.02.2024	307	29.03.2024	631
FC (%)	18,862	02.02.2024	576	29.03.2024	2,995
Prior Period	Highest	Date	Lowest	Date	Average
TL+FC (%)	953	10.11.2023	301	08.12.2023	604
FC (%)	240,328	06.10.2023	4,179	08.12.2023	81,000

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Presentation of assets and liabilities according to their remaining maturities

Current period	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 Years	Over 5 years	Unallocated	Total
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the CBRT	218,102	218,359	-	-	-	-	(61)	436,400
Banks	56,324	-	-	-	-	-	(9)	56,315
Financial assets at fair value through profit and loss	579,010	-	-	187	32,347	-	-	611,544
Money market placements	230,596	-	-	-	-	-	-	230,596
Financial assets at fair value through other comprehensive	11,090	-	31,059	2,001	25,000	-	-	69,150
Loans	-	359,675	237,296	863,982	154,550	-	(5,348)	1,610,155
Financial assets valued at amortized cost	-	-	22,864	-	64,583	-	(190)	87,257
Other assets	-	44,285	13,674	39,653	22,415	-	365,416	485,443
Total Assets	1,095,122	622,319	304,893	905,823	298,895	-	359,808	3,586,860
Liabilities								
Current account and funds collected from banks via participation accounts	-	-	-	-	-	-	-	-
Current and profit-sharing accounts	467,354	897,518	196,588	335,842	1	-	-	1,897,303
Funds provided from other financial institutions	-	-	-	-	-	-	-	-
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	52,810	-	-	-	-	-	52,810
Other Liabilities	-	59,250	1,614	4,322	2,416	-	1,569,145	1,636,747
Total Liabilities	467,354	1,009,578	198,202	340,164	2,417	-	1,569,145	3,586,860
Net Liquidity Gap	627,768	(387,259)	106,691	565,659	296,478	-	(1,209,337)	-
Prior Period								
Total Assets	1,306,540	657,795	161,357	507,810	89,028	-	253,963	2,976,493
Total Liabilities	425,595	488,234	43,808	417,782	2,326	-	1,598,748	2,976,493
Net Liquidity Gap	880,945	169,561	117,549	90,028	86,702	-	(1,344,785)	-

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Net stable funding ratio

Current Period	Unweighted value by residual maturity				Weighted value
	Without maturity	Less than 6 months	6 months to < 1 year	1 year and more than 1 year	
Available stable fund					
Capital	1,289,505	-	-	-	1,289,505
Tier I and tier II capital	1,289,505	-	-	-	1,289,505
Other capital instruments	-	-	-	-	-
Deposits from retail persons and small business customers	89,287	894,528	332,859	-	1,185,009
Stable deposits /participation funds	35	-	-	-	33
Less stable deposits /participation funds	89,252	894,528	332,859	-	1,184,976
Wholesale funding	378,068	156,000	31,058	-	204,563
Operational deposits	-	-	-	-	-
Other wholesale funding	378,068	156,000	31,058	-	204,563
Liabilities with matching interdependent assets					
Other liabilities	131,163	-	-	-	-
Derivative liabilities					
All other equity and liabilities not included in the above categories	131,163	-	-	-	-
Available stable fund					2,679,077
Required stable fund					
High-quality liquid assets (HQLA)					5,380
Deposits held at credit institutions or financial institutions for operational purposes	635,334	534,074	-	-	175,411
Performing loans and securities	-	724,140	153,285	530,375	748,692
Performing loans to credit institutions or financial institutions secured by Level 1 HQLA	-	-	-	-	-
Performing loans to credit institutions or financial institutions secured by non Level 1 HQLA and unsecured performing loans to credit institutions or financial institutions	-	-	-	-	-
Performing loans to non financial corporate clients, loans to retail person customers and small business customers, and loans to sovereigns, central banks and PSEs	-	724,140	153,285	530,375	748,692
<i>Loans with a risk weight of less than or equal to 35%</i>	-	-	-	44,290	28,789
Performing loans encumbered with residential mortgages	-	-	-	-	-
<i>Loans with a risk weight of less than or equal to 35%</i>	-	-	-	-	-
Exchange traded equities and securities that are not in default and do not qualify as HQLA	-	-	-	-	-
Assets with matching interdependent liabilities					
Other assets	651,671	99,945	-	16,274	722,748
Physical traded commodities, including gold	155,484				132,161
Assets posted as initial margin for derivative contracts or contributions to default funds of central counterparties					
Derivative assets		99,945	-	-	99,945
Derivative liabilities before deduction of variation margin posted		-	-	-	-
All other assets not included in the above categories	496,187	-	-	16,274	490,642
Off-balance sheet items					2,170
Required Stable Fund					1,654,402
Net Stable Funding Ratio (%)					161.94

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Prior Period	Unweighted value by residual maturity				Weighted value
	Without maturity	Less than 6 months	6 months to < 1 year	1 year and more than 1 year	
Available stable fund					
Capital	1,416,028	-	-	-	1,416,028
Tier I and tier II capital	1,416,028	-	-	-	1,416,028
Other capital instruments	-	-	-	-	-
Deposits from retail persons and small business customers	6,527	550,024	298,240	-	769,313
Stable deposits /participation funds	6	-	-	-	6
Less stable deposits /participation funds	6,521	550,024	298,240	-	769,307
Wholesale funding	419,068	-	-	-	209,534
Operational deposits	-	-	-	-	-
Other wholesale funding	419,068	-	-	-	209,534
Liabilities with matching interdependent assets					
Other liabilities	96,376	-	-	-	-
Derivative liabilities		-	-	-	
All other equity and liabilities not included in the above categories	96,376	-	-	-	-
Available stable fund					2,394,875
Required stable fund					
High-quality liquid assets (HQLA)					3,793
Deposits held at credit institutions or financial institutions for operational purposes	1,271,725	473,972	-	-	261,855
Performing loans and securities	-	354,304	310,425	2	332,366
Performing loans to credit institutions or financial institutions secured by Level 1 HQLA	-	-	-	-	-
Performing loans to credit institutions or financial institutions secured by non Level 1 HQLA and unsecured performing loans to credit institutions or financial institutions	-	-	-	-	-
Performing loans to non financial corporate clients, loans to retail person customers and small business customers, and loans to sovereigns, central banks and PSEs	-	354,304	310,425	2	332,366
<i>Loans with a risk weight of less than or equal to 35%</i>	-	-	-	-	-
Performing loans encumbered with residential mortgages	-	-	-	-	-
<i>Loans with a risk weight of less than or equal to 35%</i>	-	-	-	-	-
Exchange traded equities and securities that are not in default and do not qualify as HQLA	-	-	-	-	-
Assets with matching interdependent liabilities					
Other assets	303,034	-	-	-	302,428
Physical traded commodities, including gold	4,039				3,433
Assets posted as initial margin for derivative contracts or contributions to default funds of central counterparties		-	-	-	-
Derivative assets		-	-	-	-
Derivative liabilities before deduction of variation margin posted		-	-	-	-
All other assets not included in the above categories	298,995	-	-	-	298,995
Off-balance sheet items		5,400	-	-	270
Required Stable Fund					900,711
Net Stable Funding Ratio (%)					265.89

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Quantitative explanations of the net stable funding rate

As of March 31, 2024, the Bank's net stable funding ratio stood at 161.94% (31 December 2023 - 265.89%). Considering the amounts to which the consideration rate has been applied, the main capital item with the highest consideration rate within the scope of the legislation constitutes 48% of the existing stable fund amount (31 December 2023 - 59%). The retail person and retail customer participation fund is the other important element, accounting for 44% of the current stable fund amount (December 31, 2023 - 32%).

