

HAYAT FİNANS KATILIM BANKASI A.Ş.

Unconsolidated Financial Statements and Notes for The Period Ended 1 January – 30 September 2023 with Independent Auditor’s Review Report

*(Convenience translation of unconsolidated financial statements and independent auditor’s
report originally issued in Turkish)*



**Building a better
working world**

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(Convenience translation of the auditor’s report originally issued in Turkish)

**INDEPENDENT AUDITORS’ REVIEW REPORT ON
UNCONSOLIDATED INTERIM FINANCIAL INFORMATION**

To the Board of Directors of Hayat Finans Katılım Bankası A.Ş.

Introduction

We have reviewed the unconsolidated statement of financial position of Hayat Finans Katılım Bankası A.Ş. (the “Bank”) at September 30, 2023 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 nine-month-period then ended. The Bank Management is responsible for the preparation of these unconsolidated of interim financial statements in accordance with the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Legislation which includes “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision 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 this unconsolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, “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 of Turkey 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 statements do not give a true view of the unconsolidated financial position of the Bank at September 30, 2023, and the results of its operations and its unconsolidated cash flows for the nine-month-period then ended in all material aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.



Report on Other Legal and Regulatory Requirements

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 VIII, are not consistent, in all material respects, with the reviewed unconsolidated financial statements and disclosures.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A Member Firm of Ernst&Young Global Limited



Emre Çelik, SMMM
Partner

15 November 2023
Istanbul, Turkey

Index

Section One General information

I.	History of the bank including its incorporation date, initial legal status and amendments to legal status	1
II.	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	1
III.	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	1
IV.	Information on qualified shareholders	2
V.	Explanations of the Bank's services and field of operations	2
VI.	Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between Bank and its subsidiaries	2

Section Two Unconsolidated financial statements

I.	Unconsolidated balance sheet – assets (statement of financial position)	3
II.	Unconsolidated statement of off-balance sheet items	5
III.	Unconsolidated statement of profit or loss (income statement)	6
IV.	Unconsolidated statement of profit or loss and other comprehensive income	7
V.	Unconsolidated statement of changes in shareholders' equity	8
VI.	Unconsolidated statement of cash flows	10

Section Three Explanations on accounting policies in the related period

I.	Explanations on basis of presentation	11
II.	Explanations on strategy of using financial instruments and foreign currency transactions	12
III.	Investments in associates and subsidiaries	12
IV.	Explanations on forward transactions and option contracts and derivative instruments	12
V.	Explanations on profit share income and expense	12
VI.	Explanations on fees and commission income and expenses	12
VII.	Explanations on financial assets	13
VIII.	Explanations on offsetting financial assets and liabilities	14
IX.	Explanations on sale and repurchase agreements and lending of securities	14
X.	Explanations on assets held for sale and discontinued operations and related liabilities	14
XI.	Explanations on goodwill and other intangible assets	15
XII.	Explanations on tangible assets	15
XIII.	Explanations on leasing transactions	15
XIV.	Explanations on provisions and contingent liabilities	16
XV.	Explanations on liabilities relating to employee benefits	16
XVI.	Explanations on taxation	17
XVII.	Explanations on additional disclosures on borrowings	19
XVIII.	Explanations on share certificates issued	19
XIX.	Explanations on acceptances and availed drafts	19
XX.	Explanations on government grants	19
XXI.	Explanations on segment reporting	19
XXII.	Explanations on other matters	19

Section Four Information Related to Financial Position and Risk Management of The Bank

I.	Explanations on equity items	20
II.	Explanations and disclosures related to credit risk	24
III.	Explanations on currency risk	24
IV.	Explanations related to stock position risk	26
V.	Liquidity risk management and liquidity coverage ratio	26
VI.	Explanations on leverage ratio	30
VII.	Explanations on the fair value of financial assets and liabilities	30
VIII.	Explanations on the activities carried out on behalf and account of other persons, fiduciary-based transactions	30
IX.	Explanations on hedge accounting practices	30
X.	Explanations on risk management	31
XI.	Securitization positions	32
XII.	Qualitative explanations on market risk	32
XIII.	Explanations on business segments	33

Section Five Explanations and notes on the unconsolidated financial statements

I.	Explanations and notes related to assets	34
II.	Explanations and notes related to liabilities	42
III.	Explanations and notes related to off-balance sheet contingencies and commitments	48
IV.	Explanations and notes related to the statement of income	49
V.	Explanations and notes related to statement of changes in shareholders' equity	52
VI.	Explanations and notes related to statement of cash flows	52
VII.	Explanations and notes related to risk group of the Bank	52
VIII.	Information about the branches of the Bank in domestic, foreign and coastal banking regions and their representative offices abroad	53
IX.	Significant events and matters arising subsequent to balance sheet date	53

Section Six Other explanations

I.	Other matters which must be explained in terms of explicitness, interpretability and understandability of the balance sheet	54
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Section Seven Limited review report

I.	Explanations on the limited review report	55
II.	Notes and disclosures prepared by the independent auditor	55

Section Eight Interim activity report

I.	Explanations on interim annual report including the evaluations of interim activities of the chairman of the board of directors and general manager	56
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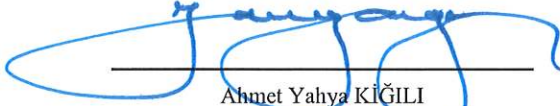
**THE UNCONSOLIDATED FINANCIAL REPORT OF HAYAT FİNANS KATILIM BANKASI A.Ş.
FOR THE THREE-MONTH PERIOD THEN ENDED 30 SEPTEMBER 2023**

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Phone and facsimile number : 0 850 224 29 28
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The unconsolidated interim financial report for the nine-month period prepared in accordance with the Communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- General Information About the Bank
- Unconsolidated Financial Statements of The Bank
- Explanations on Accounting Policies Applied in The Period
- Information on Financial Structure and Risk Management of The Bank
- Disclosures and Explanations on Unconsolidated Financial Statements
- Other Explanations
- Independent Auditors' Limited Review Report
- Interim Activity Report

The unconsolidated financial statements for the nine-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 KİGİLİ
Chairman of the Board of Directors



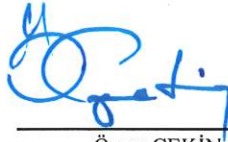
Osman AKYÜZ
Chairman of the Audit
Committee



Oğuz KAYHAN
Member of the Audit Committee



Melih Murat ERTEM
General Manager



Ömer ÇEKİN
Treasury and Financial Affairs Deputy
General Manager



İsmail Hakkı YEŞİLYURT
Financial Affairs and
Reporting 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 30 SEPTEMBER 2023

(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. With the BRSA decision dated March 23, 2023 and numbered 10543, the bank became the first digital participation bank to obtain an operating license in Turkey. 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 September 30, 2023, 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 KİĞİLİ	Chairman of the Board	15/08/2022	-	-	-	-
Mehmet Avni KİĞİLİ	Deputy Chairman of the Board of Directors	15/08/2022	-	-	-	-
Murat ULUS	Executive Board Member	15/08/2022	-	-	Postgraduate	-
Osman AKYÜZ	Member of the Board of Directors and Chairman of the Audit Committee	15/08/2022	15/08/2022	-	Graduate	-
Oğuz KAYHAN	Member of the Board of Directors and Member of the Audit Committee	15/08/2022	15/08/2022	-	Postgraduate	-
Soner CANKO	Member of the Board	15/08/2022	-	-	PhD	-
Melih Murat ERTEM	Member of the Board of Directors and General Manager	15/08/2022	-	-	Postgraduate	-
Özer BARAN	Assistant General Manager for Credits and Operation	16/08/2022	-	-	Postgraduate	-
Ömer ÇEKİN	Assistant General Manager for Treasury and Financial Affairs	16/08/2022	-	-	Postgraduate	-
Çetin Yalçın GÜLEÇ	Assistant General Manager for Technology and Banking Services	16/08/2022	-	-	Graduate	-
Mehmet Necati ÖZDENİZ	Assistant General Manager of Retail Marketing	04/09/2023	-	-	Postgraduate	-

Share rate 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 2022 - None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

(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	0.00003%	4	-
Total	1,500,000	100%	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 September 30, 2023, the Bank is operating through 177 employees (31 December 2022 – 105). 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 activities 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)
- II. Unconsolidated Statement of Off-Balance Sheet Items
- 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 30 SEPTEMBER 2023

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

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

	ASSETS	Notes Section V	Reviewed Current Period 30.09.2023			Audited Prior Period 31.12.2022		
			LC	FC	Total	LC	FC	Total
I.	FINANCIAL ASSETS (Net)		1,212,294	42,329	1,254,623	1,512,062	15,172	1,527,234
1.1.	Cash and Cash Equivalents	(1.1)	313,995	14,152	328,147	1,512,062	15,172	1,527,234
1.1.1.	Cash and Balances with Central Bank		2,959	1,745	4,704	-	-	-
1.1.2.	Banks	(1.3)	311,264	12,416	323,680	1,512,062	15,172	1,527,234
1.1.3.	Money Markets Placements		-	-	-	-	-	-
1.1.4.	Expected Credit Loss (-)		228	9	237	-	-	-
	Financial Assets at Fair Value Through Profit or Loss							
1.2.	Loss	(1.2)	898,299	28,177	926,476	-	-	-
1.2.1.	Government Debt Securities		-	-	-	-	-	-
1.2.2.	Equity Instruments		-	-	-	-	-	-
1.2.3.	Other Financial Assets		898,299	28,177	926,476	-	-	-
	Financial Assets at Fair Value Through Other Comprehensive Income							
1.3.	Comprehensive Income	(1.4)	-	-	-	-	-	-
1.3.1.	Government Debt Securities		-	-	-	-	-	-
1.3.2.	Equity Instruments		-	-	-	-	-	-
1.3.3.	Other Financial Assets		-	-	-	-	-	-
1.4.	Derivative Financial Assets	(1.2)	-	-	-	-	-	-
1.4.1.	Derivative Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
1.4.2.	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II.	FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)	(1.5)	114,626	69,097	183,723	-	-	-
2.1.	Loans		61,830	14,512	76,342	-	-	-
2.2.	Leasing Receivables	(1.10.)	-	-	-	-	-	-
2.3.	Financial Assets Measured at Amortized Cost	(1.6)	53,181	55,242	108,423	-	-	-
2.3.1.	Government Debt Securities		-	-	-	-	-	-
2.3.2.	Other Financial Assets		53,181	55,242	108,423	-	-	-
2.4.	Expected Credit Loss (-)		385	657	1,042	-	-	-
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		-	-	-	-	-	-
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)	-	-	-	-	-	-
4.2.1.	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2.	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
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.)	61,421	-	61,421	6,165	-	6,165
VI.	INTANGIBLE ASSETS (Net)	(1.13.)	76,013	-	76,013	32,018	-	32,018
6.1.	Goodwill		-	-	-	-	-	-
6.2.	Other		76,013	-	76,013	32,018	-	32,018
VII.	INVESTMENT PROPERTIES (Net)	(1.14.)	-	-	-	-	-	-
VIII.	CURRENT TAX ASSETS		980	-	980	-	-	-
IX.	DEFERRED TAX ASSETS	(1.15.)	27,828	-	27,828	-	-	-
X.	OTHER ASSETS	(1.17.)	22,841	9	22,850	3,693	-	3,693
	TOTAL ASSETS		1,516,003	111,435	1,627,438	1,553,938	15,172	1,569,110