5. Explanations on leverage ratio

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

As of the balance sheet date, the Bank's leverage ratio, calculated based on the arithmetic average of the values found at the end of the months in the previous three-month period, was 44.2 % (31 December 2023 - 68.8%). While the main capital decreased by 5.4%, the total risk amount increased by 55.9%. Accordingly, there is a decrease of 246 basis points in the current period leverage ratio compared to the previous period.

On-balance sheet assets ¹		Current Period	Prior Period
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	3,160,018	2,210,488
2	(Assets deducted in determining Tier I Capital)	(230,458)	(158,109)
3	Total on-balance sheet risks (sum of lines 1 and 2)	2,929,560	2,052,379
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	-	-
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	153	-
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	153	-
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	-	-
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	-	-
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	93,345	1,800
11	(Adjustments for conversion to credit equivalent amounts)	-	-
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	93,345	1,800
Capital and total risks			
13	Tier I Capital	1,336,205	1,412,460
14	Total risks (sum of lines 3, 6, 9 and 12)	3,203,058	2,054,179
Leverage ratio			
15	Leverage ratio	44.2	68.8

¹The amounts in the table represent three-month averages.

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

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

7. Explanations on hedge accounting practices

None (31 December 2023 – None).

8. Explanations on risk management

Bank's risk management approach

The purpose of risk management policies is to ensure the identification, measurement, reporting, monitoring and control of risks incurred on the basis of risk type as a result of the Bank's activities.

When establishing internal regulations regarding risk management, at least the following issues are taken into account:

- Strategy, policy and implementation procedures of the Bank's business lines,
- Compliance with the volume, nature and complexity of the bank's activities,
- The bank's risk strategy and the level of risk it can take,
- The bank's risk monitoring and management capacity,
- The bank's past experience and performance,
- Expertise levels of the managers of the departments carrying out the activities on issues related to their fields,
- Obligations foreseen in the law and other relevant legislation.

Risk management activities include the risks incurred and the risks arising from transactions carried out with the risk group to which the Bank belongs; It consists of timely and comprehensive definition, measurement, monitoring, control and reporting activities.

The procedures and principles established for the proposal, evaluation, approval, announcement, monitoring and auditing of risk limits within the Bank are approved by the Board of Directors. Risk limits are determined as part of the risk appetite structure, taking into account the size of the Bank within the financial system, and clearly associating it with the amount of loss and the amount of capital allocated.

Board of Directors is responsible for ensuring that the bank's risk profile does not exceed the risk limits and that the realized values are monitored by the Bank's Senior Management. Limit usage is closely monitored, and limit exceedances are immediately reported to the Senior Management so that necessary measures can be taken.

Limit excess exceptions are defined within the risk appetite structure and the rules to which the exceptions will be subject are determined in writing. Early warning limits and the procedures and principles to be applied, including carrying, reducing, transferring or avoiding the risk in cases where these limits are exceeded, are determined by the Board of Directors. Risk limits are regularly reviewed within the framework of current developments and adapted according to changes in the Bank's strategy.

Risk appetite structure expresses the level of risk that the Bank wants to carry in order to achieve its goals and strategies, taking into account its risk capacity. Risk appetite; Risk types and main indicators are divided and allocated to other levels deemed necessary and approved by the Board of Directors. The risk appetite structure is reviewed when deemed necessary, at least once a year.

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The bank can be applied reliably and with integrity to measure the quantifiable risks it is exposed to and to evaluate the non-quantifiable risks; it establishes an effective systematic structure with internal regulations compatible with its structure, product types and fields of activity. The following points are taken into account when determining the methods or models to be used in risk measurement:

Risk Management System is prepared for the purpose of systematically managing the risks to which the Bank is exposed; it refers to the Board of Directors, Audit Committee, Asset-Liability Committee and Risk Management Presidency ("RYB"). The Board of Directors owns the Risk Management System in the Bank; It ensures the establishment of an effective, adequate and appropriate risk management system within the bank and the continuity of this system. The main purpose of the Bank's Risk Management System is to monitor, keep under control and, when necessary, change the risk-return structure of the Bank's future cash flows and accordingly the nature and level of activities, to ensure that risks are identified, measured, monitored and controlled.

GB1 - Overview of risk weighted amounts

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 31/03/2024	Prior Period 31/12/2023	Current Period 31/03/2024
1	Credit risk (excluding counterparty credit risk) (CCR)	815,177	444,161	65,214
2	Standardised approach (SA)	815,177	444,161	65,214
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	84	-	7
5	Standardised approach for counterparty credit risk	84	-	7
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal model's equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies – 1250% risk weighting Approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization exposures in banking book	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB supervisory formula approach	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	241,442	208,611	19,316
17	Standardised approach	241,442	208,611	19,316
18	Internal model approaches	-	-	-
19	Operational risk	798,758	-	63,901
20	Basic indicator approach	798,758	-	63,901
21	Standardised approach	-	-	-
22	Advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	1,855,462	652,772	148,438

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9. Explanations on business segments

Selected balance sheet and income statement items according to segments

Current Period	Retail Banking	Corporate and Commercial banking	Treasury and international banking	Unallocated	Bank's total operation
Profit Share Income	18	81,677	26,901	-	108,596
Profit Share Expense (-)	57,663	955	-	100	58,718
Net Profit Share Income/Expense	(57,645)	80,722	26,901	(100)	49,878
Net Fees And Commissions Income/Expense	(1,599)	168	(300)	(47)	(1,778)
Dividend Income	-	-	-	-	-
Net Trading Income / Loss	-	-	107,916	-	107,916
Other Operating Income	-	-	770	101	871
Gross Operating Profit/Loss	(59,244)	80,890	135,287	(46)	156,887
Provision Expenses (-)	10	3,439	424	2,586	6,459
Operating Expenses (-)	-	-	-	251,093	251,093
Profit/Loss Before Taxation	(59,254)	77,451	134,863	(253,725)	(100,665)
Taxation	17,776	(23,235)	(40,459)	107,423	61,505
Net Profit/Loss	(41,478)	54,216	94,404	(146,302)	(39,160)
Segment Assets	2,395	1,357,696	1,741,326	485,443	3,586,860
Total Liabilities	1,313,137	583,927	-	1,689,796	3,586,860

Prior Period	Retail Banking	Corporate and Commercial banking	Treasury and international banking	Unallocated	Bank's total operation
Profit Share Income	-	-	79,704	-	79,704
Profit Share Expense (-)	-	-	-	130	130
Net Profit Share Income/Expense	-	-	79,704	(130)	79,574
Net Fees And Commissions Income/Expense	-	-	(195)	-	(195)
Dividend Income	-	-	-	-	-
Net Trading Income / Loss	-	-	151	-	151
Other Operating Income	-	-	-	676	676
Gross Operating Profit/Loss	-	-	79,660	546	80,206
Provision Expenses (-)	-	-	1,038	-	1,038
Operating Expenses (-)	-	-	-	84,206	84,206
Profit/Loss Before Taxation	-	-	78,622	(83,660)	(5,038)
Taxation	-	-	(23,587)	24,820	1,233
Net Profit/Loss	-	-	55,035	(58,840)	(3,805)
Segment Assets	99	662,720	2,014,709	298,965	2,976,493
Total Liabilities	869,182	419,664	-	1,687,647	2,976,493

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NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

SECTION FIVE

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS

1. Explanations and notes related to assets

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

Cash and balances with the Central Bank of Republic of Turkey

	Current period		Prior period	
	TL	FC	TL	FC
Cash/foreign currency	-	-	-	-
The Central Bank of Republic of Turkey	62,612	218,365	51,498	123,560
Other ¹	-	155,484	-	4,039
Total	62,612	373,849	51,498	127,599

¹ As of 31 March 2024, precious metal deposit amount of TL 155,484 (31 December 2023 - TL 4,039) are presented in this line.

Balances with the Central Bank of Turkey

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted Demand Deposit ¹	62,612	6	30,771	6
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	218,359	20,727	123,554
Total	62,612	218,365	51,498	123,560

¹ Pursuant to the BRSA's letter dated January 3, 2008, the average TL required reserve balances are monitored under the "Central Bank of the Republic of Turkey's current demand account".

In accordance with the "Communiqué Regarding the Reserve Requirements numbered 2005/1", banks operating in Türkiye are required to maintain reserves in CBRT for TL and foreign currency liabilities. According to the Communiqué Regarding the Reserve Requirements, reserve requirements can be maintained in TL, USD and/or EURO and standard gold. As of March 31, 2024, the Bank's applicable rates for Turkish lira required reserves are between 0% and 25%, depending on the maturity structure for participation funds and other liabilities and the applicable rates for FX required reserves are between 5% and 30%, depending on the maturity structure of participation funds and other liabilities.

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

	Current period	Prior period
Debt Securities	32,548	30,388
Quoted on stock exchange	32,548	30,388
Unquoted on stock exchange	-	-
Share certificates/Investment Funds	579,049	1,254,789
Quoted on stock exchange	579,049	1,254,789
Unquoted on stock exchange	-	-
Impairment provision (-)	(53)	-
Total	611,544	1,285,177

	Current period	Prior period
Given as collateral/blocked	16,267	15,194
Subject to repo transactions	-	-
Total	16,267	15,194

Positive differences related to marketable derivative financial assets:

None (31 December 2023 – None).

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

1.3 Information on Banks

	Current period		Prior period	
	TL	FC	TL	FC
Banks	318	56,006	284	16,651
Domestic	318	92	284	5,609
Foreign	-	55,914	-	11,042
Headquarters and branches abroad	-	-	-	-
Total	318	56,006	284	16,651

Information on foreign banks account

	Unrestricted Amount		Restricted Amount	
	Current period	Prior period	Current period	Prior period
EU Countries	45,568	11,042	-	-
USA and Canada	10,346	-	-	-
OECD Countries ¹	-	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	-	-	-	-
Total	55,914	11,042	-	-

¹ EU countries, OECD countries other than the US and Canada

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

	Current period	Prior period
Debt Securities	58,131	35,460
Quoted on stock exchange	58,131	35,460
Not quoted on stock exchange	-	-
Share certificates/Investment Funds	11,090	-
Quoted on stock exchange	-	-
Not quoted on stock exchange	11,090	-
Impairment provision (-)	(71)	(108)
Total	69,150	35,352

	Current period	Prior period
Given as collateral/blocked	-	-
Subject to repo transactions	-	-
Total	-	-

1.5 Explanations on financial assets measured at amortized cost

All types of loans and advances given to shareholders and employees of the Bank

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	303,434	-	296,793	-
Corporate shareholders	303,434	-	296,793	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	62	-	26	-
Total	303,496	-	296,819	-

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

Information on Standard Loans, Loans Under close monitoring and restructured Loans Under Close monitoring

Current Period	Standard Loans	Loans Under Close Monitoring		
		Not Subject to Restructuring	Restructured Loans	
Cash Loans				Revised Contract Terms
Loans	1,615,503	-	-	-
Export Loans	91,482	-	-	-
Import Loans	10,504	-	-	-
Corporation Loans	1,192,686	-	-	-
Consumer Loans	2,395	-	-	-
Credit Cards	-	-	-	-
Loans Given to Financial Sector	250,257	-	-	-
Other	68,179	-	-	-
Other Receivables	-	-	-	-
Total	1,615,503	-	-	-

Prior Period	Standard Loans	Loans Under Close Monitoring		
		Not Subject to Restructuring	Restructured Loans	
Cash Loans				Revised Contract Terms
Loans	1,103,350	-	-	-
Export Loans	97,047	-	-	-
Import Loans	-	-	-	-
Corporation Loans	564,813	-	-	-
Consumer Loans	99	-	-	-
Credit Cards	-	-	-	-
Loans Given to Financial Sector	438,620	-	-	-
Other	2,771	-	-	-
Other Receivables	-	-	-	-
Total	1,103,350	-	-	-

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

	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
	Current Period	Current Period	Prior Period	Prior Period
12 Month Expected Credit Losses	5,348	-	2,200	-
Significant Increase in Credit Risk	-	-	-	-
Total	5,348	-	2,200	-

Number of modifications made to extend payment plan and extended period of time

None (31 December 2023 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

Distribution of cash loans and other receivables according to their maturities

Current Period	Standard Loans	Loans Under Close Monitoring	
		Not Subject to Restructuring	Restructured
Short Term Loans	576,405	-	-
Medium- and Long-Term Loans	1,039,098	-	-
Total	1,615,503	-	-

Prior Period	Standard Loans	Loans Under Close Monitoring	
		Not Subject to Restructuring	Restructured
Short Term Loans	548,834	-	-
Medium- and Long-Term Loans	554,516	-	-
Total	1,103,350	-	-

Allocation of loans by customers

	Current period	Prior period
Public	-	-
Private	1,615,503	1,103,350
Total	1,615,503	1,103,350

Breakdown of domestic and foreign loans

	Current period	Prior period
Domestic loans	1,615,503	1,103,350
Foreign loans	-	-
Total	1,615,503	1,103,350

Loans granted to subsidiaries and associates

None (31 December 2023 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

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

Current Period	Short term	Medium and long term	Total
Consumer Loans-TL	1,492	841	2,333
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	1,492	841	2,333
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards- TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans- TL	58	4	62
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	58	4	62
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account- TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	1,550	845	2,395

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NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

Prior Period	Short term	Medium and long term	Total
Consumer Loans-TL	61	12	73
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	61	12	73
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards- TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans- TL	21	5	26
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	21	5	26
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account- TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	82	17	99

Information on commercial installment loans and corporate credit cards

None (31 December 2023 – None).

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NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

Specific provisions for loans or default (Third Stage) provisions

None (31 December 2023 – None).

Information on non-performing loans (Net)

Information on Loans and Other Receivables Included in Loans under Follow-Up Account, which are Restructured or Rescheduled

None (31 December 2023 – None).

Information on the movement of total non-performing loans

None (31 December 2023 – None).

Information on non-performing loans granted as foreign currency

None (31 December 2023 – None).

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

None (31 December 2023 – None).

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

None (31 December 2023 – None).

Main guidelines for liquidation process of uncollectible loans and other receivables

Loans and other receivables, which were deemed uncollectible according to the “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published in the Official Gazette No. 26333 dated 1 November 2006 and for which a full impairment provision has been made, are written off as per the decision of the Bank top management.

Information on the write-off policy

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

1.6 Information on other financial assets measured at amortized cost

	Current period	Prior period
Debt Securities	87,447	60,667
Quoted on a Stock Exchange	87,447	60,667
Not Quoted	-	-
Impairment provision (-)	-	-
Total	87,447	60,667

An expected loss provision of TL 190 TL (31 December 2023 – TL 700) has been set aside for other financial assets measured at amortized cost.