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

UNCONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2023

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

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

		Notes Section V	Reviewed Current Period 30.09.2023			Audited Prior Period 31.12.2022		
			LC	FC	Total	LC	FC	Total
	LIABILITIES							
I.	FUNDS COLLECTED	(2.1.)	94	220	314	-	-	-
II.	FUNDS BORROWED	(2.3.)	-	-	-	-	-	-
III.	MONEY MARKETS		-	-	-	-	-	-
IV.	SECURITIES ISSUED (Net)		-	-	-	-	-	-
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	(2.2.)	-	-	-	-	-	-
6.1.	Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	-	-	-	-	-
6.2.	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VII.	LEASE PAYABLES	(2.5.)	4,085	-	4,085	-	-	-
VIII.	PROVISIONS	(2.7.)	12,964	-	12,964	-	-	-
8.1.	Restructuring Provision		-	-	-	-	-	-
8.2.	Reserves for Employee Benefits		12,964	-	12,964	-	-	-
8.3.	Insurance for Technical Provision (Net)		-	-	-	-	-	-
8.4.	Other Provisions		-	-	-	-	-	-
IX.	CURRENT TAX LIABILITIES	(2.8.1.)	16,975	-	16,975	16,312	-	16,312
X.	DEFERRED TAX LIABILITIES	(2.8.1.4.)	-	-	-	2,652	-	2,652
XI.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(2.9.)	-	-	-	-	-	-
11.1.	Held for Sale		-	-	-	-	-	-
11.2.	Related to Discontinued Operations		-	-	-	-	-	-
XII.	SUBORDINATED DEBT INSTRUMENTS	(2.10.)	-	-	-	-	-	-
12.1.	Loans		-	-	-	-	-	-
12.2.	Other Debt Instruments		-	-	-	-	-	-
XIII.	OTHER LIABILITIES	(2.4.)	33,533	-	33,533	21,070	-	21,070
XIV.	SHAREHOLDERS' EQUITY	(2.11.)	1,559,567	-	1,559,567	1,529,076	-	1,529,076
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		-	-	-	-	-	-
14.5.	Profit Reserves		29,076	-	29,076	-	-	-
14.5.1.	Legal Reserves		1,454	-	1,454	-	-	-
14.5.2.	Statutory Reserves		-	-	-	-	-	-
14.5.3.	Extraordinary Reserves		27,622	-	27,622	-	-	-
14.5.4.	Other Profit Reserves		-	-	-	-	-	-
14.6.	Profit or Loss		30,491	-	30,491	29,076	-	29,076
14.6.1.	Retained Earnings		-	-	-	-	-	-
14.6.2.	Current Period's Net Profit / Loss		30,491	-	30,491	29,076	-	29,076
14.7.	Minority Shares	(2.12.)	-	-	-	-	-	-
	TOTAL LIABILITIES		1,627,218	220	1,627,438	1,569,110	-	1,569,110

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 30 SEPTEMBER 2023

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

2. UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

	Notes Section V	Reviewed Current Period 30.09.2023			Audited Prior Period 31.12.2022		
		LC	FC	Total	LC	FC	Total
A.	COMMITMENTS AND CONTINGENCIES (I+II+III)	597	-	597	-	-	-
I.	GUARANTEES AND WARRANTIES	-	-	-	-	-	-
1.1.	Letters of Guarantee	-	-	-	-	-	-
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	-	-	-	-	-	-
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 Warrantees	-	-	-	-	-	-
II.	COMMITMENTS	597	-	597	-	-	-
2.1.	Irrevocable Commitments	-	-	-	-	-	-
2.1.1.	Forward Asset Purchase and Sales Commitments	-	-	-	-	-	-
2.1.2.	Share Capital Commitment to Associates and Subsidiaries	-	-	-	-	-	-
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	597	-	597	-	-	-
2.2.1.	Revocable Loan Granting Commitments	597	-	597	-	-	-
2.2.2.	Other Revocable Commitments	-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	-	-	-	-	-	-
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 PLEDGES SECURITIES (IV+V+VI)	385,000	27,415	412,415	-	-	-
IV.	ITEMS HELD IN CUSTODY	-	27,415	27,415	-	-	-
4.1.	Customers' Securities Held	-	-	-	-	-	-
4.2.	Investment Securities Held in Custody	-	-	-	-	-	-
4.3.	Checks Received for Collection	-	-	-	-	-	-
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	-	27,415	27,415	-	-	-
V.	PLEGDED ITEMS	385,000	-	385,000	-	-	-
5.1.	Marketable Securities	-	-	-	-	-	-
5.2.	Guarantee Notes	-	-	-	-	-	-
5.3.	Commodity	-	-	-	-	-	-
5.4.	Warranty	-	-	-	-	-	-
5.5.	Properties	-	-	-	-	-	-
5.6.	Other Pledged Items	385,000	-	385,000	-	-	-
5.7.	Pledged Items-Depository	-	-	-	-	-	-
VI.	ACCEPTED GUARANTEES AND WARRANTES	-	-	-	-	-	-
	TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)	385,597	27,415	413,012	-	-	-

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 30 SEPTEMBER 2023

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

3. UNCONSOLIDATED STATEMENT OF INCOME (PROFIT AND LOSS STATEMENT)

	Notes Section V	Reviewed Current Period 01.01.2023- 30.09.2023	Reviewed Current Period 01.07.2022- 30.09.2023	Reviewed Prior Period 10.08.2022- 30.09.2022	Reviewed Prior Period 10.08.2022- 30.09.2022
I. PROFIT SHARE INCOME	(4.1.)	172,289	29,455	34,027	34,027
1.1. Profit Share on Loans		360	360	-	-
1.2. Profit Share on Reserve Deposits		-	-	-	-
1.3. Profit Share on Banks		169,181	26,347	34,027	34,027
1.4. Profit Share on Money Market Placements		-	-	-	-
1.5. Profit Share on Marketable Securities Portfolio		2,748	2,748	-	-
1.5.1. Fair Value Through Profit or Loss		165	165	-	-
1.5.2. Fair Value Through Other Comprehensive Income		-	-	-	-
1.5.3. Measured at Amortized Cost		2,583	2,583	-	-
1.6. Finance Lease Income		-	-	-	-
1.7. Other Profit Share Income		-	-	-	-
II. PROFIT SHARE EXPENSE		372	117	-	-
2.1. Expense on Profit Sharing Accounts		-	-	-	-
2.2. Profit Share Expense on Funds Borrowed		-	-	-	-
2.3. Profit Share Expense on Money Market Borrowings		-	-	-	-
2.4. Expense on Securities Issued		-	-	-	-
2.5. Profit Share Expense on Lease		372	117	-	-
2.6. Other Profit Share Expense		-	-	-	-
III. NET PROFIT SHARE INCOME (I - II)		171,917	29,338	34,027	34,027
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		(1,476)	(1,279)	-	-
4.1. Fees and Commissions Received		-	-	-	-
4.1.1. Non-Cash Loans		-	-	-	-
4.1.2. Other		-	-	-	-
4.2. Fees and Commissions Paid		1,476	1,279	-	-
4.2.1. Non-Cash Loans		-	-	-	-
4.2.2. Other	(4.13.)	1,476	1,279	-	-
V. DIVIDEND INCOME		-	-	-	-
VI. NET TRADING INCOME / LOSS	(4.5.)	106,977	73,448	496	496
6.1. Capital Market Transaction Gains/Losses		105,547	73,352	-	-
6.2. Gains/Losses from Derivative Financial Instruments		-	-	-	-
6.3. Foreign Exchange Gains/Losses		1,430	96	496	496
VII. OTHER OPERATING INCOME	(4.6.)	24	-	-	-
VIII. GROSS OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)		277,442	101,507	34,523	34,523
IX. EXPECTED LOSS PROVISIONS (-)	(4.7.)	1,279	798	-	-
X. OTHER PROVISIONS (-)	(4.7.)	-	-	-	-
XI. PERSONNEL EXPENSES (-)		154,155	71,224	9,059	9,059
XII. OTHER OPERATING EXPENSES (-)	(4.8.)	121,997	47,381	2,373	2,373
XIII. NET OPERATING INCOME/(LOSS) (IX-X-XI)		11	(17,896)	23,091	23,091
XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-	-	-
XV. INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES		-	-	-	-
CONSOLIDATED BASED ON EQUITY METHOD		-	-	-	-
XVI. INCOME / (LOSS) ON NET MONETARY POSITION		-	-	-	-
XVII. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE	(4.9.)	11	(17,896)	23,091	23,091
TAXES (XII+...+XV)		11	(17,896)	23,091	23,091
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(4.10)	(30,480)	(27,563)	(1,719)	(1,719)
18.1. Current Tax Provision		-	-	-	-
18.2. Deferred Tax Expense Effect (+)		12,881	9,255	887	887
18.3. Deferred Tax Income Effect (-)		43,361	36,818	2,606	2,606
XIX. CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED	(4.11.)	30,491	9,667	24,810	24,810
OPERATIONS (XV±XVI)					
XX. 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		-	-	-	-
XXI. 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		-	-	-	-
XXII. PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED		-	-	-	-
OPERATIONS					
(XVIII-XIX)		-	-	-	-
XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-	-
23.1. Current Tax Provision		-	-	-	-
23.2. Deferred Tax Expense Effect (+)		-	-	-	-
23.3. Deferred Tax Income Effect (-)		-	-	-	-
XXIV. CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED		-	-	-	-
OPERATIONS (XX±XXI)		-	-	-	-
XXV. NET PROFIT/LOSS (XVII+XXII)		30,491	9,667	24,810	24,810
25.1. Group's Income/Loss		30,491	9,667	24,810	24,810
25.2. Minority Interest Income/Loss (-)		-	-	-	-
Earnings Per Share Income/Loss		-	-	-	-

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 30 SEPTEMBER 2023

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

4. UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Reviewed	Reviewed
		Current Period	Prior Period
		01/01/2023	10/08/2022
		30/09/2023	30/09/2022
I.	CURRENT PROFIT/LOSS	30,491	24,810
II.	OTHER COMPREHENSIVE INCOME	-	-
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	-	-
2.2.1	Foreign Currency Translation Difference	-	-
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	-	-
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	-	-
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	30,491	24,810

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 30 SEPTEMBER 2023

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

5. UNCONSOLIDATED STATEMENT 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	Retained Earnings	Net Profit/Loss for the Period	Total Shareholders' Equity Less Minority Shares	Minority Shares)	Total Shareholders' Equity
					1	2	3	4	5	6						
Current Period (01/01/2023 – 30/09/2023)																
I. Current Period Ending Balance	1,500,000	-	-	-	-	-	-	-	-	-	-	-	29,076	1,529,076	-	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	-	1,529,076
IV. Total Comprehensive Income (Loss)	-	-	-	-	-	-	-	-	-	-	-	-	30,491	30,491	-	30,491
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	-	-	-	-	-	-	-	-	-	29,076	-	(29,076)	-	-	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Legal Reserves	-	-	-	-	-	-	-	-	-	29,076	(29,076)	-	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	29,076	(29,076)	-	-	-	-
Balances at end of the period (III+IV+.....+X+XI)	1,500,000	-	-	-	-	-	-	-	-	29,076	-	30,491	1,559,567	-	1,559,567	

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 30 SEPTEMBER 2023

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

5. UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

	Paid-in Capital	Share Premiums	Share cancellations 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	Retained Earnings	Net Profit/Loss for the Period	Total Shareholders' Equity Less Minority Shares	Minority Shares	Total Shareholders' Equity
					1	2	3	4	5	6						
Prior Period (10/08/2022 – 30/09/2022)																
I. Prior Period Ending Balance	1,500,000	-	-	-	-	-	-	-	-	-	-	-	1,500,000	-	1,500,000	
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	-	-	-	-	-	-	-	-	-	-	24,810	1,524,810	-	1,524,810	
IV. Total Comprehensive Income (Loss)	-	-	-	-	-	-	-	-	-	-	-	24,810	24,810	-	24,810	
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at end of the period (III+IV+.....+X+XI)	1,500,000	-	-	-	-	-	-	-	-	-	-	24,810	1,524,810	-	1,524,810	

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 CASH FLOWS AS OF 30 SEPTEMBER 2023