	Current period	Prior period
Given as collateral/blocked	-	-
Subject to repo transactions	-	-
Total	-	-

Information on government debt securities measured at amortized cost

	Current period	Prior period
Government bonds	-	-
Treasury bills	-	-
Other public sector debt securities	66,349	60,667
Total	66,349	60,667

Movements of other financial assets measured at amortized cost during the year

	Current period	Prior period
Opening Balance	60,667	-
Foreign Exchange Gain/Loss	7,571	5,149
Purchases During the Year	20,349	105,518
Disposals Through Sales and Redemptions	(1,140)	(50,000)
Impairment provision (-)	-	-
Total	87,447	60,667

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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1.7 Information on investment in associates (Net)

None (31 December 2023 – None).

1.8 Information on subsidiaries (Net)

Although the Bank retains control over the capital and management of its non-financial subsidiaries, Hayat Fintek Çözümleri A.Ş. does not consolidate its subsidiary because it does not comply with the definition of financial partnership specified in the "Communiqué on the Arrangement of Consolidated Financial Statements of Banks" published in the Official Gazette dated 8 November 2006 and numbered 26340.

	Name	Address (City/Country)	Bank's share percentage – if different, voting percentage (%)	Bank risk group share ratio (%)
1	Hayat Fintek Çözümleri A.Ş.	Istanbul/Turkey	100	100

Information on subsidiaries in the order above

	Total Assets	Equity	Total Fixed Assets	Profit Share Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair value
1	20,000	20,000	-	-	-	-	-	-

Movement table for subsidiaries

	Current Period	Prior Period
Beginning Value	-	-
Movements During the Period	20,000	-
Purchases	20,000	-
Shares Acquired Gratuitously	-	-
Profit Received from Current Year Share	-	-
Sales	-	-
Revaluation Increase	-	-
Impairment Provisions	-	-
Ending Value	20,000	-
Capital Commitments	60,000	-
End of Period Capital Contribution Share (%)	-	-

	Current Period	Prior Period
Financial Subsidiaries	-	-
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financing Companies	-	-
Other Financial Subsidiaries	-	-
Non-Financial Subsidiaries	20,000	-
Total	20,000	-

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

Subsidiaries listed on the stock exchange

None (31 December 2023 – None).

Information on subsidiaries disposed of during the current period

None (31 December 2023 – None).

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

None (31 December 2023 – None).

1.10 Information on finance lease receivables (Net)

None (31 December 2023 – None).

1.11 Information on derivative financial assets for hedging purposes

None (31 December 2023 – None).

1.12. Explanations on Tangible Assets

Current period	Buildings	Vehicles	Right of Use Assets	Other Tangible Assets	Total
Prior period ending					
Cost	-	51,577	4,896	21,471	77,944
Accumulated depreciation (-)	-	(4,643)	(1,418)	(3,098)	(9,159)
Prior Period Ending Net Book Value	-	46,934	3,478	18,373	68,785
Current Period Beginning Net Book Value	-	46,934	3,478	18,373	68,785
Additions	-	200	-	4,694	4,894
Disposal (-), cost	-	-	-	(91)	(91)
Disposal, accumulated depreciation	-	-	-	91	91
Depreciation (-)	-	(2,621)	(354)	(1,585)	(4,560)
Current Period Ending Net Book Value	-	44,513	3,124	21,482	69,119
Current Period Ending Cost	-	51,777	4,896	26,074	82,747
Current Period Ending Acc.Depreciation (-)	-	(7,264)	(1,772)	(4,592)	(13,628)
Current Period Ending Net Book Value	-	44,513	3,124	21,482	69,119

Prior Period	Buildings	Vehicles	Right of Use Assets	Other Tangible Assets	Total
Prior period ending					
Cost	-	-	-	6,373	6,373
Accumulated depreciation (-)	-	-	-	(208)	(208)
Prior Period Ending Net Book Value	-	-	-	6,165	6,165
Current Period Beginning Net Book Value	-	-	-	6,165	6,165
Additions	-	51,577	4,896	15,113	71,586
Disposal (-), cost	-	-	-	(15)	(15)
Disposal, accumulated depreciation	-	-	-	15	15
Depreciation (-)	-	(4,643)	(1,418)	(2,905)	(8,966)
Current Period Ending Net Book Value	-	46,934	3,478	18,373	68,785
Current Period Ending Cost	-	51,577	4,896	21,471	77,944
Current Period Ending Acc.Depreciation (-)	-	(4,643)	(1,418)	(3,098)	(9,159)
Current Period Ending Net Book Value	-	46,934	3,478	18,373	68,785

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

1.13. Explanations on Intangible Assets

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

	Current period	Prior period
Cost	164,887	139,492
Accumulated Amortization	(9,881)	(6,268)
Total (net)	155,006	133,224

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

	Current period	Prior period
Opening balance	133,224	32,018
Additions	25,395	105,353
Disposals (-), net	-	-
Depreciation amount (-)	(3,613)	(4,147)
Closing net book value	155,006	133,224

1.14. Explanations on investment property

None (31 December 2023 – None).

1.15. Information on deferred tax asset

	Current period	Prior period
Employee Benefits Liability	3,039	1,887
TFRS 9 Provisions	1,801	934
Other Provisions	2,878	572
Tax Loss	104,291	54,588
Other	3,529	1,325
Deferred Tax Assets	115,538	59,306
Fixed Assets	(1,776)	(6,706)
Other	-	(113)
Deferred Tax Liabilities	(1,776)	(6,819)
Net Deferred Tax Assets / (Liabilities)	113,762	52,487

According to Bank's projections for future periods, it is forecasted that the financial losses carried forward will be taxable in 2024.

Table of deferred tax asset movement

	Current period	Prior period
As of January, 1	52,487	(2,652)
Deferred Tax Income /(Expense)	61,505	55,134
Deferred Tax Accounted Under Other Comprehensive Income	(230)	5
Net Deferred Tax Assets / (Liabilities)	113,762	52,487

1.16. Assets held for sale and assets of discontinued operations

None (31 December 2023 – None).

1.17. Information on other assets

As of balance sheet date, the Bank's other assets amount to TL 125,992 (31 December 2023 – TL 43,489) and other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

2. Explanations and notes related to liabilities

2.1 Information on funds collected

Information on maturity structure of funds collected

Current Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Acc. profit sharing accounts	Total
I. Real persons current accounts-TL	9,247	-	-	-	-	-	-	-	9,247
II. Real persons profit sharing accounts TL	-	7,039	587,862	935	61	61	64	-	596,022
III. Another current accounts- TL	175,923	-	-	-	-	-	-	-	175,923
Public sector	-	-	-	-	-	-	-	-	-
Commercial sector	175,923	-	-	-	-	-	-	-	175,923
Other institutions	-	-	-	-	-	-	-	-	-
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	1,000	156,667	-	-	-	25	-	157,692
Public sector	-	-	-	-	-	-	-	-	-
Commercial sector	-	1,000	156,667	-	-	-	25	-	157,692
Other institutions	-	-	-	-	-	-	-	-	-
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
V. Real persons current accounts-FC	19,020	-	-	-	-	-	-	-	19,020
VI. Real persons profit sharing accounts-FC	-	2,070	77,041	1,355	1,357	1,357	333,684	-	416,864
VII. Another current accounts-FC	89,102	-	-	-	-	-	-	-	89,102
Commercial residents in Turkey	89,102	-	-	-	-	-	-	-	89,102
Commercial residents in Abroad	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	31,122	-	-	-	-	-	-	31,122
Public sector	-	-	-	-	-	-	-	-	-
Commercial sector	-	31,122	-	-	-	-	-	-	31,122
Other institutions	-	-	-	-	-	-	-	-	-
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	174,062	-	-	-	-	-	-	-	174,062
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	119,772	108,477	-	-	-	-	228,249
Residents in Turkey	-	-	119,772	108,477	-	-	-	-	228,249
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	467,354	41,231	941,342	110,767	1,418	1,418	333,773	-	1,897,303

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

Prior Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Acc. profit sharing accounts	Total
I. Real persons current accounts-TL	3,072	-	-	-	-	-	-	-	3,072
II. Real persons profit sharing accounts TL	-	-	333,200	274	55	55	10	-	333,594
III. Another current accounts- TL	406,503	-	-	-	-	-	-	-	406,503
Public sector	-	-	-	-	-	-	-	-	-
Commercial sector	406,503	-	-	-	-	-	-	-	406,503
Other institutions	-	-	-	-	-	-	-	-	-
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	-	-	-	-	-	-	-	-
Public sector	-	-	-	-	-	-	-	-	-
Commercial sector	-	-	-	-	-	-	-	-	-
Other institutions	-	-	-	-	-	-	-	-	-
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
V. Real persons current accounts-FC	785	-	-	-	-	-	-	-	785
VI. Real persons profit sharing accounts-FC	-	-	2,189	1,249	1,249	1,249	311,103	-	317,039
VII. Another current accounts-FC	13,193	-	-	-	-	-	-	-	13,193
Commercial residents in Turkey	13,193	-	-	-	-	-	-	-	13,193
Commercial residents in Abroad	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	-	-	-	-	-	-	-	-
Public sector	-	-	-	-	-	-	-	-	-
Commercial sector	-	-	-	-	-	-	-	-	-
Other institutions	-	-	-	-	-	-	-	-	-
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	2,042	-	-	-	-	-	-	-	2,042
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	111,647	101,003	-	-	-	-	212,650
Residents in Turkey	-	-	111,647	101,003	-	-	-	-	212,650
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	425,595	-	447,036	102,526	1,304	1,304	311,113	-	1,288,878

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

Information's on current and profit share accounts that are in the scope of Insurance

Current and participation accounts attributable to real and legal entities under the insurance exceeding the limit of the deposit insurance fund

	Under the guarantee of insurance		Exceeding the limit of insurance	
	Current period	Prior period	Current period	Prior period
Real persons/ entities current and profit-sharing accounts that are not subject to commercial activities				
TL accounts	399,885	170,644	392,384	166,107
FC accounts	52,508	3,434	281,548	113,056
Foreign branches' deposits	-	-	-	-
Off-shore banking regions'	-	-	-	-

Funds collected by Participation Banks (except for foreign branches) through current and profit share accounts which are opened by real and legal entities and denominated in Turkish Lira or foreign currency with a limit of maximum of TL 650 (including both capital and profit shares) for each person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law No. 5411 which issued in official gazette no. 25893 on 1 November 2005.

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

The headquarters of the Bank is in Turkey.

Current and Profit Share Accounts of the real persons who are not in the scope of insurance

	Current period	Prior period
Foreign branches' profit-sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	724,684	834,368
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit-sharing accounts of their mother, father,	46,294	1,269
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in offshore banking activities solely	-	-

2.2 Information on derivative financial liabilities held for trading

None (31 December 2023 – None).

2.3 Information on funds borrowed

Information on banks and other financial institutions

None (31 December 2023 – None).

Information on maturity structure of borrowings

None (31 December 2023 – None).

Explanations related to the concentrations of the Bank's major liabilities

The Bank has no funds borrowed and there is no risk concentration in the Bank's current and participation accounts.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

2.4. Information on issued securities

None (31 December 2023 – None).

2.5 Information on other liabilities and miscellaneous payables

As of 31 March 2024, other liabilities include miscellaneous payables item amounting to TL 52,810 (31 December 2023 – TL 59,736) and other liabilities item amounting to TL 15,329 (31 December 2023 – TL 3,237), and these items do not exceed 10% of the balance sheet total.

2.6 Information on finance lease payables (Net)

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	1,699	1,394	1,699	1,377
1 to 4 years	2,124	1,984	2,549	2,326
More than 4 years	-	-	-	-
Total	3,823	3,378	4,248	3,703

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

None (31 December 2023 – None).

Information on Financial Lease Obligations

None (31 December 2023 – None).

Information on Operational Leases

The leasing transactions, in which all risks and benefits of the leased asset are held by the lessor, are classified as operational leases. There are no significant commitments regarding the changes at the operational lease agreements. The payments related with operational leases are recognized as expense in the income statement during the period of the agreement in equal installments.

2.7. Information on hedging derivative financial liabilities

None (31 December 2023 – None).

2.8. Information on provisions

Information on provisions related with foreign currency difference of foreign indexed loans

None (31 December 2023 – None).

Information on other provisions

	Current Period	Prior Period
Expected Credit Loss for Non-Cash Loans	239	32
Provision for Profits will be Allocated to Participation Accounts	3,773	1,187
Impairment Provision for Spot transactions	2,385	-
Total	6,397	1,219

Information on provisions for employee benefits

The provision for employee benefits in the balance sheet includes severance pay obligations amounting to TL 2,905 (31 December 2023 – TL 2,488) and leave pay provision amounting to TL 7,226 (31 December 2023 – TL 3,801).

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

The amount payable consists of one month's salary limited to a maximum of TL 35,058.58 (full TL amount) in 2024 for each year of service. The liability is not funded, as there is no funding requirement.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

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

	Current Period	Prior Period
Discount rate (%)	3.73	3.73
Inflation rate (%)	22.0	22.0

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

	Current Period	Prior Period
Balance at the beginning of the period	2,488	-
Provisions recognized during the period	417	2,488
Balances at the end of the period	2,905	2,488

2.9. Explanations on tax liability

Information on current year tax liability

None (31 December 2023 – None).

Information on taxes payable

	Current Period	Prior Period
Corporate tax payable	-	-
Taxation of marketable securities	1,531	605
Taxation of immovable property	-	-
Banking Insurance Transaction Tax (BITT)	5,750	1,002
Foreign Exchange Transaction Tax	115	4
Value Added Tax Payable	6,131	2,234
Other	17,566	8,280
Total	31,093	12,125

¹ Includes income tax deducted from salaries in the amount of TL 8,957 (31 December 2023 - TL 8,073).

Information on premiums

	Current Period	Prior Period
Social Security Premiums – Employee	7,467	4,245
Social Security Premiums – Employer	8,825	4,971
Bank Social Aid Pension Fund Premium- Employee	-	-
Bank Social Aid Pension Fund Premium – Employer	-	-
Pension Fund Membership Fees and Provisions - Employee	-	-
Pension Fund Membership Fees and Provisions - Employer	-	-
Unemployment Insurance – Employee	503	283
Unemployment Insurance – Employer	1,007	567
Other	-	-
Total	17,802	10,066

Information on deferred tax liability

The deferred tax liability is explained in the deferred tax asset section in the explanations and footnotes regarding the asset accounts of the balance sheet.

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NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

2.10. Information on payables related to assets held for sale

None (31 December 2023 – None).

2.11. Information on subordinated loans

None (31 December 2023 – None).

2.12. Information on shareholders' equity

Presentation of paid-in capital

	Current Period	Prior Period
Common shares	1,500,000	1,500,000
Preference shares	-	-
Total	1,500,000	1,500,000

Amount of paid-in capital, disclosure on whether the Bank applies the registered share capital system, and, if so, the ceiling amount of the registered share capital

Registered capital system is not applied in the Bank.

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

None (31 December 2023 – None).

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

None (31 December 2023 – None).

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

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

Summary of privileges given to shares representing the capital

None (31 December 2023 – None).