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

6. UNCOLIDATED STATEMENT OF CASH FLOWS

	Notes	Reviewed	Reviewed
		Current Period	Prior Period
		01.01.2023- 30.09.2023	10.08.2022- 30.09.2022
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Assets and Liabilities from Banking Operations		(57,178)	(8,479)
1.1.1 Profit Share Income Received		142,469	995
1.1.2 Profit Share Expense Paid		-	-
1.1.3 Dividends Received		-	-
1.1.4 Fees and Commissions Received		-	-
1.1.5 Other Income		24	-
1.1.6 Collections from Previously Written Off Loans		-	-
1.1.7 Payments to Personnel and Service Suppliers		(183,940)	(9,016)
1.1.8 Taxes Paid		(7,368)	-
1.1.9 Others		(8,363)	(458)
1.2 Changes in Assets and Liabilities from Banking Operations		(929,427)	(19,195)
1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss		(899,147)	-
1.2.2 Net (Increase) Decrease in Due from Banks and Other Financial Institutions		-	-
1.2.3 Net (Increase) Decrease in Loans		-	-
1.2.4 Net (Increase) Decrease in Other Assets		(76,632)	(3,170)
1.2.5 Net Increase (Decrease) in Bank Deposits		9,520	-
1.2.6 Net Increase (Decrease) in Other Deposits		(314)	-
1.2.7 Net Increase (Decrease) in Financial Liabilities Measured at Financial Assets at Fair Value Through Profit or Loss		-	-
1.2.8 Net Increase (Decrease) in Funds Borrowed		-	-
1.2.9 Net Increase (Decrease) in Due Payables		-	-
1.2.10 Net Increase (Decrease) in Other Liabilities		37,146	22,365
I. Net Cash Provided From / (Used in) Banking Operations		(986,605)	10,716
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided from / (Used in) Investing Activities		(189,570)	(14,703)
2.1 Cash Paid for Purchase Jointly Controlled Operations, Associates and Subsidiaries		-	-
2.2 Cash Obtained from Sale of Jointly Controlled Operations, Associates and Subsidiaries		-	-
2.3 Fixed Assets Purchases		(51,477)	(1,386)
2.4 Fixed Assets Sales		-	-
2.5 Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		-	-
2.6 Cash Obtained from Sale of Financial Assets at Fair Value Through Other Comprehensive Income		-	-
2.7 Cash Paid for Purchase of Investment Securities		(105,310)	-
2.8 Cash Obtained from Sale of Investment Securities		-	-
2.9 Other		(32,783)	(13,317)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from / (Used in) Financing Activities		(372)	-
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-	-
3.2 Cash Used for Repayments of Funds Borrowed and Securities Issued		-	-
3.3 Equity Instruments Issued		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		(372)	-
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		4,466	(1,462)
V. Net Increase (Decrease) in Cash and Cash Equivalents		(1,172,081)	(5,449)
VI. Cash and Cash Equivalents at the Beginning of the Period		1,493,990	1,500,000
VII. Cash and Cash Equivalents at the End of the Period		321,909	1,494,551

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

**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

(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

1.1. 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 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.

1.2. Accounting policies and valuation principles applied in the preparation of unconsolidated 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 preparation of unconsolidated financial statements in conformity with BRSA Accounting and Financial Reporting Legislation requires the Bank management to make assumptions and estimates with respect to the assets and liabilities on the balance sheet and contingent issues outstanding as of the balance sheet date. These assumptions and estimates mainly consist of calculations of the fair values of financial instruments and the impairment on assets. The assumptions and estimates are reviewed regularly and, when necessary, appropriate corrections are made, and the effects of such corrections are reflected on the income statement.

TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of a hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. TAS 29 describes characteristics that may indicate that an economy is hyperinflationary, and it requires all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. Therefore, it is expected that TAS 29 will start to be applied simultaneously by all entities with the announcement of Public Oversight Accounting and Auditing Standards Authority to ensure consistency of the application required by TAS 29 throughout the country. However, the Authority has not published any announcement that determines entities would restate their financial statements for the accounting period ending on 30 September 2023 in accordance with TAS 29. In this context, TAS 29 is not applied, and inflation adjustment has not been reflected in the financial statements as of September 30, 2023.

1.3. 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.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

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 published by the Central Bank of Turkey converting them into 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. There are no foreign currency differences capitalized by the Bank.

3. Investments in associates and subsidiaries

Subsidiaries and affiliates denominated in Turkish currency must be recognized at cost value in accordance with the "Turkish Accounting Standard for Consolidated and Individual Financial Statements" ("TAS 27") and reflected in the unconsolidated financial statements, after deducting the provision for loss of value, if any. As of September 30, 2023, the Bank has no subsidiaries or affiliates.

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

As of September 30, 2023, the Bank has no derivatives and options transactions.

As of September 30, 2023, the Bank has no cash flow hedging transactions.

As of September 30, 2023, the Bank has no hedging transactions based on the benchmark dividend ratio.

5. Explanations on profit share income and expense

Dividend 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 TFRS 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.

6. 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 interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers.

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

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.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

7. Explanations on financial assets

The Bank classifies and accounts for its financial assets as 'Fair Value Through Profit/Loss', 'Fair Value Through Other Comprehensive Income,' or 'Amortized Cost.' Such financial assets are recognized and derecognized as per the terms of "Recognition and Derecognition in Financial Statements" under the section three of the "IFRS 9 Financial Instruments" regarding the classification and measurements of financial instruments, published in the Official Gazette numbered 29953 and dated 19 January 2017 by Public Oversight, Accounting and Auditing Standards Authority ("POA"). When financial assets are included in the financial statements for the first time, they are measured at fair value. Transaction costs are initially added to fair value or deducted from fair value at the initial measurement of financial assets other than the "Fair Value at Fair Value Through Profit or Loss".

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.

7.1 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are managed within a business model other than the business model whose objective is achieved by holding contractual cashflows for collection and the business model whose objective is achieved by collecting and selling contractual cash flows. Also, in case that the contractual terms of financial assets do not give rise on specified dates to cash flows that are solely payments of principal and profit share on the principal amount, such assets are those that are, obtained with the aim of providing profit from the short-term price or other factor fluctuations in the market or are part of a portfolio aiming to obtain short-term profit, regardless of the reason of acquisition.

7.2 Financial assets at fair value through other comprehensive income

In addition to holding the financial asset within the scope of a business model that aims to collect contractual cash flows and sell the financial asset, the financial asset is measured at fair value if the contractual terms of the financial asset lead to cash flows that include only principal and dividend payments arising from the principal balance on certain dates. The difference is classified as reflected in other comprehensive income.

Financial assets whose fair value difference is reflected in other comprehensive income are recorded by adding transaction costs to the acquisition costs that reflect their fair value. Financial assets whose fair value differences are reflected in other comprehensive income are valued at fair value following their recording. Dividend income from securities whose fair value difference is reflected in other comprehensive income, calculated by the effective dividend method, and dividend income from securities representing shares in the capital are reflected in the income statement. The difference between the fair values of financial assets whose fair value difference is reflected in other comprehensive income and their amortized costs, that is, "Unrealized profits and losses", is recorded in the income statement of the period until the collection of the value corresponding to the relevant financial asset, sale, disposal or impairment of the asset. is not reflected and is tracked in the "Other Accumulated Comprehensive Income or Expenses to be Reclassified to Profit or Loss" account under equity. When the securities in question are collected or disposed of, the accumulated fair value differences reflected in equity are reflected in the income statement.

Securities representing shares in capital classified as financial assets at fair value through other comprehensive income are accounted for at their fair value if they are traded in organized markets and/or their fair value can be determined reliably. If they are not traded in organized markets and their fair value can be determined reliably. If it cannot be determined, it is reflected in the financial statements at cost after deducting the provision for loss of value.

At initial recognition, an entity may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income. If this choice is made, dividends from the investment in question are recognized in the financial statements as profit or loss.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

7.3 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; are financial assets, other than loans and receivables, which are held for the purpose of custody until maturity, with conditions necessary for such assets to be held until contractual maturity met, including funding ability; and which have fixed or determinable payments and fixed maturities.

7.4 Derivative financial assets

As of September 30, 2023, the Bank has no derivative financial assets.

7.5 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".

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.

As of September 30, 2023, there are no sales transactions with the Bank's promise of repurchase.

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". measured. 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 component of an entity that either has been disposed of or is classified as held for sale. Discontinued operations are presented separately in the income statement.

The Bank has no discontinued operations.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

11. Explanations on goodwill and other intangible assets

Intangible assets are stated at cost adjusted for inflation less provision for impairment, if any, and accumulated amortization and amortized with straight-line method.

The other intangible assets of the Bank comprise mainly computer software. The useful lives of such assets acquired as 3 years. The amortization period of the licenses is determined on the basis of the duration of the license agreements.

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. The annual rates used for amortization are between of 2% - 33%.

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

Right-of-use asset and lease liability are measured over the present value of lease payments in accordance with TFRS 16 "Leases". Lease payments are discounted using the Bank's alternative borrowing dividend rate.

The right of the use asset

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.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

13. Explanations on leasing transactions (continued)

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 for 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

15.1 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.

15.2 Defined contribution plans

The Bank pays defined contribution plans to publicly administered 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.

15.3 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.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

16. Explanations on taxation

Current Tax

While corporate earnings in Turkey are subject to 25% corporate tax; In accordance with the regulation introduced by the "Law No. 7456 on the Amendment of Certain Laws and the Decree Law No. 375 with the Establishment of Additional Motor Vehicle Tax for the Compensation of Economic Losses Caused by the Earthquakes Occurring on 6/2/2023", this rate is for banks, companies within the scope of Law No. 6361. , has been determined as 30% to be applied to the corporate earnings of electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies for the 2023 and later taxation period.

This rate is applied to the tax base to be found as a result of the addition of expenses that are not accepted as deductions under tax laws to the business earnings of the corporations, the exemption in the tax laws (such as the exception for affiliate earnings) and other deductions. If the profit is not distributed, no other tax is paid.

No withholding is made from dividends paid to institutions that earn income through a workplace or permanent representative in Turkey and to institutions established in Turkey. With the decision of the Council of Ministers numbered 2009/14593 published in the Official Gazette dated 3 February 2009 and numbered 27130 and the decision of the Council of Ministers numbered 2009/14594 published in the Official Gazette dated 3 February 2009 and numbered 27130, some withholding rates in Articles 15 and 30 of the Corporate Tax Law No. 5520 were re-determined. In this context, while the withholding rate applied to dividend payments other than those made to narrow taxpayer institutions and institutions established in Turkey that earn income through a workplace or permanent representative in Turkey is 15%, this rate has been changed to 10% with the Presidential Decree published in the Official Gazette dated December 22, 2021 and numbered 31697.

In the application of withholding rates for profit distributions to narrow taxpayer institutions and natural persons, the practices contained in the relevant Double Taxation Prevention Agreements shall also be taken into account. The addition of profit to capital is not considered a distribution of profits and no withholding is applied.

Provisional taxes are calculated and paid at the corporate tax rate to which their earnings are subject for that year. Provisional taxes paid during the year can be deducted from the corporate tax calculated on the annual corporate tax return for that year.

According to the Turkish tax legislation, the financial losses shown on the declaration can be deducted from the corporate earnings for the period provided that they do not exceed 5 years. However, in case of financial losses, there is no practice of refunding the taxes paid from the profits up to the amount of these losses in the past years.

In accordance with subparagraph (4) of subparagraph (a) of the first paragraph of Article 5 of KVK No. 5520; Profit shares obtained by institutions from other investment fund participation shares subject to full liability and income arising from the return of participation shares to the fund (except for the earnings obtained from investment funds with assets in foreign currency and gold and other precious metals and capital market instruments based on them in their portfolio), (In accordance with subparagraph 5), the capital gains arising from the valuation of the participation shares of the investment funds, which constitute the source of these exemption earnings, within the scope of Article 279 of the Tax Procedure Law No. 213, were exempt from corporate tax.

However, in accordance with Article 19 of Law No. 7456, which came into force on June 15, 2023, subparagraphs (4) and (5) of Article 5/1-a of KVK No. 5520 have been abolished. Thus, institutions, venture capital investment fund participation shares and venture capital Except for the exemption provided for the income earned by investment trusts from stocks, the exception for the income they receive from other investment funds has been abolished. The regulation in question is applicable for investment fund participation shares acquired as of July 15, 2023.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

16. Explanations on taxation (continued)

Current Tax (continued)

Within the scope of Article 298 of the Tax Procedure Code, it has been stipulated that if the increase in the producer price index is more than 100% in the last 3 accounting periods including the current period and more than 10% in the current accounting period, the financial statements will be subject to inflation adjustment and these conditions have been fulfilled as of September 30, 2023. However, with the Law No. 7352 "On the Amendment of the Tax Procedure Law and the Corporate Tax Law" published in the Official Gazette dated January 29, 2022 and numbered 31734, provisional article 33 was added to the Tax Procedure Law No. 213 and the accounting periods of 2021 and 2022, including the temporary tax periods (as of the accounting periods ending in 2022 and 2023 for those who were assigned a special accounting period) and the temporary tax periods of the 2023 accounting period, within the scope of the duplicate article 298. It has been enacted that the financial statements will not be subject to inflation adjustment regardless of whether the conditions for inflation adjustment have occurred or not, and that the financial statements dated December 31, 2023 will be subject to inflation adjustment regardless of whether the conditions for inflation adjustment have been met, and that the profit/loss differences arising from the inflation adjustment will be shown in the profit/loss account of previous years.