Information on marketable securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference	526	-	(11)	-
Foreign Exchange Difference	-	-	-	-
Total	526	-	(11)	-

Information on minority shares

None (31 December 2023 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

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

3.1 Explanations on off-balance sheet accounts

Types and amounts of irrevocable commitments

The Bank has a foreign exchange purchase and sale commitment amounting to TL 99,945 (31 December 2023 – None).

Types and amounts of probable losses and obligations arising from off-balance sheet items

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

As of 31 December 2023, the Bank has guarantees due to the letter of guarantee in the amount of TL 43,400 (31 December 2023 – TL 5,400).

Revocable, irrevocable guarantees and other similar commitments and contingencies

As of 31 December 2023, the Bank has guarantees due to the letter of guarantee in the amount of TL 43,400 (31 December 2023 – TL 5,400).

For non-cash loans amounting to 43,400 TL (31 December 2023 – 5,400 TL), 239 TL (31 December 2023 – 32 TL) has been set aside for the expected loss.

Total amount of non-cash loans

	Current Period	Prior Period
Non-cash loans given against cash loans	-	-
With original maturity of 1 year or less	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	43,400	5,400
Total	43,400	5,400

Information on sectoral risk concentrations of non-cash loans

	Current Period			
	TL	%	FC	%
Agriculture	-	-	-	-
Farming and stockbreeding	-	-	-	-
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	-	-	-	-
Mining and quarrying	-	-	-	-
Production	-	-	-	-
Electricity, Gas, Water	-	-	-	-
Construction	-	-	-	-
Services	43,400	100.00	-	-
Wholesale and Retail Trade	43,400	100.00	-	-
Hotel, Food and Beverage Services	-	-	-	-
Transportation and Telecom.	-	-	-	-
Financial Institutions	-	-	-	-
Real Estate and Renting Services	-	-	-	-
Self-Employment Type Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	-	-	-	-
Other	-	-	-	-
Total	43,400	100.00	-	-

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

	Prior Period			
	TL	%	FC	%
Agriculture	-	-	-	-
Farming and stockbreeding	-	-	-	-
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	-	-	-	-
Mining and quarrying	-	-	-	-
Production	-	-	-	-
Electricity, Gas, Water	-	-	-	-
Construction	-	-	-	-
Services	5,400	100.00	-	-
Wholesale and Retail Trade	5,400	100.00	-	-
Hotel, Food and Beverage Services	-	-	-	-
Transportation and Telecom.	-	-	-	-
Financial Institutions	-	-	-	-
Real Estate and Renting Services	-	-	-	-
Self-Employment Type Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	-	-	-	-
Other	-	-	-	-
Total	5,400	100.00	-	-

Information on the non-cash loans classified in Group I and Group II

Current Period	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	43,400	-	-	-
Letters of Guarantee	43,400	-	-	-
Bills of Exchange and Bank Acceptances	-	-	-	-
Letters of Credit	-	-	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Securities	-	-	-	-

Prior Period	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	5,400	-	-	-
Letters of Guarantee	5,400	-	-	-
Bills of Exchange and Bank Acceptances	-	-	-	-
Letters of Credit	-	-	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Securities	-	-	-	-

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

3.2. Financial derivative instruments

None (31 December 2023 – None).

3.3. Credit derivatives and risk exposures on credit derivatives

None (31 December 2023 – None).

3.4. Contingent liabilities and assets

None (31 December 2023 – None).

3.5. Explanations on custodian and intermediary services

None (31 December 2023 – None).

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

None (31 December 2023 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

4. Explanations and notes related to the statement of income

4.1 Information on profit share income

Information on profit share received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share on loans	86,900	8,028	-	-
Short term loans	18,634	3,324	-	-
Medium and long-term loans	68,266	4,704	-	-
Profit share on non-performing loans	-	-	-	-
Premiums received from resource utilization	-	-	-	-
Total	86,900	8,028	-	-

Information on profit share received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	459	-	79,702	2
Foreign Banks	-	-	-	-
Branches and head office abroad	-	-	-	-
Total	459	-	79,702	2

Information on profit share income from securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit or Loss	-	506	-	-
Financial Assets at Fair Value Reflected in Other Comprehensive Income	6,238	-	-	-
Financial Assets Valued Over Amortized Cost	675	1,210	-	-
Total	6,913	1,716	-	-

Information on profit share income received from associates and subsidiaries

	Current Period	Prior Period
Profit share income received from associates and subsidiaries	-	-

4.2 Information on profit share expenses from funds borrowed

None (31 March 2023 – None).

Profit share expense given to associates and subsidiaries

	Current Period	Prior Period
Profit share expenses given to associates and subsidiaries	-	-

Profit share expense paid to securities issued

None (31 March 2023 – None).

4.3 Information on dividend income

None (31 March 2023 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

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

Current Period Account Name	Profit Sharing Accounts						Acc. profit- sharing accounts	Total
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Above 1 year		
Turkish Lira								
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-
Real person's non-trading profit sharing	106	54,690	78	6	6	2	-	54,888
Public-sector profit-sharing account	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	-	789	-	-	-	-	-	789
Other institutions profit sharing account	-	-	-	-	-	-	-	-
Total	106	55,479	78	6	6	2	-	55,677
Foreign currency								
Banks	-	-	-	-	-	-	-	-
Real person's non-trading profit sharing	-	1,334	6	6	6	1,423	-	2,775
Public-sector profit-sharing account	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	65	101	-	-	-	-	-	166
Other institutions profit sharing account	-	-	-	-	-	-	-	-
Precious metal accounts	-	-	-	-	-	-	-	-
Total	65	1,435	6	6	6	1,423	-	2,941
Grand Total	171	56,914	84	12	12	1,425	-	58,618

Prior period : None.

4.5 Information on trading income/loss (Net)

	Current Period	Prior Period
Income	120,288	154
Gain on capital market transactions	98,318	-
Gain on derivative financial instruments	678	-
Foreign exchange profit	21,292	154
Losses (-)	(12,372)	(3)
Losses on capital market transactions	-	-
Losses on derivative financial instruments	(567)	-
Foreign exchange losses	(11,805)	(3)
Trading income/loss (Net)	107,916	151

4.6 Information on other operating income

The total of other operating income is TL 871 (31 March 2023 – TL 676) and there are no extraordinary items that significantly affect the Bank's income.

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NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

4.7 Provisions for loan losses and other receivables of the Bank¹

	Current Period	Prior Period
Expected Credit Loss	3,567	1,038
12 month expected credit loss (Stage 1)	3,567	1,038
Significant increase in credit risk (Stage 2)	-	-
Non-performing loans (Stage 3)	-	-
Marketable Securities Impairment Expense	306	-
Financial Assets at Fair Value through Profit or Loss	306	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Impairment losses from Associates, Subsidiaries and Jointly Controlled Entities	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other²	2,586	-
Total	6,459	1,038

¹ Includes the provisions in the "Other Provision Expenses" line in the income statement.

² Includes free provisions that can be allocated from profit to be distributed to participation accounts according to provisions regulation.

4.8 Information on other operating expenses

	Current Period	Prior Period
Reserve for employee termination benefits	417	7,962
Bank social aid fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	4,469	519
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	3,613	3,294
Shares (capital method applied) impairment expense	-	-
Impairment expense for investment securities that will be disposed	-	-
Amortization expenses of investment securities that will be disposed	-	-
Impairment expenses for property and equipment held for sale purpose and terminated operations	-	-
Other operating expenses	53,368	9,003
Leasing expenses related to TFRS 16 exemptions	2,319	2,285
Maintenance expenses	396	-
Advertisement expenses	13,193	108
Other expenses ¹	37,460	6,610
Loss on sales of assets	-	-
Other²	54,808	28,265
Total	116,675	49,043

¹ Includes computer usage expenses of TL 15,509 (31 March 2023 – TL 4,383) and, communication expenses of 10,763 TL (31 March 2023 - 1,168 TL).