With the Communiqué on the Amendment of the General Communiqué on Tax Procedure Law No. 547 (sequence no. 537) published in the Official Gazette dated January 14, 2023 and numbered 32073, the procedures and principles of the articles of the law allowing the revaluation of immovable and depreciable economic assets were rearranged. Accordingly, the Bank is subject to revaluation provided that it meets the conditions in the provisions of Provisional Article 32 of the Tax Procedure Law and Article 298/ç of the Duplicate Article regarding the immovable and depreciable economic assets in its balance sheet. Thus, corporate tax is calculated by taking into account the values of immovable and depreciable economic assets after revaluation.

With the Law No. 7440 on the Restructuring of Certain Receivables and the Amendment of Some Laws published in the Official Gazette dated March 12, 2023 and numbered 32130, the exemptions and deductions made by the corporate taxpayers from the corporate earnings in accordance with the regulations contained in the Law No. 5520 and other laws by showing in the corporate tax return for the year 2022 and the discounted corporate tax within the scope of Article 32/A of the same Law. An additional tax of 10% shall be calculated on the subject bases without being associated with the period earnings, and at the rate of 5% on the exemption earnings obtained from abroad with the exception set forth in subparagraph (a) of the first paragraph of Article 5 of the Law No. 5520 and which are deemed to have a tax burden of at least 15%, and the first installment of this tax shall be paid within the payment period of the corporate tax and the second installment shall be paid in the fourth month following this period.

Immovables; this rate shall be applied as 100% for the sales of the asset to the leasing companies for the purpose of issuance of lease certificates by the source institutions and for the gains arising from the sale of the real estate to the institution from which the asset leasing and financial leasing companies have taken over the immovable property for the purpose of leasing back within the scope of the Financial Leasing, Factoring and Financing Companies Law No. 6361 dated November 21, 2012 and provided that it is taken back at the end of the contract, and for these immovables for at least two full years. There is no requirement to be active for a period of time. However, the immovables in question; In the event that the asset leasing or financial leasing company sells to third parties and institutions, except in the case of failure to fulfill the obligations arising from the source organization, tenant or contract, taxation shall be made before the institution performing the sale by taking into account the recorded value of these immovables in the source organization or in the lessee before the transfer to the asset leasing or financial leasing company and the total amount of depreciation allocated in the aforementioned institutions.

Corporate tax is declared until the evening of the thirtieth day of the fourth month following the accounting period to which it relates and is paid in single installments until the end of the relevant month.

According to the Corporate Tax Law, the financial losses shown on the declaration can be deducted from the corporate tax base of the period provided that they do not exceed 5 years. However; In the event of financial loss, there is no practice of refunding the taxes paid on profits up to the amount of these losses in previous years. Declarations and related accounting records can be examined by the tax office within five years and tax accounts can be checked.

There is no practice of reaching an agreement with the tax authority on the taxes to be paid in Turkey.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

16. Explanations on taxation (continued)

Deferred Tax

In accordance with the "Turkish Accounting Standard for Income Taxes" (TAS 12), the deferred tax liability or asset is determined by calculating the tax effects of the "temporary differences" between the values of assets and liabilities shown in the financial statements and the amounts taken into account in the statutory tax base calculation according to the balance sheet method. According to the tax legislation, the differences of assets or liabilities that do not affect the financial or commercial profit on the acquisition date are excluded from this calculation.

As announced under the reign of the Current Tax, the corporate tax rate is regulated by the Law No. 7456 "On the Establishment of Additional Motor Vehicle Tax for the Compensation of Additional Economic Losses Caused by the Earthquakes Occurring on 6/2/2023 and the Regulation in Certain Laws and the Decree Law No. 375" This registered rate has been determined as 30% for companies within the scope of Law No. 6361, electronic payment and money cells, authorized foreign exchange institutions, asset management companies, capital market and insurance and reinsurance companies, and for the purpose of applying the separation to the corporate earnings to which taxation applies in 2023 and thereafter. For this reason, the Bank has made a 30% future deferred tax program for assets and liabilities as of September 30, 2023.

If transactions and other events are recognized in profit or loss, the tax implications associated with them are also recognized in profit or loss. If transactions and other events are accounted for directly in equity accounts, the related tax effects are also recognized directly in the equity accounts.

The bank's calculated deferred tax receivables and deferred tax liabilities are shown by netting them in its financial statements.

In accordance with the said circular of the BRSA, if the income balance remains as a result of the netting of deferred tax assets and liabilities, the deferred tax revenues cannot be subject to profit distribution and capital increase.

17. Explanations on additional disclosures on borrowings

As of September 30, 2023, the Bank has no instruments representing borrowing.

The Bank has not issued convertible bonds.

18. Explanations on share certificates issued

There is no transaction costs on Bank about share certificates.

19. Explanations on acceptances and availed drafts

As of September 30, 2023, the Bank has no availed drafts and acceptance transactions.

20. Explanations on government grants

As of September 30, 2023, there are no government grants received by the Bank.

21. Explanations on segment reporting

The Bank conducts its activities in three separate segments: Retail Banking, Corporate Banking, Treasury and International Banking. Each department serves with its own products and the results of the activities are monitored on the basis of these departments.

Segment reporting is disclosed in Section Four, Note 13.

22. Explanations on other matters

The Bank has no disclosures on other matters.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

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 September 30, 2023, Bank’s total capital has been calculated as TL 1,460,368 (31 December 2022: TL 1,499,709), capital adequacy ratio is 373% (31 December 2022: 455%).

The standard ratio of capital adequacy is calculated on the basis of the Regulation on the Equity of Banks, the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, the decisions of the BRSA dated 21 December 2021, numbered 9996 and dated 31 January 2023, numbered 10496 and other legal regulations. Within the framework of the aforementioned Board decisions, the amount item based on credit risk was calculated by using the exchange rates of the Central Bank of the Republic of Turkey for 30 December 2022.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

1.1 Components of Total Capital:

	Current Period Amount	Prior Period Amount
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	29,076	-
Other Comprehensive Income According to TAS	-	-
Profit	30,491	29,076
Current Period Profit	30,491	29,076
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	1,559,567	1,529,076
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 (-)	-	-
Leasehold Improvements on Operational Leases (-)	-	-
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	72,650	29,367
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	27,828	-
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	100,478	29,367
Total Common Equity Tier I Capital	1,459,089	1,499,709

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

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)	1,459,089	1,499,709
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)	1,279	-
Tier II Capital before deductions	1,279	-
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	1,279	-
Total Equity (Total Tier I And Tier II Capital)	1,460,368	1,499,709

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

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)	1,460,368	1,499,709
Total Risk Weighted Assets	391,135	329,966
Capital Adequacy Ratios		
CET1 Capital Ratio (%)	373%	455%
Tier I Capital Ratio (%)	373%	455%
Capital Adequacy Ratio (%)	373%	455%
Buffers		
Bank-Specific Total CET1 Capital Ratio	4.0	4
Capital Conservation Buffer Ratio (%)	2.5	4
Systemic Significant Bank Buffer Ratio (%)	1.5	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 Of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	365%	447%
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)	1,279	-
General Loan Provisions for Exposures in Standard Approach Limited By 1.25% of Risk Weighted Assets	1,279	-
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	-	-

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

1.1 Components of Total Capital (continued):

Information on the debt instruments to be included in the equity calculations:

Not available.

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

The Bank does not conduct a study assessing its internal capital requirement.

2. Explanations and disclosures related to credit risk

It has not been prepared in the interim period in accordance with Article 25 of the Communiqué on Financial Statements to be Publicly Announced by Banks and the Related Explanations and Footnotes.

3. Explanations on currency risk

Foreign currency risk represents the Banks's exposure to loss due to the changes in foreign currency exchange rates. All foreign currency assets, liabilities and foreign currency forward transactions are considered in calculation of capital to be employed for foreign currency risk according to standard method. "Standard Method" is using.

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.

As of 30 September 2023, the Bank has a balance sheet net long position of TL 111,215 (31 December 2022 – TL 15,172 long) off-balance sheet position.

The announced current foreign exchange buying rates of the Bank as of 30 September 2023 and the prior five working days are as follows (full TL):

	25/09/2023	26/09/2023	27/09/2023	28/09/2023	30/09/2023	Valuation Rate
USD	27.18225	27.2201	27.28118	27.34588	27.41508	27.41508
EURO	28.91974	28.82439	28.80030	28.75518	29.01443	29.01443
GOLD	1,677.93199	1,688.60173	1,693.73523	1,675.02740	1,664.21450	1,664.21450

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

	FC bid rate
USD	26.97071
EURO	28.82571
GOLD	1,679.94784

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

Currency risk of the Bank

	Euro	USD	Other FC	Total
Current Period				
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	37	1,708	1,745
Banks (*)	735	11,672	-	12,407
Financial assets at fair value through profit and loss	-	28,177	-	28,177
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Loans and finance lease receivables	14,419	-	-	14,419
Subsidiaries, associates and joint ventures	-	-	-	-
Financial assets at amortized cost	-	54,678	-	54,678
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets	-	9	-	9
Total assets	15,154	94,574	1,708	111,435
Liabilities				
Current account and funds collected from Banks via participation accounts	-	126	3	129
Current and profit-sharing accounts FC	64	27	-	91
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	-	-	-	-
Marketable securities issued	-	-	-	-
Miscellaneous payables	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	-	-	-	-
Total liabilities	64	153	3	220
Net balance sheet position	15,087	94,423	1,705	111,125
Net off-balance sheet position	-	-	-	-
Financial derivative assets	-	-	-	-
Financial derivative liabilities	-	-	-	-
Non-cash loans	-	-	-	-
Prior Period (31 December 2022)				
Total assets	4	15,168	-	15,172
Total liabilities	-	-	-	-
Net balance sheet position	4	15,168	-	15,172
Net off-balance sheet position	-	-	-	-
Financial derivative assets	-	-	-	-
Financial derivative liabilities	-	-	-	-
Non-cash loans	-	-	-	-

(*) It is reported net after deducting Expected Loss Provisions of TL 9 from Banks, TL 93 from Loans and Amortized Cost and TL 564 from financial assets.

Foreign currency amounts not included in the exchange rate risk table due to regulatory obligation regarding foreign currency net general positions/equity standard programming: None.

Foreign exchange purchases and sales with foreign currency value and forward mining transactions are not included in the receivables/payables from derivative financial instruments: None.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

Sensitivity to exchange rate risk

The bank is to exchange rate risk in Euros, US dollars and gold.

The following table shows the bank's sensitivity to a 10% increase in US Dollar and Euro exchange rates.

	Change in exchange rate (%)	Effect on profit / loss		Effect on Equity	
		Current Period	Prior Period	Current Period	Prior Period
US Dollar	10%	9,442	1,517	9,542	1,517
Euro	10%	1,509	16	1,509	16
Other FC	10%	171	-	171	-

4. Explanations related to stock position risk

4.1 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 September 30, 2023, the Bank has no shares in its assets.

4.2 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

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

None

5. Liquidity risk management and liquidity coverage 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. It has been evaluated in two main categories:

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 related business units within the framework of the Liquidity Risk Policy and risk appetite approved by the Board of Directors. In liquidity risk management, the measures to be taken and the practices to be carried out are determined by taking into account normal economic conditions and stress conditions. The Bank defines liquidity risk, measures risks with liquidity risk measurement methods in accordance with international standards, monitors them and periodically presents them to the interested parties. An emergency funding plan (liquidity contingency plan) has been created to regulate the procedures and principles for the bank to maintain and maintain adequate liquidity levels under stress conditions.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

5. Liquidity risk management and liquidity coverage ratio (continued)

5.1 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

Practices and responsibilities related to liquidity risk are determined in accordance with the Treasury Regulation approved by the Board of Directors. The Bank's liquidity policy is to maintain a liquidity buffer at a level that meets the liabilities in all economic conditions and to maintain the necessary liquidity at the lowest cost. There are also ready-to-use limits for financial institutions.

Indicators regarding the liquidity position are analyzed and liquidity risk is evaluated at the ALCO meetings attended by the senior management. Furthermore, the Board of Directors are informed through the Audit Committee.