² Includes audit and consultancy fee expenses of TL 39,221 (31 March 2023 – TL 6,519) and taxes, duties and fees expenses of 9,027 TL (31 March 2023 - 1,763 TL).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

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

The bank's loss before tax was TL 100,665 (31 March 2023 – TL 5,038 Loss)

TL 49,878 (31 March 2023 – TL 79,574) of the loss before tax comes from net profit share income, TL 1,778 (31 March 2023 – TL 195 expense) from net fees and commission expenses, TL 107,916 (31 March 2023 - TL 151) from net commercial profit and loss, TL 871 (31 March 2023 – TL 676) from other operating income, TL 6,459 (31 March 2023 – TL 1,038) from provision expenses, TL 251,903 (31 March 2023 – TL 84,206) consists of other operating expenses, including personnel expenses.

4.10 Information on tax provision for continued and discontinued operations

The Bank has no current tax provision expense (31 March 2023 – TL 644 TL). The Bank has deferred tax expense of TL 7,501 (31 March 2023 – TL 436) and deferred tax income of TL 69,006 (31 March 2023 – TL 2,313) in the current period.

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

There is no profit/loss arising from discontinued operations in after-tax operating profit/loss.

4.12 Information on net income/loss

The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period

Net profit share income among income items in the accounting period ending as of 31 March 2024 is TL 49,878 (31 March 2023 – TL 79,574).

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

None (31 March 2023 – None).

Profit/Loss attributable to minority interest

None (31 March 2023 – None).

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

As of 31 March 2024, other items in the income statement do not exceed 10% of the total income statement.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

5. Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity

Explanations on profit distribution

The authorized body of the Bank regarding dividend distribution is the General Assembly, and with the decision taken at the ordinary general assembly meeting held on 28 March 2024, TL 3,109 of the previous period's profit was transferred to the statutory reserves account and TL 59,066 to the extraordinary reserves account.

Information on financial assets at fair value through other comprehensive income

“Unrealized gains and losses” arising from changes in the fair value of securities classified as financial assets at fair value through other comprehensive income are not recognized in current year income statements; they are recognized in the “Marketable securities value increase fund” account under equity, until the financial assets are sold, disposed or impaired.

As of 31 March 2024, the Bank has booked TL 526 increase (31 March 2023 – None) for marketable securities valuation difference related to financial assets at fair value through other comprehensive income

Explanations on profit reserves and previous years' profit/loss

With the decision taken at the ordinary general assembly meeting held on March 28, 2024, TL 3,109 of the previous period's profit was transferred to the statutory reserves account and TL 59,066 to the extraordinary reserves account.

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NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

6. Explanations and Disclosures Related to Statement of Cash Flows

6.1. Information on cash and cash equivalents

Components of cash and cash equivalents and accounting policy applied in their determination

The amounts recorded in the balance sheet as cash and cash equivalent assets (excluding rediscount balances, required reserve balances, placements with maturities longer than 3 months and blocked accounts) are considered as cash and cash equivalent assets

Cash and cash equivalents for the periods

	Current Period	Prior Period
Cash	436,461	-
Cash and Foreign Currency Cash	-	-
Turkish Central Bank	280,977	-
Other	155,484	-
Cash Equivalents	286,920	1,511,659
Banks	56,324	1,511,659
Interbank Money Market Placements	230,596	-
Total Cash and Cash Equivalents	723,381	1,511,659
Total Cash and Cash Equivalents	(218,359)	-
Rediscounts on Cash and Cash Equivalents	(596)	(37,403)
Cash Flow Statements Cash and Cash Equivalents	504,426	1,474,256

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

The Bank has cash and equivalent assets that are not in free use in the amount of TL 218,359 as a required reserve balance at central bank (31 March 2023 - None).

6.3. Explanations on other items in the cash flow statement

The "Other" amounting to TL 11,033 (31 March 2023 – TL 52,337) of included in "Operating profit before changes in banking activity assets and liabilities" consists mainly of items such as paid fees and commissions, taxes, duties and fees.

The "Net increase/decrease in other assets" item amounting to TL 2,556 (31 March 2023 – TL 87) included in the "Change in assets and liabilities subject to banking activities" consists mainly of changes in other assets.

The "Net increase/decrease in other debts" item amounting to TL 23,267 (31 March 2023 – TL 12,520) included in the "Change in assets and liabilities subject to banking activities" consists of changes in various debts, other liabilities and taxes, duties, fees and premiums to be paid

The effect of the change in foreign exchange rate on cash and cash equivalent assets is calculated as approximately TL 4,086 (31 March 2023 – TL 4,591) as of 31 March 2024.

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NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

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

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

Current Period Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	-	-	296,793	-	198,634	-
Balance at end of period	-	-	303,434	-	189,118	-
Profit share and commission income	-	-	12,556	-	26,215	-

Prior Period Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Cash	Non-Cash	Cash
Loans and other receivables						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	296,793	-	198,634	-
Profit share and commission income	-	-	-	-	-	-

7.2 Information on current and profit sharing accounts of the Bank's risk group

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current period	Prior Period	Current period	Prior Period	Current period	Prior Period
Current and profit-sharing accounts						
Balance at beginning of period	-	-	418,150	-	18,797	-
Balance at end of period	-	-	225,989	418,150	21,623	18,797
Profit share expense	-	-	-	-	3,077	-

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

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current period	Prior Period	Current period	Current period	Prior Period	Current period
Transactions at Fair Value through Profit or Loss						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-
Hedging Transactions						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

7.4 Information on loans received from the Bank's risk group

None (31 March 2023 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

7.5 Information on the subordinated loans used by the Bank's risk group

None (31 March 2023 – None).

7.6 Information on remunerations provided to top management

As of 31 March 2024, a payment of TL 20,595 (31 March 2023 – TL 6,864) was made to the Bank's senior management.

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

8.1. Domestic and foreign branches and representative offices

	Number of Branches	Number of Employees			
Domestic branches ¹	1	301			
			Country		
Foreign representative offices	-	-		Total Assets	Legal Capacity
Foreign bank	-	-	-	-	-
Foreign branches	-	-	-	-	-

¹ It represents the Head Office.

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

None.

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

None.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

SECTION SIX

INDEPENDENT AUDITORS' REVIEW REPORT

1. Explanations on independent auditors' review report

The Bank's unconsolidated financial statements and footnotes disclosed to the public have been subjected to independent reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the independent review audit report dated May 10, 2024 has been submitted before the unconsolidated financial statements.

2. Notes and disclosures prepared by the independent auditor

None.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

SECTION SEVEN

INTERIM ACTIVITY REPORT

1. Explanations on interim annual report including the evaluations of interim activities of the Chairman of the Board of Directors and General Manager

About Hayat Finans Katılım Bankası A.Ş.

Hayat Finans Katılım Bankası A.Ş. ("The Bank"), with the BRSA decision numbered 10165 dated April 21, 2022, has obtained establishment permission to operate in accordance with the operating principles for digital banks in the BRSA's Regulation on the Operating Principles of Digital Banks and Service Model Banking by completing the company establishment procedures dated August 10, 2022, the Bank has completed registration its title as Hayat Finans Katılım Bankası A.Ş. The bank became the first digital participation bank to obtain an operating license in Turkey with the BRSA decision dated March 23, 2023 and numbered 10543. Main field of operation is, in addition to the Bank's equity, to collect funds from domestic and foreign customers through "Current Accounts" and "Profit/Loss Sharing Accounts" and allocate such funds to the economy, to perform all kinds of financing activities in accordance with the regulations, to encourage the investments of all individuals and legal entities operating in agricultural, industrial, trading and service industries, participating into the operations of these entities or individuals and to form joint business partnerships and to perform all these activities in a non-interest environment.