In order to manage liquidity risk prudently, it is necessary to know what kind of problem the mismatch between asset and liability will create under which economic conditions and the cost it will bring. Liquidity risk management aims to measure the Bank's current and future liquidity position in a prudent and proactive manner, taking into account the money types and maturities of assets and liabilities. Reports on the liquidity gap analysis are prepared weekly by the Financial Affairs and Reporting Department and monitored by the Asset-Liabilities Committee. The Risk Management Department monitors the limits on liquidity risk set by the Board of Directors. The Treasury Department manages funding and liquidity risk to prevent underfunding at any time or with respect to any source, and regularly reports to the Asset-Liabilities Committee regarding the Bank's liquidity position. The Financial Affairs and Reporting Department monitors the liquidity coverage ratio and reports the results to the BRSA.

5.2. 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 Assets and Liabilities Department. Since the Bank has no subsidiaries or subsidiaries subject to consolidation, there is no consolidated liquidity risk management.

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

Bank spread to the base of current and participation accounts and that a stable, long-term diversification and aims to be the source of the funds used. Ratio of liquid assets to total assets ratio and risk indicators related to liquidity, credit and the ratio of funds, issues such as the concentration in collected funds are being closely monitored.

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

Almost all liabilities of the Bank are denominated in Turkish Lira. The Bank's TL liquidity is managed through interbank transactions. Foreign currency liquidity is held in interbank transactions and correspondent bank accounts within limits.

5.5. Information on liquidity risk mitigation techniques

The Bank aims to maintain a sufficient stock of high-quality liquid assets to meet its cash outflows, to diversify funding sources in order to reduce liquidity risk concentrations, to reduce the maturity gap between assets and liabilities through maturity gap analysis, and to carry out liquidity risk reduction techniques through practices such as ensuring that at least a certain part of the fund resources are provided through the funds collected.

5.6. Information on the use of stress tests

The purpose of the stress test is to identify the sources of possible liquidity weaknesses and whether the liquidity risk appetite for existing on- and off-balance sheet positions is being acted in a manner that is in line with the balance. While developing stress test analyzes, it includes systemic crisis, crisis in the Bank and scenarios that take into account both situations together. Different threshold levels are determined for the percentage of buffering of the deficit predicted in the stress test. The Stress Test is aligned with the Bank's risk appetite framework, other processes such as ICAAP, Budget, etc. and integrated with risk appetite metrics. Stress test results are reported to ALCO.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

5. Liquidity risk management and liquidity coverage ratio (continued)

5.7. General information on emergency funding plan

Necessary strategy and procedures for the management of possible liquidity crisis are determined with the Liquidity and Emergency Funding Plan, which is approved by Board of Directors. The actions to be taken favor the benefits of depositors, creditors of the Bank and shareholders. Indicators of Emergency Funding Plan were determined, in case of unexpected progress at the liquidity situation occur or at situations trigger of other indicators, plan is put into use. Asset-Liability Committee is responsible from the determination of actions to be taken.

5.8. Presentation of financial liabilities according to contractual maturities

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by The Banks.

5.9 Liquidity coverage ratio

The liquidity coverage rate is calculated by the proportion of high-quality liquid assets held by the bank to its one-month maturity cash outflows.

	Current Period	Total Unweighted Value (*)		Total Weighted Value (*)	
		LC+FC	FC	LC+FC	FC
	High Quality Liquid Assets				
1	High Quality Liquid Assets	73,771	69,666	73,771	69,666
	Cash Outflows	-	-	-	-
2	Retail and Small Business Customers. of which;	250	157	25	16
3	Stable deposits	-	-	-	-
4	Less stable deposits	250	157	25	16
5	Unsecured wholesale funding. of which;	61,549	63	61,130	25
6	Operational deposits	-	-	-	-
7	Non-operational deposits	64	63	26	25
8	Other unsecured funding	61,485	-	61,104	-
9	Secured funding	-	-	-	-
10	Other cash outflows. of which;	-	-	-	-
11	Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	-	-	-	-
12	Obligations related to structured financial products	-	-	-	-
13	Commitments related to debts to financial markets and other off-balance sheet obligations	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	-	-	-	-
16	Total Cash Outflows			61,155	41
	Cash Inflows			-	-
17	Secured lending	-	-	-	-
18	Unsecured lending	330,379	12,455	330,149	12,436
19	Other cash inflows	-	-	-	-
20	Total Cash Inflows	330,379	12,455	330,149	12,436
				Upper Limit Applied Value	
21	Total HQLA Stock			73,771	69,666
22	Total Net Cash Outflows			15,289	10
23	Liquidity Coverage Ratio (%)			482.52	679,668.29

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

5.9 Presentation of assets and liabilities according to their remaining maturities

Current Period	Demand	Up to 1 months	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 Central Bank of the Republic of Turkey	4,704	-	-	-	-	-	-	4,704
Banks (*)	9,316	314,127	-	-	-	-	-	323,443
Financial assets at fair value through profit and loss	898,299	-	-	-	28,177	-	-	926,476
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Loans (*)	-	127	254	75,562	-	-	-	75,943
Financial assets measured with amortized cost	-	-	105,736	2,044	-	-	-	107,780
Other assets	-	-	-	-	-	-	189,092	189,092
Total assets	912,319	314,254	105,990	77,606	28,177	-	189,092	1,627,438
Liabilities								
Current account and funds collected from banks via participation accounts	174	139	1	-	-	-	-	314
Current and profit-sharing accounts	-	-	-	-	-	-	-	-
Funds provided from other financial institutions	-	-	-	-	-	-	-	-
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	50,508	-	-	-	-	-	50,508
Other Liabilities	-	139	278	1,254	2,414	-	1,572,531	1,576,616
Total Liabilities	174	50,786	279	1,254	2,414	-	1,572,531	1,627,438
Net liquidity gap	912,145	263,468	105,711	76,352	25,763	-	(1,383,439)	-
Prior Period								
Total assets	867	1,493,122	-	-	-	-	75,121	1,569,110
Total liabilities	-	21,072	-	-	-	-	1,548,038	1,569,110
Net liquidity gap	867	1,472,050	-	-	-	-	(1,472,917)	-

(*) Presented with netting off expected credit losses.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

6. Explanations on leverage ratio

Disclosure of leverage ratio template

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:

On-balance sheet assets (*)		Current Period	Prior Period
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	1,613,262	1,569,110
2	(Assets amounts deducted in determining Basel III Tier I Capital)	82,920	32,018
3	Total amount on-balance sheet risks (sum of lines 1 and 2)	1,530,342	1,537,092
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	-	-
5	The potential amount of credit risk with derivative financial instruments and credit derivatives	-	-
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	-	-
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	-	-
11	(Adjustments for conversion to credit equivalent amounts)	-	-
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	-	-
Capital and total risks			
13	Tier I Capital	1,475,206	1,499,709
14	Total risks (sum of lines 3, 6, 9 and 12)	1,530,342	1,537,092
Leverage ratio			
15	Leverage ratio	96.0	97.5

The leverage ratio calculated unconsolidated balance sheet date was 96% (31 December 2022 – 97.5%).

7. Explanations on the fair value of financial assets and liabilities

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by The Banks.

8. Explanations on the activities carried out on behalf and account of other persons, fiduciary-based transactions:

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by The Banks.

9. Explanations on hedge accounting practices

None (31 December 2022 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

10. Explanations on risk management

The disclosures under this heading were made in accordance with the "Communiqué on Disclosures to be Made to the Public by Banks Regarding Risk Management" published in the Official Gazette No. 29511 dated 23 October 2015.

10.1 The Bank's risk management approach and risk-weighted amounts

10.1.1 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 stipulated 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 a part of the risk appetite structure, taking into account the size of the Bank within the financial system on a consolidated and non-consolidated basis, and clearly associating it with the amount of loss and the amount of capital allocated.

It is the responsibility of the Board of Directors to ensure 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 requires 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.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

10. Explanations on risk management

10.1 The Bank's risk management approach and risk-weighted amounts (Continued)

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 created for the purpose of systematically managing the risks to which the Bank is exposed; it refers to the Board of Directors, Audit Committee, Internal Systems Committee, Asset-Liability Committee and Risk Management Directorate. 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.

10.1. GB1 - Overview of risk weighted amounts

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 30/09/2023	Prior Period 31/12/2022	Current Period 30/09/2023
1	Credit risk (excluding counterparty credit risk) (CCR)	210,301	314,793	16,824
2	Standardized approach (SA)	210,301	314,793	16,824
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	-	-	-
5	Standardized approach for counterparty credit risk (SA-CCR)	-	-	-
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models' equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies – 1250% risk weighting Approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization exposures in banking book	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB supervisory formula approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	180,834	15,173	14,467
17	Standardized approach (SA)	180,834	15,173	14,467
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	-	-	-
20	Basic indicator approach	-	-	-
21	Standardized 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)	391,135	329,966	31,291

11. Securitization Positions

None.

12. Qualitative explanations on market risk

Not prepared in accordance with the Article 25 of the Communiqué on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

13. Explanations on Business Segments

Since the Bank has not yet started its actual banking activities as of September 30, 2023, all assets/liabilities, income and expenses consist of non-distributable items.

Specific balance sheet and income statement items according to segments

Current Period 1 January 2023-30 September 2023	Retail Banking	Corporate and Commercial banking	Treasury and international banking	Unallocated	Bank's total operation
Operating income	-	360	278,930	-	279,290
Operating expenses (-)	-	399	880	278,000	279,279
Net operating income(loss)	-	(39)	278,050	(278,000)	11
Income (loss) before tax	-	(39)	278,050	(278,000)	11
Provision for taxation (-)	-	-	-	(30,480)	(30,480)
Net income for the period	-	(39)	278,050	(247,520)	30,491
Current Period 30 September 2023					
Segment assets	-	76,342	1,362,004	-	1,438,346
Undistributed assets	-	-	-	189,092	189,092
Total assets	-	76,342	1,362,004	189,092	1,627,438
Segment liabilities	313	1	-	-	314
Undistributed liabilities	-	-	-	67,557	67,557
Shareholders' equity	-	-	-	1,559,567	1,559,567
Total liabilities	313	1	-	1,627,124	1,627,438
Prior Period 10 August 2022 – 30 September 2022					
Operating income	-	-	34,523	-	34,523
Operating expenses (-)	-	-	-	11,432	11,432
Net operating income(loss)	-	-	34,523	(11,432)	23,091
Income (loss) before tax	-	-	34,523	(11,432)	23,091
Provision for taxation (-)	-	-	-	(1,719)	(1,719)
Net income for the period	-	-	34,523	(9,713)	24,810
Prior Period 31 December 2022					
Segment assets	-	-	1,527,237	-	1,527,237
Undistributed assets	-	-	-	41,873	41,873
Total assets	-	-	1,527,237	41,873	1,569,110
Prior Period 31 December 2022					
Segment liabilities	-	-	-	-	-
Undistributed liabilities	-	-	-	46,019	46,019
Shareholders' equity	-	-	-	1,529,076	1,529,076
Total liabilities	-	-	-	1,569,110	1,569,110

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

(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

1.1.1 Cash and balances with the Central Bank of Republic of Turkey

	Current Period		Prior Period	
	LC	FC	LC	FC
Cash in LC/FC	-	-	-	-
Central Bank of Turkey	2,959	37	-	-
Other(*)	-	1,708	-	-
Total	2,959	1,745	-	-

(*) As of September 30, 2023, it consists of a precious metal deposit account of TL 1,708 (December 31, 2022 - None).

1.1.2 Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	LC	FC	LC	FC
Unrestricted Demand Deposit	2,959	5	-	-
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	32	-	-
Total	2,959	37	-	-

According to the CBRT's Communiqué on Reserve Requirements No. 2005/1, banks operating in Turkey; required reserve ratios for Turkish currency, foreign currency and precious metal liabilities vary depending on the maturities of the liabilities. As of the date of the report, these rates have been determined and applied between %3 and %29.

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

The bank classified mutual fund participation information as for buying/selling purposes. As of September 30, 2023, the total amount is TL 898,299 (December 31, 2022 - None). In addition, sukuk amounted to TL 28,177 (December 31, 2022 - None) were classified as financial assets whose value difference is reflected in profit or loss in accordance with their systems.

a) Information regarding financial assets subject to repo transactions, given as collateral and blocked, among the financial assets whose fair value difference is reflected in profit/loss, as of September 30, 2023.

As of September 30, 2023, the amount of securities (sukuk) given as collateral to the CBRT is TL 13,708 (December 31, 2022 - None).

b) Positive differences table for derivative financial assets held for trading

None (December 31, 2022 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

1. Explanations and notes related to assets (Continued)

1.3 Information on Banks

1.3.1. Information on Banks

	Current period		Prior Period	
	LC	FC	LC	FC
Banks	311,264	11,718	1,512,062	15,172
Domestic	311,264	11,718	1,512,062	15,172
Foreign	-	698	-	-
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
Total	311,264	12,416	1,512,062	15,172

The Bank has allocated TL 237 (31 December 2022: None) expected loss provision for the relevant account.

1.3.2 Information on foreign banks account

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by The Banks.

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

None (31 December 2022 – None).

1.4.1. Information on given collateral or blocked financial assets at fair value through other comprehensive income

None (31 December 2022 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

1. Explanations and notes related to assets (continued)

1.4.2. Information on subject to repurchase agreement financial assets at fair value through other comprehensive income

None (31 December 2022 – None).

1.5. Explanations on financial assets measured at amortized cost

1.5.1 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 Lending to Shareholders	74,811	-	-	-
Corporate Shareholders	74,811	-	-	-
Individual Shareholders	-	-	-	-
Indirect Lending to Shareholders	-	-	-	-
Loans and Other Receivables to Employees	16	-	-	-
Total	74,827	-	-	-

1.5.2 Information on standard loans, loans under close monitoring and restructured loans under close monitoring:

Current period Cash Loans	Standard Loans	Loans Under Close Monitoring		
		Loans Not Subject to Restructuring	Restructured Loans	
			Loans with Revised Contract Terms	Refinance
Non-specialized loans	76,342	-	-	-
Corporation Loans	-	-	-	-
Export Loans	-	-	-	-
Import Loans	-	-	-	-
Loans Extended to Financial Sector	76,326	-	-	-
Consumer Loans	16	-	-	-
Credit Cards	-	-	-	-
Other	-	-	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	76,342	-	-	-

Prior Period (December 31, 2022- None)

	Current Period		Prior Period	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
12 Month Expected Credit Losses	399	-	-	-
Significant Increase in Credit Risk	-	-	-	-
Total	399	-	-	-

1.5.3 Distribution of cash loans and other receivables according to their maturities

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by The Banks.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

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

	Short-Term	Medium and Long Term	Total
Consumer Loans – LC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans – FC Indexed	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans – FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards – LC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Retail Credit Cards – FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans-LC	16	-	16
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Consumer Loans	16	-	16
Other	-	-	-
Personnel Loans- FC Indexed	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards – LC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts – LC (real persons)	-	-	-
Overdraft Accounts – FC (real persons)	-	-	-
Total	16	-	16

Prior Period (December 31, 2022- None)

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

1. Explanations and notes related to assets (continued)

1.5.5 Information on commercial installment loans and corporate credit cards

None (31 December 2022 – None).

1.5.6 Breakdown of loans by users

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by The Banks.

1.5.7 Breakdown of domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	76,342	-
Foreign Loans	-	-
Total	76,342	-

1.5.8 Loans granted to subsidiaries and associates:

None (31 December 2022 – None).

1.5.9 Specific provisions for loans or default (third stage) provisions:

None (31 December 2022 – None).

1.5.1 Information on non-performing loans (Net)

1.5.10.1 Information on loans and other receivables included in loans under follow-up account, which are restructured or rescheduled

None (31 December 2022 – None).

1.5.10.2 Information on the movement of total non-performing loans

None (31 December 2022 – None).

1.5.10.3 Information on non-performing loans granted as foreign currency loans

None (31 December 2022 – None).

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

None (31 December 2022 – None).

1.5.10.5 In terms of financial instrument classes, the aging analysis of past due but not impaired financial assets is as follows:

This footnote has not been prepared in accordance with Article 25 of The Communiqué on the Financial Statements about disclosures to be announced to Public by The Banks.

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

None (31 December 2022 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

1. Explanations and notes related to assets (continued)

1.5.11 Main guidelines for liquidation process of uncollectible loans and other receivables

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by The Banks.

1.5.12 Information on the write-off policy

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by The Banks.

1.6. Information on financial assets measured at amortized cost

1.6.1 Information on other financial assets measured at amortized cost

	Current Period	Prior Period
Debt Securities	108,423	-
Quoted on a Stock Exchange	56,397	-
Not Quoted (*)	52,026	-
Impairment Losses (-)	-	-
Total	108,423	-

(*) An expected loss provision of TL 639 (31 December 2021 – None) has been set aside for other financial assets measured at amortized cost.

1.6.2 Movements of Other Financial Assets Measured at Amortized Cost During the Year

	Current Period	Prior Period
Beginning Balance	-	-
Foreign Exchange Differences Arising on Monetary Assets	3,113	-
Purchases During the Year	105,310	-
Disposals through Sales and Redemption	-	-
Impairment Losses (-)	-	-
Valuation effect	-	-
Balance at the End of the Period	108,423	-

1.7 Information on investment in associates (Net)

1.7.1 The Bank has no subsidiaries (31 December 2022 – None).

1.7.2 Information about investments in unconsolidated associates: None (31 December 2022 – None).

1.7.3 Information related to consolidated associates: None (31 December 2022 – None).

1.8 Information on subsidiaries (Net)

1.8.1 The Bank has no subsidiaries (31 December 2022 – None).

1.8.2 Information on subsidiaries:

None (31 December 2022 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

1. Explanations and notes related to assets (continued)

1.8.3 Information on capital adequacies of major subsidiaries

None (31 December 2022 – None).

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

None (31 December 2022 – None).

1.10 Information on finance lease receivables (Net)

1.10.1 Presentation of remaining maturities of net finance leases

None (31 December 2022 – None).

1.10.2 Net investments in finance leases

None (31 December 2022 – None).

1.10.3 Information on finance lease contracts

None (31 December 2022 – None).

1.11 Information on derivative financial assets for hedging purposes

None (31 December 2022 – None).

1.12 Information on tangible assets

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by The Banks.

1.13 Explanations on intangible assets

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by The Banks.

1.14 Explanations on investment properties

None (31 December 2022 - None)

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

1. Explanations and notes related to assets (continued)

1.15 Information on deferred tax asset

Within the scope of the relevant regulations, deferred tax assets and deferred tax liabilities have been netted in the balance sheet as of September 30, 2023. Deferred tax asset is calculated as TL 33,063 TL (31 December 2022 - None) and deferred tax liability is TL 5,235 (31 December 2022 – TL 2,652). Net deferred tax asset TL 27,828 (31 December 2022 – TL 2,652 net deferred tax liability).

	Current Period	Prior Period
Employee Rights Obligation	2,704	-
Severance Pay Obligation	1,185	-
Deferred Income	50	-
Provisions for Impairment of Fixed Asset and Disposal Securities of Subsidiaries	-	-
Derivative Financial Instruments Rediscounts	-	-
TFRS 9 provisions	292	-
Precious Metal Valuation Difference	-	-
Securities Valuation Difference	-	-
Other (*)	28,832	-
Deferred Tax Asset	33,063	-
Derivative Transactions Valuation Differences	-	-
Property, Plant and Equipment Valuation Differences	(3,364)	(2,652)
Financial Assets Valuation Differences	-	-
Precious Metal Valuation Difference	-	-
Other	(1,871)	-
Deferred Tax Liability	(5,235)	(2,652)
Net Deferred Tax Asset/Liability	27,828	(2,652)

(*) As of September 30, 2023, the Deferred Tax Asset amounting to TL 28,721 TL (December 31, 2022 - None) included in the Other item relates to the carried financial loss of TL 95,735 TL, which is expected to be fully deducted from tax in 2024.

Deferred tax asset movement table:

	Current Period	Prior Period
As of January 1	(2,652)	-
Deferred Tax (Expense)/Income	30,480	(2,652)
Deferred Tax Accounted Under Equity	-	-
Deferred tax asset/liability	27,828	(2,652)

1.16 Explanations on assets held for sale and discontinued operations

None (31 December 2022 – None).

1.17 Information on other assets

As of balance sheet date, the Bank's other assets amount to TL 22,850 (31 December 2022 – TL 3,693). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

2. Explanations and Notes Related to Liabilities

2.1 Information on funds collected

2.1.1 Information on maturity structure of funds collected:

Current Period	Current	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and above	Cumulative participation account	Total
I. Private current account natural person non-commercial -LC	43	-	-	-	-	-	-	-	43
II. Participation accounts are real person non-commercial -LC	-	48	2	-	-	-	-	-	50
III. Private current account other -TL	1	-	-	-	-	-	-	-	1
Official organizations	-	-	-	-	-	-	-	-	-
Commercial organizations	1	-	-	-	-	-	-	-	1
Other organizations	-	-	-	-	-	-	-	-	-
Commercial and other organizations	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
Republic of Turkey, Central Bank	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
IV. Participation accounts-LC	-	-	-	-	-	-	-	-	-
Official organizations	-	-	-	-	-	-	-	-	-
Commercial organizations	-	-	-	-	-	-	-	-	-
Other organizations	-	-	-	-	-	-	-	-	-
Commercial and other organizations	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
V. Private current account real person non-commercial-FC	64	-	-	-	-	-	-	-	64
VI. Participation account real person non-commercial-FC	-	61	29	-	-	-	-	-	90
VII. Private current accounts other-FC	63	-	-	-	-	-	-	-	63
Location within the country.									
Corporate	63	-	-	-	-	-	-	-	63
Located abroad. Corporate	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
Republic of Turkey, Central Bank	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
VIII. Participation accounts other -FC	-	-	-	-	-	-	-	-	-
Official organizations	-	-	-	-	-	-	-	-	-
Commercial organizations	-	-	-	-	-	-	-	-	-
Other organizations	-	-	-	-	-	-	-	-	-
Commercial and other organizations	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal DH	3	-	-	-	-	-	-	-	3
X. Participation accounts special fund pools LC	-	-	-	-	-	-	-	-	-
Location within the country	-	-	-	-	-	-	-	-	-
Located abroad	-	-	-	-	-	-	-	-	-
XI. Participation accounts special fund pools -FC	-	-	-	-	-	-	-	-	-
Location within the country	-	-	-	-	-	-	-	-	-
Located abroad	-	-	-	-	-	-	-	-	-
Total	174	109	31	-	-	-	-	-	314

None (31 December 2022 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

2. Explanations and Notes Related to Liabilities (Continued)

2.1.2 Information's on current and profit share accounts that are in the scope of Saving Deposit/Saving Deposit Insurance Fund

None (31 December 2022 – None).

2.1.2.1 Current and Participation Accounts Attributable to Real and Legal Entities/Persons under the Guarantee of Saving Deposit Insurance Fund Exceeding the Limit of the Deposit Insurance Fund

Savings Deposits	Under the Guarantee of Savings Deposits Insurance Fund		Exceeding the Limit of Deposit Insurance Fund	
	Current Period	Prior Period	Current Period	Prior Period
Accounts in Turkish currency	83	-	9	-
Accounts in foreign currencies	12	-	146	-
Other Deposits in the Form of Savings Deposits	-	-	-	-
Accounts in foreign branches subject to insurance by foreign authorities	-	-	-	-
Off-shore Banking Regions' Deposits Under Foreign Authorities Insurance	-	-	-	-

In Participation Banks (excluding those opened in foreign branches), in private current accounts opened in Turkish Lira or foreign currency and Funds collected in participation accounts, provided that the sum of the principal and profit shares of the accounts belonging to a person does not exceed TL 400, it is under the guarantee of the Savings Deposit Insurance Fund within the scope of the Banking Law No. 5411 published in the Official Gazette dated 1 November 2005 and numbered 25983.

2.1.2.2 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 Bank's headquarters is in Turkey.

2.1.2.3 Current and Profit Share Accounts of the real persons who are not in the scope of Saving Deposits Insurance Fund:

	Current Period	Prior Period
Foreign Branches' Saving Deposits and Other Accounts	-	-
Deposits and Other Accounts held by Main Shareholders and their Relatives	-	-
Deposits and Other Accounts of the Chairperson and Members of Board of Directors. Chief Executive Officer. Senior Executive Officers and their Relatives (*)	219	-
Deposits and Other Accounts Covered by Assets Generated Through the Offenses Mentioned in Article 282 of the Turkish Criminal Code No.5237 and Dated 26 September 2004	-	-
Deposits in the Banks to be Engaged Exclusively in Off-shore Banking in Turkey	-	-

1.2 Information on derivative financial liabilities held for trading

2.2.1 Negative differences table for derivative financial liabilities held for trading

None (31 December 2022 – None).