Financial Statements

	Current Period	Prior Period
Cash and Cash Equivalents	723,311	195,882
Financial Assets at Fair Value Through Profit or Loss	611,544	1,285,177
Financial Assets at Fair Value Through Other Comprehensive Income	69,150	35,352
Loans	1,615,503	1,103,350
Other Financial Assets Measured at Amortized Cost	87,447	60,667
Expected Credit Loss (-)	(5,538)	(2,900)
Investments in Associates, Subsidiaries and Joint Ventures	20,000	-
Tangible Assets (net)	69,119	68,785
Intangible Assets (net)	155,006	133,224
Other Assets	241,318	96,956
Total Assets	3,586,860	2,976,493

	Current Period	Prior Period
Funds Collected	1,897,303	1,288,878
Funds Borrowed	-	-
Money Markets	-	-
Securities Issued (net)	-	-
Lease Payables	3,378	3,703
Provisions	16,528	7,508
Other Liabilities	117,034	85,164
Shareholders' Equity	1,552,617	1,591,240
Total Liabilities and Equity	3,586,860	2,976,493

	Current Period	Prior Period
Net Profit Share Income/Expense	49,878	79,574
Net Fees and Commissions Income/Expense	(1,778)	(195)
Dividend Income	-	-
Net Trading Income / Loss	107,916	151
Other Operating Income	871	676
Allowances for Expected Credit Losses and Other Provisions	(6,459)	(1,038)
Operating Expenses	(251,093)	(84,206)
Net Operating Income/(loss)	(100,665)	(5,038)
Provision from Taxes on Income	61,505	1,233
Net Profit/Loss	(39,160)	(3,805)

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

Message from the Chairman of Board

Dear Stakeholders,

The first quarter of 2024 witnessed many significant developments both globally and nationally. This period was characterized by constant changes in global and local economic dynamics, geopolitical tensions, polarization in trade, and ongoing uncertainties, particularly in the fields of energy and supply chain industries. Concerns about global growth, measures taken against the inflation and expectations regarding interest rates will continue to occupy our agenda in the upcoming period. We believe that the economic policies and measures taken in our country will effectively strengthen our national economy.

In light of these developments, the International Monetary Fund's (IMF) April 2024 World Economic Outlook report forecasts that global growth will continue at 3.2% for both 2024 and 2025. Additionally, due to the impact of tight monetary policies, global inflation is expected to decrease from 6.9% in 2023 to 5.9% in 2024, and then further to 4.5% in 2025.

The Turkish economy continued to grow in a controlled manner, supported by domestic demand, and recorded a growth rate of 4.5% in 2023. According to the forecasts of the International Monetary Fund, Turkey is expected to perform close to the global growth trajectory in 2024 and 2025. The steps taken in 2024 have also found a positive response on the international stage and have been supported by credit rating upgrades. This solid foundation strengthens our hopes for increasing national achievements in the coming years

As Hayat Finans, Turkey's first licensed digital bank, we have prioritized customer satisfaction and quickly adapted to market conditions during this period. Moving forward, in line with our principles of transparency, reliability, innovation, and sustainability, we will continue to develop tailor-made solutions to the expectations and needs of our valued stakeholders. By further strengthening our technological infrastructure and accelerating our digital transformation, we aim to provide more effective and efficient services.

Hereby, I would like to gratitude all our business partners, our employees, and our valued customers who have shown their interest, trust, and support from our first day. I hope that we will achieve many more successes together in the rest of 2024.

Best Regards,

Ahmet Yahya KİÇİLİ
Chairman of Board

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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Message from CEO

Dear Stakeholders,

The first quarter of 2024 witnessed significant developments with economic and political developments in worldwide and national. The delay in the anticipated interest rate cuts in the U.S. and global inflation rates were prominent issues during this period. In Turkey, we observed the Central Bank of the Republic of Turkey (CBRT) implementing tighter monetary policies and taking macro prudential measures.

In the upcoming months, the effects of these policies will become more apparent. We expect an acceleration in capital movements, boosted by increased trade activity, rising credit ratings, and falling credit risk premiums. This situation will encourage inter-sectoral integration and foster the development of competitive business models in the banking and finance sectors, creating various opportunities for our customers.

According to March 2024 financial data provided by the Banking Regulation and Supervision Agency (BRSA), the banking sector's total assets increased by 10% to TRY 25.873 trillion, while the total assets of participation banks grew by 8% to TRY 2.194 trillion. 2024's first quarter data shows that sector deposits increased by 4.2% to TRY 15.469 trillion, and the funds collected by participation banks increased by 1.5% reaching TRY 1.539 trillion. During the same period, the sector's loans grew by 11% to TRY 12.9 trillion, and the funds utilized by participation banks increased by 9% to TRY 985 billion. As the rest of 2024, we anticipate continued growth in Turkey's economy, increased collaborations between banks and fintechs, and technological advancements that will raise the bar for customer experience and innovative products and services.

For Hayat Finans, the first quarter of 2024 also marks a six-month operational period. As a young and a digital-only bank, we entered a successful period with this year. In the first quarter of 2024, we increased our assets by 21% to TRY 3.6 billion, our collected funds by 47% to TRY 1.9 billion, and our utilized funds by 46% to TRY 1.6 billion. Our most significant step this quarter was the establishment of our new technology company, Hayat Fintech. Aimed at developing innovative financial products and services, Hayat Fintech was founded as a wholly owned subsidiary of our bank. The launch of our Hayat Pay application during the same period will add value by reaching potential customers on various digital platforms.

As Turkey's first digital bank, we continue to support the digitalization of our corporate customers and meet the immediate needs of our individual customers, thus becoming their solution partner. Products like "Bana Bunu Al" and "Bana Bunu Al İş Ortağım" along with our "Ortak Çatı" platform that positions leading companies as the bank of their ecosystems, are some of the projects that assess banking beyond traditional norms. We believe that all of our projects, will facilitate the spread of the digital banking experience, will take Hayat Finans to a completely different level.

Throughout 2024, guided by our digital banking vision, we will focus on developing innovative business strategies with customer satisfaction at our core. We will make a meticulous effort to expand our financial service portfolio and create positive impacts at societal and environmental levels. As Turkey's first branchless digital bank, we will continue to work toward capturing a share of the Turkish banking sector by introducing technologies that make our digital banking business model even more personalized, including artificial intelligence and data analytics.

In the long view, we will continue to push the boundaries of technology and exceed our customers' expectations. I extend my gratitude to all our employees, customers, business partners, and esteemed investors who have supported us over the past six months. With our commitment to innovation, transparency, and customer satisfaction, we are determined to better understand the financial needs of our valued customers and find new and exciting ways to meet these needs. Together, we believe we will shape a new era in financial services.

Sincerely,

Galip KARAGÖZ
Board Member and CEO

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD-ENDED 31 MARCH 2024

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

Assessment of Financial Position, Performance and Future Prospects

As of March 31, 2024, bank's total asset was TL 3,586,860 and shareholders' equity was TL 1,552,617.

Our expectation is that from the moment we start operations, we will achieve rapid growth in line with the growth and profitability targets set in our Bank's budget.

Important Events and Transactions Occurring in the Current Period

With the decision taken at the ordinary general assembly meeting held on March 28, 2024, TL 3,109 of the previous period's profit was transferred to the statutory reserves account and TL 59,066 to the extraordinary reserves account.