2.3. Information on funds borrowed

2.3.1 Information on banks and other financial institutions

None (31 December 2022 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

2. Explanations and Notes Related to Liabilities (continued)

2.3.2 Information on maturity structure of borrowings

None (31 December 2022 – None).

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

None (31 December 2022 – None).

2.3.4 Explanations regarding the areas where the Bank's liabilities are concentrated

None (31 December 2022 – None).

2.4 Information on other liabilities and miscellaneous payables

As of the balance sheet date, the Bank's other liabilities, BES and Private Health Insurance Premiums to be paid are TL 301 TL, (31 December 2022 – TL 274), Payments to be made to the personnel are TL 12,918 TL (31 December 2022 – TL 4,759), Goods and Services Purchase Prices to be paid are TL 20,092 (31 December 2022 – TL 16,039), Pre-Collected Commissions TL 165 (31 December 2022 - None TL) and Other Miscellaneous Payables TL 57 TL (31 December 2022 – None), totaling TL 33,533 TL (31 December 2022 – TL 21,070 TL).

2.5 Information on finance lease payables (net):

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
1 to 4 years	4,729	4,085	-	-
More than 4 years	-	-	-	-
Total	4,729	4,085	-	-

The Bank's alternative borrowing dividend ratio was used to reduce lease payments to date.

2.5.1. Explanations on contract changes and the new obligations these changes bring to the Bank

None (31 December 2022 – None).

2.5.1.1. Explanations on financial leasing obligations

None (31 December 2022 – None).

2.5.1.2. Explanations on operating lease

Leasing is classified as an operating lease in which the lessor holds all the risks and benefits of that asset.

There are no significant obligations imposed by the changes in the contract related to the operating lease to the Bank. None (31 December 2022 – None).

The bank registers its lease payments based on operating lease agreements with equal amounts of expenses during the lease term.

2.6 Information on hedging derivative financial liabilities

None (31 December 2022 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

2. Explanations and Notes Related to Liabilities (continued)

2.7 Information on provisions

2.7.1 Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans:

None (31 December 2022 – None).

2.7.2 Information on other provisions

None (31 December 2022 – None).

2.7.3 Information on provisions for employee benefits

The employee rights provision in the balance sheet includes severance pay obligations of TL 3,951 (31 December 2022 - None) and TL 9,013 (31 December 2022 – None) for calculated leave pay.

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 compensation to be paid is up to one month's salary for each service year and this amount is limited to TL 23,490 (full TL amount) (31 December 2022 – TL 15,371 (full TL amount)). The liability is not funded, as there is no funding requirement.

2.7.3 Information on provisions for employee benefits

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
Inflation rate (%)	15.80	15.80
Salary increases rate (%)	16.30	25.00

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

	Current Period	Prior Period
Balance at the beginning of the period	-	-
Provisions recognized during the period	3,951	-
Paid during the period	-	-
Actuarial loss	-	-
Balances at the end of the period	3,951	-

2.8 Explanations on tax liability

2.8.1 Explanations on current tax liability

2.8.1.1 Information on tax provisions:

As of September 30, 2023, there is no remaining corporate tax liability as a result of netting the corporate tax liability and the provisional taxes paid (31 December 2022 – TL 7,625).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

2. Explanations and Notes Related to Liabilities (continued)

2.8.1.2 Information on taxes payable(*)

	Current Period	Prior Period
Corporate Tax Payable	-	7,625
Income tax deducted from wages	6,290	3,908
Value Added Tax Payable	1,503	1,461
Taxation of marketable securities	-	44
Taxation of immovable property	-	-
Banking Insurance Transaction Tax (BITT)	236	-
Foreign Exchange Transaction Tax	-	-
Other	192	773
Total	8,221	13,811

(*) Classified under the Current Tax Debt item in the balance sheet.

2.8.1.3 Information on premiums (*)

	Current Period	Prior Period
Social Insurance Premiums-Employer	4,990	1,206
Social Insurance Premiums-Employee	3,138	1,071
Unemployment insurance-Employer	417	149
Unemployment insurance-Employee	209	75
Other	-	-
Total	8,754	2,501

(*) Classified under the Current Tax Debt item in the balance sheet.

2.8.1.4 Information on deferred tax liability

As of September 30, 2023, there is no deferred tax liability (December 31, 2022 – 2,652 TL).

2.9 Information on payables related to assets held for sale

None (31 December 2022 – None).

2.10 Information on subordinated loans

Not prepared in accordance with Article 25 of the Communiqué on Financial Statements to be Announced to Public by Banks and Related Disclosures and Footnotes.

2.11 Information on shareholders' equity

2.11.1 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

2.11.2 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.

2.11.3 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 2022 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

2. Explanations and Notes Related to Liabilities (continued)

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

None (31 December 2022 – None).

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

It is envisaged that the Bank will carry out its activities in line with its budget plans and close the year with a profit.

2.11.6 Summary of privileges given to shares representing the capital

None (31 December 2022 – None).

2.11.7 Information on marketable securities value increase fund

None (31 December 2022 – None).

2.12 Information on minority shares

None (31 December 2022 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

(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

3.1.1 Types and amounts of irrevocable commitments:

None (31 December 2022 – None).

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

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

None (31 December 2022 – None).

3.1.2.2 Revocable, irrevocable guarantees and other similar commitments and contingencies

None (31 December 2022 – None).

3.1.3 Total amount of non-cash loans:

None (31 December 2022 – None).

3.1.4 Information on sector-based risk concentration in non-cash loans

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by The Banks.

3.1.5 Information on non-cash loans classified in Stage I and II

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by The Banks.

3.2 Explanations on derivative transactions

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by The Banks.

3.3 Explanations on credit derivatives and their risks

None.

3.4 Explanations on contingent liabilities and assets

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by The Banks.

3.5 Explanations on services provided to other names and accounts

None.

3.6 Summary information on the rating of the bank to international rating agencies

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by The Banks.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

(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

4.1.1 Information on profit share received from loans

	Current Period		Prior Period	
	LC	FC	LC	FC
Interest Income on Loans (*)	319	41	-	-
Short-term Loans	303	41	-	-
Medium and Long-term Loans	16	-	-	-
Interest on Non-performing Loans	-	-	-	-
Premiums Received from State Resource Utilization Support Fund	-	-	-	-
Total	319	41	-	-

4.1.2 Information on profit share received from banks

	Current Period		Prior Period	
	LC	FC	LC	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	169,119	62	33,930	97
Foreign Banks	-	-	-	-
Branches and head office abroad	-	-	-	-
Total	169,119	62	33,930	97

4.1.3 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	-	165	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Financial Assets Measured at Amortised Cost	2,163	420	-	-
Total	2,163	585	-	-

4.1.4 Information on profit share income received from associates and subsidiaries

None. (10 August-30 September 2022 – None)

4.2 Information on profit share given to loans used

None. (10 August-30 September 2022 – None)

4.2.1 Profit share expense given to associates and subsidiaries

None. (30 September 2022 – None)

4.2.2 Profit share expense paid to securities issued

None. (10 August-30 September 2022 – None)

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

4. Explanations and Notes Related to The Statement of Income (Continued)

4.3 Information on dividend income

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by The Banks.

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

None. (10 August-30 September 2022 – None)

4.5 Information on trading income/loss (Net)

	Current period	Prior Period
Trading profit / loss (net)	106,977	496
Profit	116,046	496
Gain on capital market transactions	105,547	-
Gain on derivative financial instruments	-	-
Foreign exchange profit	10,499	496
Losses (-)	9,069	-
Losses on capital market transactions	-	-
Losses on derivative financial instruments	-	-
Foreign exchange losses	9,069	-

4.6 Information on other operating income

There are no unusual items in the other operating income which materially affect the income of the Bank. Other operation income is TL 24. (10 August -30 September 2022- None)

4.7 Provisions for loan losses and other receivables of the Bank

	Current Period	Prior Period
Expected Credit Loss	1,279	-
12 month expected credit loss (Stage 1)	1,279	-
Significant increase in credit risk (Stage 2)	-	-
Non-performing loans (Stage 3)	-	-
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Impairment losses from Associates, Subsidiaries and Jointly Controlled Entities	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	-	-
Total	1,279	-

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

4. Explanations and Notes Related to The Statement of Income (continued)

4.8 Information on other operating expenses

	Current Period	Prior Period
T.R. Central Bank EFT and FAST System Participation Share	20,000	-
Provision for Severance and Leave Compensation	3,951	-
Intangible Asset Depreciation Expenses	11,189	-
Tangible Fixed Asset Depreciation Expenses	4,107	51
Tangible Asset Impairment Expenses	-	-
Intangible Assets Impairment Expenses	-	-
Assets to be disposed off Depreciation Expenses	-	-
Other Operating Expenses	43,236	176
Computer Usage Expenses	19,907	-
Leasing Expenses Related to TFRS 16 Exceptions	3,674	-
Communication Expenses	4,447	43
Vehicle Expenses	3,244	-
Advertising and Advertisement Expenses	2,712	-
Stationery Expense	147	-
Maintenance and Repair Expenses	185	-
Heating, Lighting and Water Expenses	-	-
Cleaning Expenses	-	-
Other Expenses	8,920	133
Audit and Consultancy Expenses	30,835	2,113
Losses from the Sale of Assets	-	-
Trust Fund Expense	-	-
Tax and Fee Expenses	8,679	33
Other	-	-
Total	121,997	2,373

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

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by The Banks.

4.10 Information on tax provision for continued and discontinued operations

During the period of the Bank; there is no current tax expense. (August 10 - September 30, 2022 - None), deferred tax income of 43,361 TL (August 10 - September 30, 2022 - 2,606) and deferred tax expense of TL 12,881 (August 10 - September 30, 2022 – TL 887).

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

There is no profit/loss arising from discontinued operations within the operating profit/loss after tax.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

4. Explanations and Notes Related to The Statement of Income (continued)

4.12 Informations on net income/loss

4.12.1 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:

The Bank has started its actual operations as of August 7, 2023 and has not yet engaged in large-volume fund collection and loan disbursement transactions during the period, but it has invested a significant part of its income in short-term investment power of attorney, securities (sukuk) and investment funds participation certificates in other participation banks.

Net profit share income among income items for the accounting period ending as of September 30, 2023 is TL 171,917 (10 August -30 September 2022 – TL 34,027), Net Commercial Profit/Loss Income is TL 106,977 (10 August -30 September 2022 – TL 496).

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

None. (10 August-30 September 2022 – None)

4.12.3 Profit/Loss attributable to minority interest:

None. (10 August-30 September 2022 – None)

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

None. (10 August-30 September 2022 – None)

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

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by The Banks.

6. Explanations and Notes Related to Statement of Cash Flows

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by The Banks.

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

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real Persons and Corporate Bodies that have been Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Balance at the beginning of the period	-	-	-	-	-	-
Balance at the end of the period	-	-	74,827	-	-	-
Interest and commission income received	-	-	338	-	-	-

Prior Period (31 December 2022- None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

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

Bank's Risk Group	Investments in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Individuals and Corporates in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Balance at the beginning of the period	-	-	-	-	-	-
Balance at the end of the period	-	-	64	-	2	-
Participation accounts profit share expense	-	-	-	-	-	-

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

None (31 December 2022- None).

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

None (31 December 2022- None).

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

None (31 December 2022- None).

7.6 Information on remunerations provided to top management

The benefits provided to the Bank's senior management during the period of 1 January to 30 September 2023 amounted to TL 19,107 (10 August-30 September 2022 – TL 2,247).

8. Information about the branches of the Bank in domestic, foreign and coastal banking regions and their representative offices abroad

This footnote has not been prepared in accordance with Article 25 of the Communiqué on The Financial Statements about disclosures to be announced to Public by The Banks.

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 30 SEPTEMBER 2023

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

SECTION SIX

OTHER EXPLANATIONS

- 1. Other matters which must be explained in terms of explicitness, interpretability and understandability of the balance sheet:**

The bank has started its actual operations as of August 7, 2023 and is gradually introducing banking products within the scope of its operating permit.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

SECTION SEVEN

LIMITED REVIEW REPORT

1. Explanations on the limited review report:

The unconsolidated financial statements have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and the independent auditors' limited review report dated 15 November 2023 is presented preceding the 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 30 SEPTEMBER 2023

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

SECTION EIGHT 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:

1.1 About Hayat Finans

Hayat Finans Katılım Bankası A.Ş. ("Bank") received an establishment permit to operate in accordance with the operating principles specified for digital banks in the BRSA's "Regulation on the Operating Principles of Digital Banks and Service Model Banking" with the BRSA's BRSA decision no. 10165 dated April 21, 2022, and completed the company establishment procedures on August 10, 2022 and completed the company registration under the title of Hayat Finans Katılım Bankası A.Ş. With the BRSA decision dated March 23, 2023 and numbered 10543, the Bank became the first digital participation bank to receive an operating permit in Turkey. Its main field of activity is to collect funds from within and outside the country through "Special Current Accounts" and "Profit and Loss Participation Accounts" in addition to the Bank's own capital and to allocate funds to the economy, to carry out all kinds of financing activities within the framework of the legislation, to encourage the investment activities of real and legal persons engaged in agricultural, industrial and commercial activities and services, to participate in these activities and to form joint venture partnerships and to carry out all these services and activities without interest is to do as.

As of September 30, 2023, 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.

1.2 Financial Information Summary:

UNCONSOLIDATED BALANCE SHEET	30.09.2023	31.12.2022
CASH BALANCES AND CENTRAL BANK	4,704	-
BANKS	323,443	1,527,234
SECURITIES	926,476	-
FINANCE LEASE RECEIVABLES (Net)	184,765	-
EXPECTED LOSS PROVISIONS (-)	1,042	-
TANGIBLE AND INTANGIBLE ASSETS (Net)	137,434	38,183
OTHER ASSETS	51,658	3,693
TOTAL ASSETS	1,627,438	1,569,110
FUND COLLECTED	314	-
FUNDS BORROWED	-	-
ISSUED SECURITIES	-	-
FINANCE LEASE PAYABLES (Net)	4,085	-
SUBORDINATED LOANS	-	-
OTHER LIABILITIES	63,472	40,034
EQUITY	1,559,567	1,529,076
TOTAL LIABILITIES	1,627,438	1,569,110

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS	30.09.2023	30.09.2022
PROFIT SHARE INCOME	172,289	34,027
PROFIT SHARE EXPENSE	372	-
NET PROFIT SHARE INCOME/EXPENSE	171,917	34,027
NET FEES AND COMMISSION INCOME/EXPENSE	(1,476)	-
PERSONNEL EXPENSES	154,155	9,059
NET TRADING INCOME / LOSS	106,977	496
OTHER OPERATING INCOME	24	-
EXPECTED CREDIT LOSS (-)	1,279	-
OTHER PROVISION EXPENSES (-)	-	-
OTHER OPERATING EXPENSES (-)	121,997	2,373
INCOME/ LOSS BEFORE TAX	11	23,091
TAX CHARGE(-)	(30,480)	(1,719)
CURRENT PERIOD INCOME/LOSSES	30,491	24,810

KEY FINANCIAL RATIOS	30.09.2023	31.12.2022
Total Loans/Total Assets*	4.69%	-
Total Loans/Funds Collected*	-	-
Average Return on Equity **	2.64%	4.65%
Average Asset Return **	2.56%	4.52%
Capital Adequacy Ratio	373.37%	454.50%

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

1.3 Message from the Chairman of the Board

Dear Shareholders,

Global growth is expected to slow down slightly in 2024 compared to 2023 due to the tight stance in monetary policies in world economies and the weak recovery in China. Under the "soft landing" scenario, which has been talked about more recently and attributed to possibility, the OECD estimates global growth in 2024 as 2.7% and the IMF as 2.9%. A more negative growth forecast is made for the Eurozone. The ECB reduced its growth forecasts from 0.9% to 0.7% for this year and from 1.5% to 1% for next year. This outlook in the Eurozone, our most important export market, reveals a weaker picture in terms of our foreign demand.

In the interest rate increases that started in March 2022, the FED has increased the policy rate by a total of 525 basis points to the range of 5.25%-5.50%. While the ECB has increased short-term interest rates by a total of 450 basis points since July 2022, it states that it will continue its data-based decision-making process in the coming period. The Bank of England has increased the policy rate by a total of 490 basis points since December 2021; following the slowdown in headline and core inflation rates, it left interest rates constant at the September meeting.

Although the monetary tightening policies implemented in developed countries are nearing their end, it is estimated that it will take a long time for inflation to converge to the 2% target in the foreseeable term. This situation keeps the risks to the "soft landing" scenario and financial stability alive. Recent geopolitical developments and rising oil prices have the potential to delay the decline in global inflation and lead to the strengthening of the US dollar against other major currencies. In this context, returning to the "low inflation-low interest" era remains an important policy challenge.

In the first half of the year, the Turkish economy continued to grow despite the negative effects of the major earthquake disaster, and GDP increased by 3.8% annually during this period. Leading indicators for the third quarter of the year point to continued growth driven by domestic demand.

While domestic demand remains strong, the recent rise in energy imports due to the increase in oil prices, the depreciation of the EURO against the US Dollar and the weakening of foreign demand negatively affect the current balance. Despite the positive trend in service revenues, especially tourism, the current account deficit remains high. As of August, the 12-month cumulative current account deficit is at \$57 billion.

Annual inflation is; it started to rise again in the third quarter, due to the exchange rate pass-through and the depreciation in TL, as well as the effect of wage and tax increases, and reached 61.5% in September. It is anticipated that the rise in annual inflation will continue in the coming months due to the lagged effects of exchange rate and wage increases and the deterioration in pricing behavior. It seems likely that inflation rigidity will continue as the revaluation rate, which will serve as a reference for wage increases and managed price increases, will be at a high value at the beginning of the new year.

In order to direct the economy to a healthy and sustainable growth path, it is critical to strengthen policies to reduce macro-financial vulnerabilities caused by high inflation and current account deficit. CBRT is taking selective credit and quantitative tightening steps to support the monetary tightening process. In the last four meetings, it increased the policy rate by a total of 21.5 points to 30%. With these steps, 5-year CDS, which shows the country risk premium, decreased from 678 basis points to 400 basis points. Following these developments, credit rating agencies revised the country's outlook from "negative" to "stable". In the coming period, the expected additional increases in the policy rate, as well as tightening financial conditions within the framework of regulations encouraging deposit rates to increase in order to establish reverse dollarization, are expected to limit domestic demand and slow down economic activity.

The publication of the Medium Term Program, which shows the road map of the new economic management, is one of the important developments that took place in the third quarter of the year. The program is based on an outlook that does not compromise on growth before the local elections to be held next year, while a framework in which inflation gradually decreases is drawn. Budget deficit projections, in which the expenditures planned for the reconstruction of the region after the earthquake disaster are decisive, indicate that the public sector will adopt a growth-supporting stance, especially in 2024.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

In the first nine months of the year, the budget deficit was 512.6 billion TL, and the cumulative deficit in the last 12 months was 609.8 billion TL. In the Medium Term Program, the budget deficit estimate for the end of 2023 is given as 1,633 billion TL (6.4% compared to national income) due to increasing interest payments and earthquake expenses. Current budget realizations indicate that the year can be completed with a lower budget deficit.

With the tightening in financial conditions, credit growth slows down. While the averages of the last 4 weeks point to an increase in commercial loans originating from private and foreign banks, the growth rate of individual loans is weakening within the framework of macro-prudential measures. With the impact of the steps towards exchange rate protected deposits (KKM), the KKM stock started to decrease and decreased to 3,303 billion TL (\$120.7 billion) as of September 29. While KKM decreased by a total of 104.8 billion TL in the last six weeks, its share in TL deposits decreased from 45% to 42%. While the non-performing loan rate in the banking sector remains low at 1.6% as of August, the capital adequacy ratio continues to remain above the legal limit at 18.5%.

The banking sector will be at the center of macro prudential measures in the near future. Establishing a macroeconomic stability environment where inflation can be reduced to single-digit levels again and predictability increases will support the long-term growth potential of the financial sector by reducing the country risk premium, expanding external financing opportunities and improving the investment environment.

We are proud to present to you the data of the Turkish economy and the Turkish banking sector for the first nine months of the year, as this is our first independent audit report published after our bank started operating as of August 7, 2023.

Best regards,

Ahmet Yahya KİĞİLİ
Chairman of the Board

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

1.4 Message from the CEO

Dear Shareholders and Members of the Board of Directors

The third quarter of 2023 has a completely different meaning for Hayat Finans, Turkey's first digital bank. At a time when we are entering the new century of the Republic of Turkey, we would like to share with you the happiness of leading a very valuable development that will contribute to our country's competitive power in the world, and that the licensed digital banking era has officially started in Turkey, and as Hayat Finans, we are introducing Turkey to a brand new banking approach.

Nowadays, where access to financial services has become easier with digitalization, everyone expects special services tailored to their needs. While simpler banking transactions such as money transfer or personal financing are quite fast and practical today, it turns out that conventional banks cannot meet today's needs when there is a need for high-amount financing or when banks have to invite their customers to the branch. Fintechs, which stand out with their costless and branchless, cannot go beyond basic banking services and remain incomplete. At this point, we clearly see that the industry and customers need a radical transformation.

Hayat Finans, which was established with the aim of taking the leadership of the digital transformation that Turkey needs, started operating as of August 7, 2023, as the banking investment of Hayat Holding, which brings 49 Turkish brands to millions of consumers in 17 countries around the world. Providing services entirely through branchless and digital channels, and presenting an innovative business model in which access to financial opportunities is easier and less costly, our bank provides all its customers with access to financial services and financing within seconds, as a complete response to the needs in the field of banking and finance in a plane where digitalization increases inter-sectoral mobility and invites you to be part of a digital world where everything happens. Hayat Finans, which puts customer satisfaction before corporate targets and acts with a transparency policy that does not involve hidden costs and charges, funds the real sector and trade with the principle of "win together, share together" as a participation bank; It aims to contribute to the economic growth of businesses and individuals by making financial processes fast, easy and reliable for everyone with its superior technology.

The third quarter, in which Hayat Finans started out as Turkey's first licensed digital bank, also reveals that the developments in the banking sector are directly proportional to the stable growth of the Turkish economy. While banking sector deposits increased by 50 percent to 13.3 trillion TL in the third quarter of 2023, the funds collected by participation banks increased by 49 percent to 1.3 trillion TL. In the same period, loans in the sector increased by 41 percent and reached 10.7 trillion TL, and the funds provided by participation banks increased by 40 percent and reached 881 billion TL. During this period, the banking sector's non-performing receivables ratio and non-performing receivables special provision ratio were 1.53 percent and 85.62 percent, respectively, while in participation banking, the non-performing receivables ratio was 1.08 percent and the non-performing receivables special provision ratio was 101.7 percent.

We hope that Hayat Finans, which aims to be the leading bank in the digital transformation of the financial sector in the new century of the Republic of Turkey, will achieve many more successes; I would like to thank our esteemed partners and colleagues for their support.

Best regards,

Melih Murat ERTEM
Chief Executive Officer

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

1.5 Financial Position, Performance and Assessment of the Prospects for the Future

As of the date of the report, our asset size was TL 1,628,438 and our shareholders' equity was TL 1,559,567.

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

1.6 Announcement Regarding Important Developments within 3 Months

The Ordinary General Assembly meeting held on March 29, 2023 was registered and published. According to the said General Assembly Decision, TL 1,453,773 of TL 29,075,462 which is the net profit for 2022 (in full figure), was transferred to Legal Reserve Funds and TL 27,621,689 was transferred to Extraordinary Reserve Funds.

The bank notified the BRSA that it actually started banking activities on August 7, 2023.

1.7 Assessment of the Expectations Related to the Subsequent Interim Period

Both global and our country's macroeconomic conditions are closely monitored and inflation is expected to continue its downward trend. In this period when the central banks of developed and developing countries continue to implement restrictive monetary policy actions, the effects of the relevant risks on the markets will continue to be closely monitored. It is expected that with the end of the election atmosphere in our country, there will be an opportunity to see the markets better ahead.

As Turkey's first digital participation bank; although the retail banking experience, services and digitalization rate in Turkey are very high, this is not the case in the ecosystem of small and medium-sized enterprises, commercial banking and entrepreneurship. We are ready to start banking activities as a brand new participation bank with our belief that there will be no sustainable growth without strengthening and digitalizing these masses, which should be the backbone of our country's economy.

We will achieve our goals by applying the most appropriate action plans by evaluating the risks and opportunities that will arise from the current conditions and future expectations in the best way.